Colonial

2022
Integrated Annual Report

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Integrated Annual Report

UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS

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

We welcome feedback on its contents.

Summary

Additional information:

1

Key highlights

1.1. Key highlights

1.1.1 Key highlights

€12.07/share
Net Tangible Assets (NTA) including the dividend paid

€12.72/share
Net Disposal Value (NDV)

€13.0 bn
Gross Asset Value of the portfolio +5% vs. the previous year

€161M
Recurring Net Profit +26% vs. the previous year

€29.8 cts./share
Recurring EPS

€354M
Gross Rental Income +13% vs. the previous year

€283M
Group EBITDA +14% vs. the previous year

Letting activity
176,895 sqm
Signed in 2022, +4% vs. the previous year

96% occupancy
Occupancy levels (99.8% in Paris)

95%
Assets with energy certification

> €500M(1)
Disposal program in mature and/or non-strategic assets

100%
Current debt in hedged in the event of interest rate increases (post disposals)

5-Star
Gresb 2022 Rating

–8%
Energy intensity reduction 22/21

73%
Renewable energy +372 bp

–27%
GHG(2) emissions intensity (Scopes 1 & 2) 22/21

40% women
Non-executive director

+21%
Hours of training

(1) Out of €500m, €84m correspond to assets already divested in 2022. The remaining amount is attached to disposal of 6 assets, of which 3 already have been sold in January 2023 and the rest is expected to be signed during 1H 2023.
(2) Greenhouse Gas (GHG).

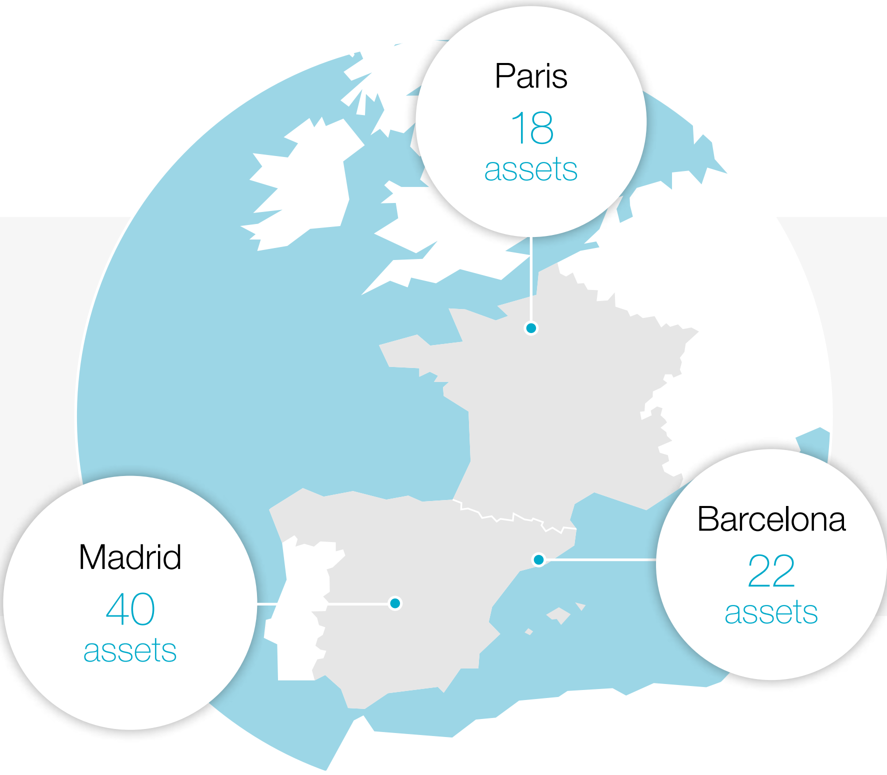
Growth in signed rent and indexation capturing

Renovation Program completed at maximum rental prices

Disposal proces in line with valuation

Leadership in ESG & Decarbonization

Rating A in CDP: Among the only 6th best real estate companies in Europe



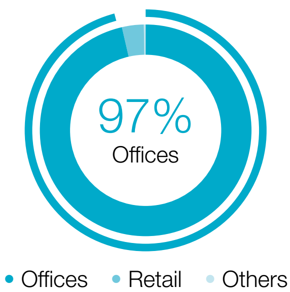
Note: Non-stategic premises are not included.

Group LTV
36.9%
Post disposals with liquidity of €2,645M

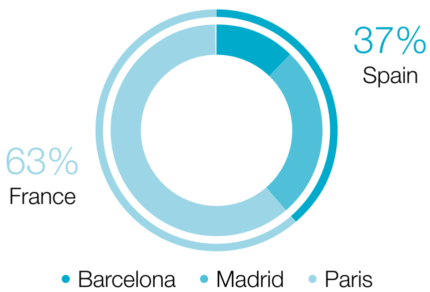
Rating S&P
BBB+
Stable, the highest rating in the Spanish Real Estate sector

Consolidated Group

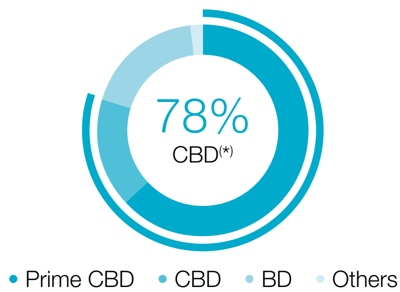
Valuation by use



Valuation by market



Offices valuation by area



(*) CBD Barcelona, includes the 22@ market segment assets.

1.1.2 EPRA performance measures - Summary Table

At 31 December

	12/2022		12/2021	
	€m	€ per share	€m	€ per share
EPRA Earnings	155	0.29	120	0.23
EPRA NTA	6,384	11.83	6,496	12.04
EPRA NDV	6,862	12.72	5,957	11.04

	2022	2021
EPRA Net Initial Yield	2.7%	2.8%
EPRA topped-up Net Initial Yield	3.3%	3.0%
EPRA vacancy rate	4.4%	4.0%
EPRA Cost ratio (including vacancy costs)	21.9%	20.7%
EPRA Cost ratio (excluding vacancy costs)	20.1%	18.8%

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

1.1.3 Financial, operational and ESG highlights

Recurring Net Profit of €161m, +26% vs. the previous year

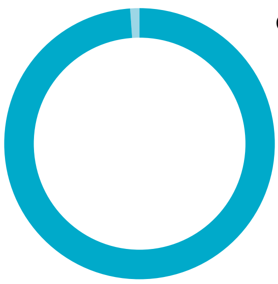
Colonial closed 2022 with solid results in all parameters.

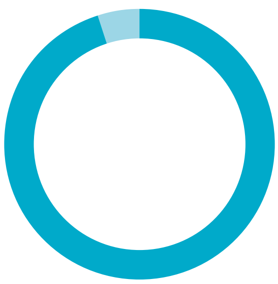
Financial Highlights

	2022	2021	*Var.*	*LFL*
Net Tangible Assets (NTA) - €/share	11.83	12.04	*(1.7%)*	
Recurring EPS - €Cts/share	29.8	24.6	*+21%*	
Net Tangible Assets (NTA) - €m	6,384	6,496	*(2%)*	
GAV Group - €m	13,005	12,436	*+5%*	*+1%*
Gross Rental Income - €m	354	314	*+13%*	*+7%*
EBITDA - €m	283	248	*+14%*	
Recurring Net Profit - €m	161	128	*+26%*	
Attributable Net Profit - €m	8	474	–	

Portfolio Grade A Prime

GAV 12/22 €13,005m





Operational Highlights

EPRA Occupancy	**96%**
Release Spread [2]	+6%
Madrid	+6%
Paris	+6%
Barcelona	+5%
Rental Growth[3]	+5%
Madrid	+5%
Paris	+5%
Barcelona	+3%

(1) Portfolio in operation.
(2) Signed rents on renewals vs. previous rents.
(3) Signed rents vs. market rents at 31/12/2021 (ERV 12/21).

Double-digit recurring net profit growth

> Recurring Net Profit of €161m, +26% vs. the previous year.

> Recurring EPS (Earnings Per Share) of €29.8 cts/share, +21% vs. the previous year.

> Recurring EPS beating the upper range of market guidance.

> Group EBITDA of €283m, +14% vs. the previous year.

Revenues with strong year-on-year growth

> Revenues of €354m, +13%, driven by Paris with +17%.

> Revenues of +7% like-for-like, among the highest growth rates in the sector.

Pricing Power - Capturing of Rental Growth

> Captured indexation in all contracts with an average increase of +5%.

> ERV growth of +5%[(1)] in signed contracts.

> Release spread of +6%[(2)] in renewals.

Record Letting Volume

> 176,895 sqm of letting volume, the 2nd largest volume in Colonial's history.

> Occupancy levels of 96% (~100% in Paris).

> Project Portfolio: 7 out of 8 projects pre-let at maximum rental prices.

> Renovation Program completed at maximum rental prices.

Disposals of more than €500m, confirming the valuation

> Disposal program of more than €500m[(3)] in mature and/or non-strategic assets.

> Disposal prices in line with valuation.

Value resilience based on Prime positioning

> Portfolio Gross Asset Value (GAV) of €13,005m, +5% vs. the previous year (+1% like-for-like).

> Paris portfolio Gross Asset Value with a strong annual growth of +8% (+2% like-for-like).

> Net Tangible Assets (NTA) of €6,384m, corresponding to €11.83/share.

> NTA including dividends paid: €12.07/share, above the 12/21 NTA of €12.04/share.

> Net Disposal Value (NDV) of €12.72/share, +15% driven by the mark-to-market impact in the debt.

A solid capital structure

> Group LTV of 36.9% - post disposals.

> Liquidity of €2,645m[(4)] - post disposals.

> 100% of the current debt is hedged in the event of interest rate increases – post disposals.

Leadership in ESG & Decarbonization

> CDP 2022 Rating A, maximum rating: among the only 6th A rated real estate companies in Europe.

> GRESB 2022 "5-Star" Rating: 90/100 for "Standing Portfolio" & 96/100 for "Development Portfolio".

> Vigeo 2022 Rating at the high end of the sector: A1+.

(1) Signed rents vs. market rents at 31/12/2021 (ERV 12/21).
(2) Signed rents on renewals vs. previous rents.
(3) Out of €500m, €84m correspond to assets already divested in 2022. The remaining amount is attached to disposal of 6 assets, of which 3 already have been sold in January 2023 and the rest is expected to be signed during 1H 2023.
(4) Cash and undrawn balances.

1.2. Highlights 2022

1.2.1 Annual results 2022

1. Recurring Net Profit of €161m, +26% compared to the previous year

The Colonial Group closed 2022 with a strong increase in the recurring results driven by the double-digit growth in rental income.

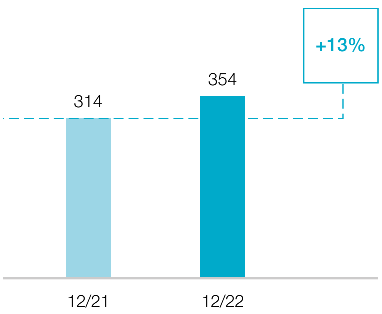
> **Rental revenues of €354m, +13% compared to the previous year.**

Recurring net profit per share of €29.8cts, beating the upper range of guidance.

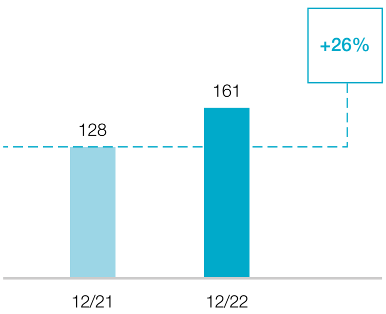
> **Net recurring profit of €161m, +26% compared to the previous year.**

> **Net recurring EPS of €29.8cts per share, +21% compared to the previous year.**

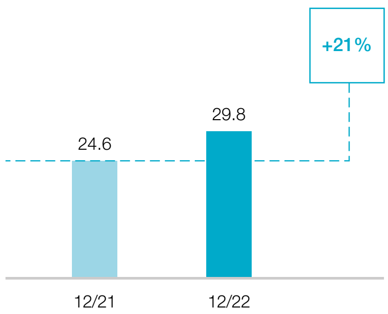
Rental revenues
€m



Recurring net profit
€m



Recurring earning per share
€cts/share



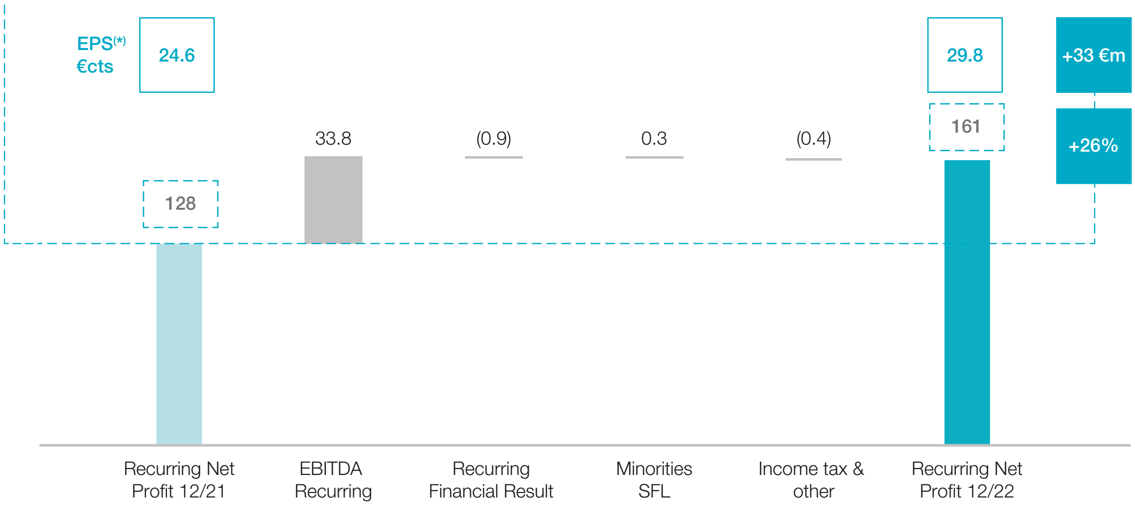
The **significant increase in the Recurring Net Profit** is mainly due to **the growth in rental income driven by Colonial's asset portfolio. Thanks to its prime positioning**, it is able to capture the indexation impacts, as well as a growth in rental prices on signed contracts. In addition, the **successful project delivery** has enabled the Company to obtain significant additional income.

The efficient management of operating costs has resulted in an **EBITDA growth of +14% year-on-year** which, together with controlled financial costs, has led to an increase of +26% in the net recurring result, reaching €161m for 2022.

Results analysis

€m	2022	2021
Gross Rents	**354**	**314**
Recurring EBITDA	283	249
Recurring financial result	(81)	(80)
Income tax expense & others - recurring	(13)	(12)
Minority interests - recurring	(28)	(29)
Recurring Earnings	**161**	**128**
Change in fair value of assets & provisions	(148)	444
Non-recurring financial result & MTM	(4)	(30)
Income tax & others - non-recurring	13	(3)
Minority interests - non-recurring	(13)	(65)
Profit attributable to the Group	**8**	**474**

Recurring Earnings - Variance Analysis



(*) Recurring earnings per share.

The **Gross Asset Value amounted to €13,005m as of 31 December 2022 and remained stable in like-for-like terms (1+% like-for-like)**, consequently the net profit of the Colonial Group amounted to €8m.

2. Gross rental income of €354m, +13% vs. the previous year

Colonial closed 2022 with €354m of Gross Rental Income, +13% vs. 2021, thanks to the high **Pricing Power** of Colonial's portfolio and **the successful delivery of projects** together with a clear **Prime focus** on quality in Paris, Madrid and Barcelona.

Income growth - Pricing Power & Projects

Three growth drivers delivered +€56m in additional rents compared to 2021, contributing +18% to income growth:

1. **Pricing Power - a contribution of +6% to global growth**

   The Core portfolio contributed +€20m to income growth based on a solid like-for-like growth of +7% due to the strong Pricing Power, enabling to fully capture the **indexation** impact and to achieve maximum **market rents**.

2. **Project deliveries - a contribution of +7% to global growth**

   Project deliveries and the renovation program **have contributed +€22m to income growth** (a contribution of +7% to overall growth). Highlighted is the income contribution from Marceau and Biome in Paris, as well as from Velázquez 86D, Miguel Ángel 23 and Ortega & Gasset in Madrid.

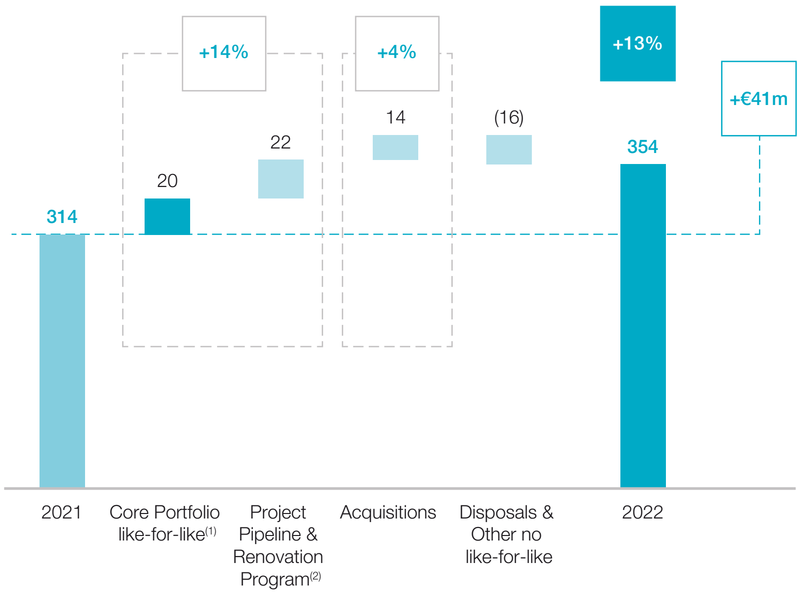
3. **Acquisition of Prime Assets - a contribution of +4% to global growth**

   The acquisitions of the **Amundi headquarters in Paris** and the **Danone headquarters** in the **CBD of Barcelona have contributed +€14m to income growth**.

4. **Disposal program - Flight to Quality**

   The **disposal of non-strategic assets and other non-comparable impacts** have led to a **(5%) decrease year-on-year** in the rental income of 2022.

Gross Rental Income
€m



	Total	EPRA LFL
Total	+13%	+7%
Paris	+17%	+8%
Madrid	+8%	+6%
Barcelona	+8%	+9%

(1) Includes the €0.7m like-for-like asset variation from the renovation program.
(2) Excludes the €0.7m like-for-like asset variation from the renovation program.

Income growth: Polarization and Prime Pan-European Positioning

The Group's annual income growth is solid, in absolute terms at +13%, as well as in comparable terms, with an increase of +7% like-for-like, proving the strength of Colonial's Prime positioning.

The **+7% increase in like-for-like income is among the highest in the sector** and shows clear evidence of the **market polarization towards the best offices product**.

1. **The largest growth in rental income was in the Paris market**, with an increase of **+17% in total terms and +8% like-for-like**. This increase is mainly due to the higher rents and occupancy levels in the Édouard VII, #Cloud and Washington Plaza assets, as well as higher rents in the 92 Champs Elysées asset.

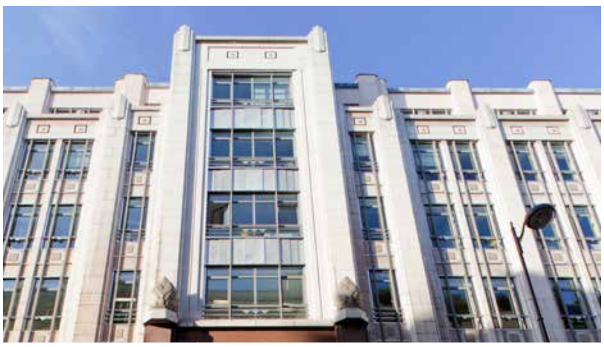
December cumulative

€m	2022	2021	Var.	Var. LFL
Rental revenues Group	**354**	**314**	**13%**	**7%**
Rental revenues Paris	*205*	*175*	*17%*	*8%*
Rental revenues Madrid	*102*	*95*	*8%*	*6%*
Rental revenues Barcelona	*48*	*44*	*8%*	*9%*

Édouard VII

#Cloud

Washington Plaza



92 Champs Élysées

2. **In the Madrid portfolio, the rental revenue increased +8% in absolute terms.** The comparable perimeter of assets registered an **increase of +6% like-for-like**. This like-for-like increase is mainly due to the José Abascal 45, Castellana 163, Serrano 73 and Estébanez Calderón assets, based on a combination of higher rents and higher occupancy levels.

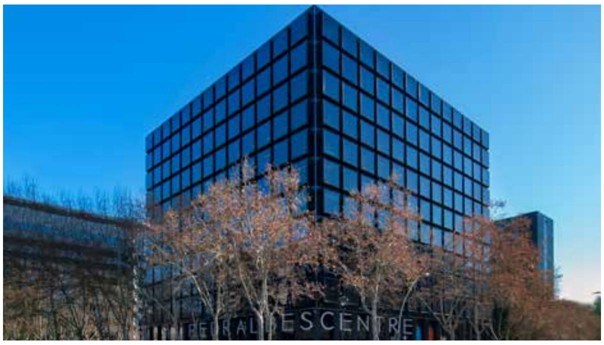
3. **In Barcelona, the rental revenue increased +8%** for the entire portfolio, driven by a strong increase of **+9% like-for-like**, mainly due to higher rents on the Parc Glories, Diagonal 609-615, Dau Retail, Diagonal 682 and Diagonal 197 assets.

Serrano, 73

P. Castellana, 163

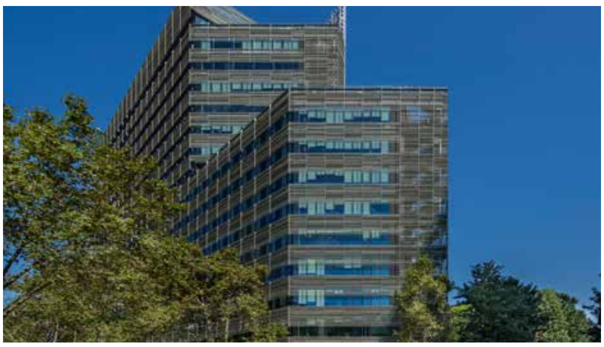
José Abascal, 45

Av. Diagonal, 609-615



Av. Diagonal, 682

Parc Glòries



3. Disposal program of more than €500m - Flight to Quality

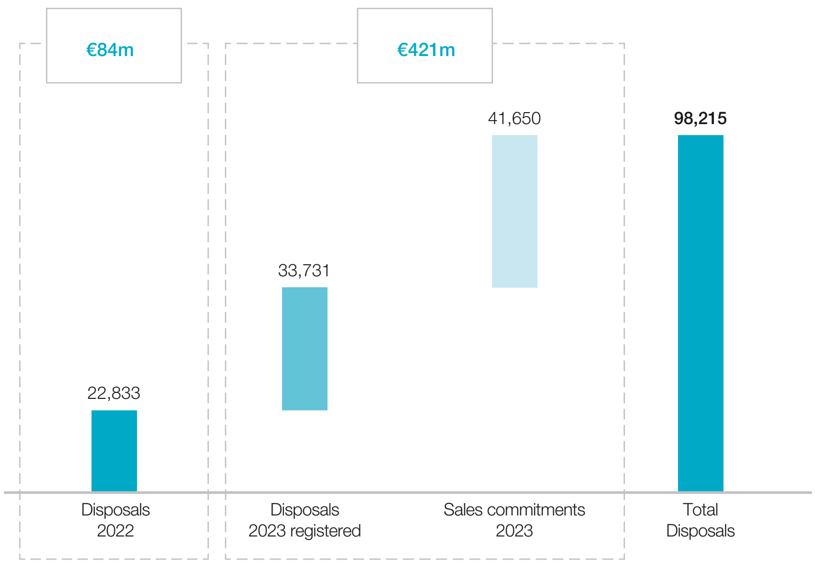
At the closing date of this document, the Colonial Group is finalizing a disposal program of more than €500m with prices in line with the appraisal.

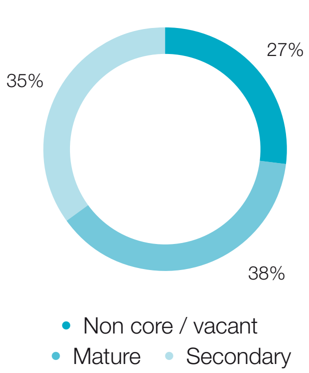
Of the total disposal program, €84m was made in 2022. Additionally, during the first half of 2023, the disposal of 6 assets is expected to be finalized amount €421m. It is important to highlight that 3 of the assets have already been sold and the rest of the disposals program is expected to be finalized during the 1H 2023.

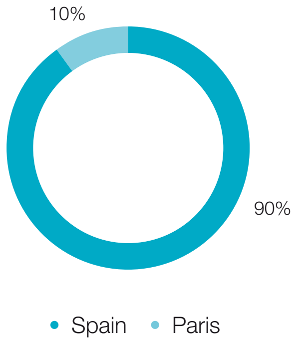
The disposal program includes 10 assets with a total surface area of 98,215 sqm with no further value creation potential. Of the almost 100,000 sqm of the disposal program, 27% corresponds to land plots of land and/or non-strategic assets with high vacancy levels, another 35% to buildings in secondary locations and the rest correspond to mature assets without long-term value creation potential.

The sale price of the program implies an initial yield (EPRA Net Initial Yield) below 2.6% and the CBD assets in Madrid were disposed of for a capital value of more than €9,000/sqm.

Disposal program
sqm



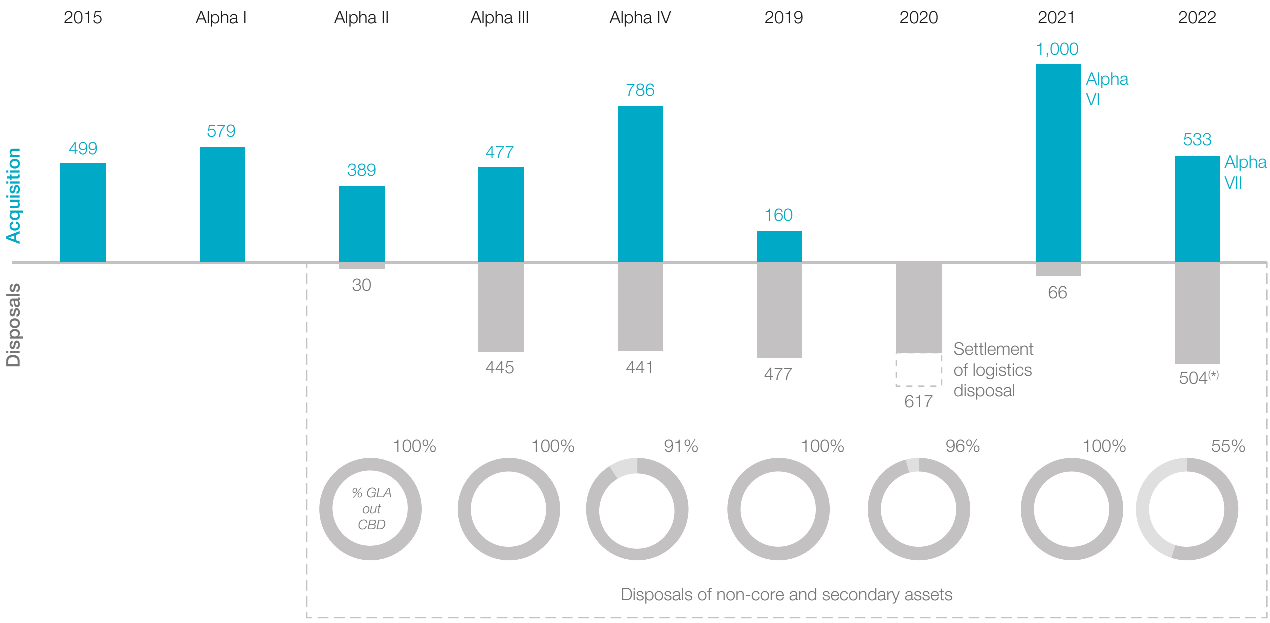




The disposal program is part of the flight to quality strategy, which, through the active management of the portfolio, divests mature and/or non-strategic assets in order to recycle capital for new opportunities of value creation and to continually improve the risk return profile of the Group.

Net investments since 2015

€m



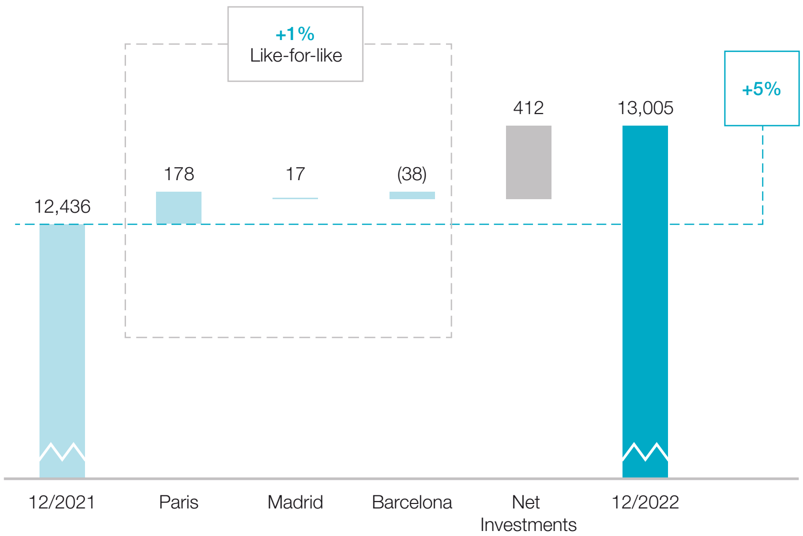
(*) Out of €500m, €84m correspond to assets already divested in 2022. The remaining amount is attached to disposal of 6 assets, of which 3 already have been sold in January 2023 and the rest is expected to be signed during 1H 2023.

4. Resilient asset values - Polarization & Prime Positioning

The gross asset value of the Colonial Group at the close of 2022 amounted to €13,005m (€13,727m including transfer costs), showing **an increase of +5% compared to the previous year**.

In **like-for-like terms, Colonial's portfolio was revalued by +1% compared to the previous year**.

Variance analysis value 12 months
€m



GAV variance LFL

	2022	2H 2022	1H 2022
Total	+5%	(2%)	+7%
Total LFL	+1%	(2%)	+4%
Paris	+2%	(1%)	+4%
Madrid	+1%	(4%)	+5%
Barcelona	(2%)	(4%)	+1%

Polarization & Prime Pan-European Positioning

In a highly volatile environment with interest rate hikes, the value of the asset portfolio has shown defensive performance, thanks to its Pan-European Prime Positioning. The Colonial Group's successful bet on Paris is reflected in the solid results. **The Paris portfolio has registered the best growth** in the Group's portfolio with **year-on-year growth of +2% like-for-like. Madrid and Barcelona have remained stable thanks to the focus in CBD and city centre locations**, which have shown a much more defensive nature than secondary areas.

Alpha Value Creation: "Pricing Power" & Projects

In a market environment of interest rate hikes, the valuation of Colonial's assets have been impacted by an expansion in the valuation yields[1] (25bps in 12 months). However, it is important to highlight that those impacts have been offset by two Alpha value creation drivers: (1) Pricing Power: the improvement in the cash flows due to the capture of the indexation impact, as well as higher market rents (ERVs) and (2), the successful delivery and progress of projects that have enabled the crystallization of double-digit value creation margins.

Resilient Net Asset Value (NTA)

The Net Asset Value as of 31 December 2022 amounted to €6,384m corresponding to €11.83/share. Including the dividend paid of €0.24/share, the Net Asset Value for Colonial's shareholders was €12.07/share, in line with the NTA 2021 of €12.04/share.

In an environment with high volatility and an energy crisis, the quality positioning together with the active management of Alpha value creation has enabled Colonial to maintain a stable Net Asset Value.

(1) Like-for-like variance of the valuation yield of the portfolio in operation.

1.2.2 Significant acceleration in operating fundamentals

1. Record take-up volume - Polarization and greater market share

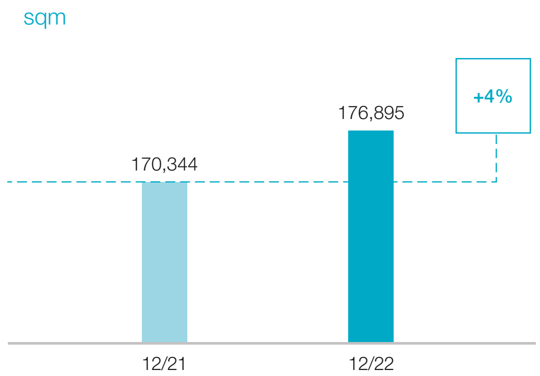
At the close of 2022, the Group has signed more than **176,000 sqm, reaching the second highest take-up volume in its history** and exceeding by +4% the previous year, which already was a record year in letting activity.

The solid results are a clear evidence of the polarization trend in the office markets, characterized by a demand that prioritizes top-quality Grade A products in the best locations. **Colonial's prime portfolio clearly benefits in this context and is capturing additional market share** in the rental markets in which it operates.

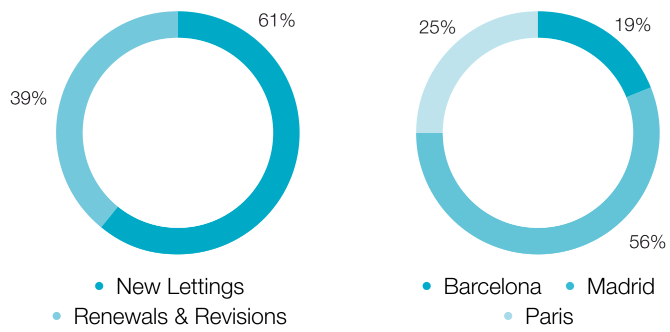
In economic terms (sqm signed multiplied by signed rents), **contracts were signed for an annualized rent amount of €75m**.

61% of the total letting activity (107,419 sqm) corresponds to new contracts signed, spread across the three markets in which the Group operates. Regarding contract renewals, a total of 69,476 sqm were signed, highlighting 54,443 sqm renewed in Madrid.

Sqm signed



Breakdown of letting activity



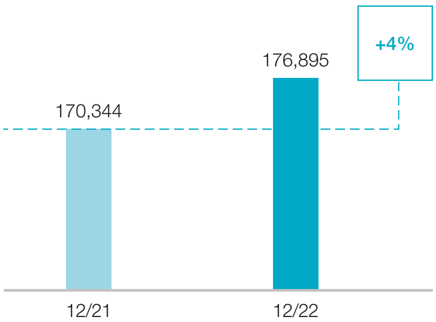
2. Solid occupancy levels

The **occupancy of the Colonial Group stands at 96%**. Of special mention is the Paris market with **almost full occupancy at 99.8%**.

A large part of the current office vacancy corresponds to the recently delivered renovation programs and the corresponding entries into operation, highlighting in Barcelona the Torre Marenostrum and Diagonal 530 assets. At the current date, advanced conversations are taking place for various floors plant in the Diagonal 530 building, one of the best assets in the Barcelona market.

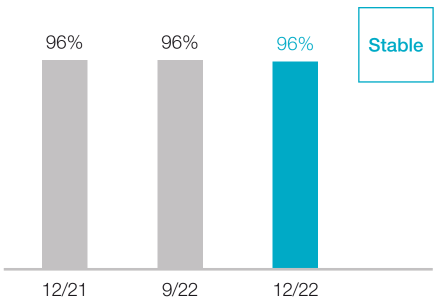
Sqm signed

sqm



EPRA occupancy

Group



By markets

Paris Offices	**99.8%**
Madrid Offices	**96%**
Barcelona Offices	**80%**

3. Rental Increase - Polarization & Pricing Power

Pricing Power - Capturing the highest rental prices on the market

In an environment of rental demand polarization and given the scarcity of Grade A product, **Colonial's prime portfolio attracts clients that sign at maximum rental prices**.

The maximum rents signed in the portfolio of the Group reached **€1,000/sqm/year in Paris, as well as €40/sqm/month in Madrid and €28/sqm/month in Barcelona**.

With these pricing levels, Colonial's portfolio clearly sets the benchmark for prime assets in each of the markets in which it operates.

Pricing Power - Indexation captured in all contracts with an average growth of +5%

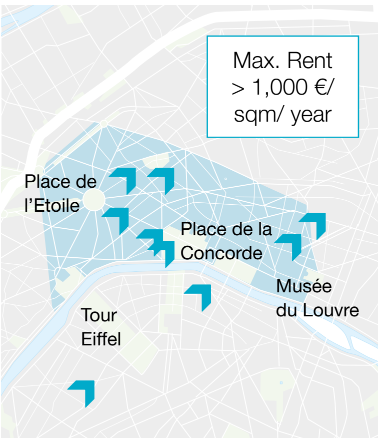
The **Colonial Group's asset portfolio captures the impact of the indexation on rents**: The Colonial Group has applied in all the contracts the corresponding indexation of the rental price.

As a result of the indexation on the contract portfolio in 2022, the annualized passing rents of the corresponding contracts have increased by +5% (+7% in Spain and +3% in Paris).

These results show the strong Pricing Power of Colonial's Prime portfolio. Both the quality of the clients and the nature of the Colonial Group's contracts enable the full indexation impact to be captured, providing clear protection over the cash flow of the assets in an inflationary environment such as the current one.

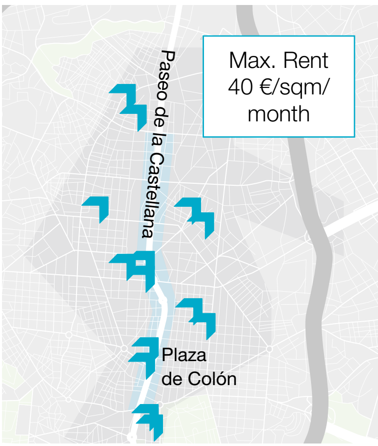
Paris

Letting volume - sqm	
Total	43,803
Thereof CBD, 7^{ieme} & 15eme	41,911



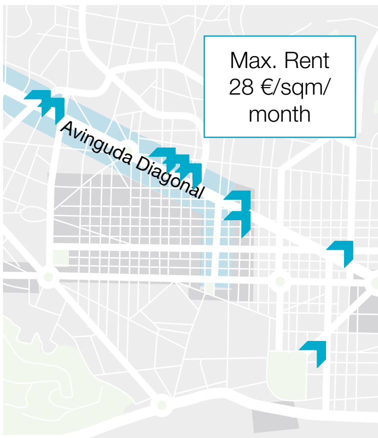
Madrid

Letting volume - sqm	
Total	99,647
Thereof CBD	73,798



Barcelona

Letting volume - sqm	
Total	33,445
Thereof CBD & 22@	24,404



Pricing Power - Rental income growth above market rents[1]

The **Colonial Group** closed 2022 with **a growth of +5% in rental prices compared to the market rents** (ERV) as of December 2021.

The greatest increases in rental prices were signed on the **Paris portfolio with a +5% increase (+6% for the office portfolio), and in Madrid, prices were signed +5% higher than the market rents of 31/12/21**.

Pricing Power - Increase in rent renewals, release spreads[1] of +6%

Rent increases in renewals: Colonial has increased the rents with current clients by +6% compared to the previous rents (release spreads). These ratios highlight the reversionary potential of Colonial's contract portfolio with significant room for improvement on the current rents.

The increases compared to the previous rents (release spreads) were significant in the three markets in which the Group operates. **Worth mentioning are the asset portfolios in Madrid and Paris, with a release spread of +6%. In Barcelona, the release spread was at +5%**.

These increases highlight the pricing power of Colonial's assets to unlock the reversionary potential of Colonial's contract portfolio.

Strong price increases	Maximum rent signed	Release Spread[1]					Rental Growth vs. ERV[2]				
		1Q 2022	2Q 2022	3Q 2022	4Q 2022	TOTAL	1Q 2022	2Q 2022	3Q 2022	4Q 2022	TOTAL
Paris	>1,000 €/ sqm/ year	+6%	+9%	n. a.	n. a.	+6%	+4%	+6%	+4%	+3%	+5%
Barcelona	28 €/sqm/ month	+21%	+6%	+0%	+10%	+5%	+3%	(2.5%)/ +3.3%[3]	+5%	+5%	+3%
Madrid	40 €/sqm/ month	+9%	+3%	+6%	+2%	+6%	+4%	+7%	+4%	+5%	+5%
TOTAL OFFICES		**+9%**	**+6%**	**+3%**	**+2%**	**+6%**	**+4%**	**+6%**	**+4%**	**+4%**	**+5%**

(1) Signed rents on renewals vs. previous rents.
(2) Signed rents vs. ERVs at 31/12/2021 (ERV12/21).
(3) Excluding the renewal with a tenant in an asset in 22@ with a market rent review in exchange for increasing the maturity of the contract.

1.2.3 Project Pipeline and Renovation Program

1. Project pipeline almost fully delivered and pre-let

The Colonial Group has a **project pipeline of 184,455 sqm across 8 assets**.

At the date of publication of these results, **the pre-let levels and the levels of project delivery on the pipeline were both very high**:

> 7 of the 8 projects are pre-let.

> 6 of the 8 projects have been finalized (including Plaza Europa 34 which will be delivered in the coming weeks).

1. High level of preletting in the portfolio: 7 out of 8 projects

> Of the 8 projects of the project pipeline, 7 are already pre-let (6 projects at 100% and Velázquez at 86%), with the Campus in Méndez Álvaro being the only asset pending to be pre-let. At the end of 2022, the commercialization of this unique project began generating high interest in the Madrid market.

> **In Barcelona**, an agreement has been reached to rent 100% of the Plaza Europa 34 asset.

> The current pre-let volume is at €55m, corresponding to 67% of the total income from the project portfolio, amounting to €82m. These pre-lets ensure significant future income increases that will be completely crystallized in the profit and loss accounts of 2023 and 2024.

Project		City	Surface (sqm)	Let / Pre let	Delivery	Yield on Cost
1	Diagonal, 525	Barcelona CBD	5,706	✓ 100%	✓	≈ 5%
2	83 Marceau	Paris CBD	9,600	✓ 100%	✓	≈ 6%
3	Velázquez 86D	Madrid CBD	16,318	✓ 86%	✓	> 6%
4	Miguel Ángel 23	Madrid CBD	8,155	✓ 100%	✓	> 5%
5	Biome	Paris City Center	24,500	✓ 100%	✓	≈ 5%
6	Plaza Europa 34	Barcelona	14,306	✓ 100%	1H 23	≈ 7%
7	Louvre SaintHonoré	Paris CBD	16,000	✓ 100%	2H 23	7-8%
8	Méndez Álvaro Campus	Madrid CBD South	89,871	4Q 22 Start commercialization	1H 24	7-8%
Current Pipeline			**184,455**			**6-7%**

Diagonal, 525

Marceau

Biome

Pl. Europa, 34

Velázquez, 86D

Miguel Ángel, 23

Louvre-St.Honoré

Méndez Álvaro C.

2. High degree of progress in delivery / entry into operation

The degree of progress in the project portfolio is very high; to date, 6 out of 8 projects are all practically delivered.

> Marceau and Diagonal 525 were delivered at the end of 2021.

> Velázquez 86D and Miguel Angel 23 in Madrid & Biome in Paris entered into operation by the end of 2022.

> In the coming weeks, the Plaza Europa 34 project in Barcelona will be delivered.

> The Méndez Álvaro and Louvre Saint Honoré projects are progressing according to the expected timeline.

2. Renovation program successfully executed

The **Colonial Group's renovation program counts on 108,294 sqm spread over 9 assets**, 4 assets located in Paris (103 Grenelle, Charles de Gaulle, Washington Plaza and Cézanne St. Honoré), 2 assets in Madrid (Cedro and Ortega y Gasset) and 3 assets in Barcelona (Torre Marenostrum, Diagonal 530 and Parc Glories II).

Of the entire renovation program, 8 assets (with a total surface area of 90,434 sqm) have been delivered and pre-let with significant rental price increases. The project portfolio in renovation has potential rents of €46m.

103 Grenelle

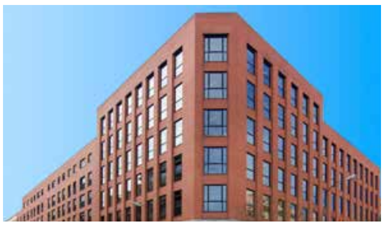
Charles de Gaulle

Washington Plaza

Cézanne Saint Honoré

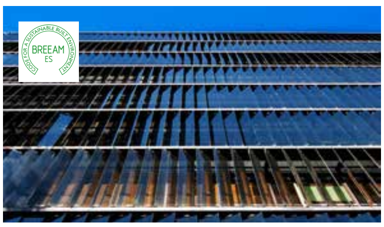
Cedro

Ortega y Gasset



Torre Marenostrum

Diagonal, 530



Parc Glòries II

					New Signings 4Q 22 - YTD23	
Washington Plaza	**103 Grenelle**	**Cézanne Saint-Honoré**	**Charles de Gaulle**	**Cedro**	**Ortega y Gasset**	**Diagonal, 530**
Prime CBD - 10,000 sqm	Paris 7ème - 5,600 sqm	Prime CBD - 10,000 sqm	Paris Neuilly - 6,700 sqm	Madrid North - 14,400 sqm	Madrid CBD - 7,800 sqm	Barcelona CBD - 12,900 sqm
						
+14% vs. ERV	**+ 7% vs. ERV**	**+15% vs. ERV**	**+ 15% vs. ERV**	**+ 14% vs. ERV**	**+ 8% vs. ERV**	**In line with ERV**
PROLOGIS TP ICAP advancy	Ministère de l'Éducation nationale et de la Jeunesse Debevoise & Plimpton STUDIOS architecture Balenciaga promontoria ATALANTE	WENDEL LINCOLN INTERNATIONAL LACOURTE RAQUIN TATAR	Berkshire Hathaway Specialty Insurance GREYSTAR OVELO JCDecaux	ARVAL BNP PARIBAS GROUP	PERMIRA American Technology Company 2023 Proptech Company	2023 Nordic Furniture Company 2023 Videogaming Company 2023 GALDERMA
FULLY LET	FULLY LET	FULLY LET	FULLY LET	83% LET	FULLY LET	89% LET
DELIVERED	DELIVERED	DELIVERED	DELIVERED	DELIVERED	DELIVERED	DELIVERED

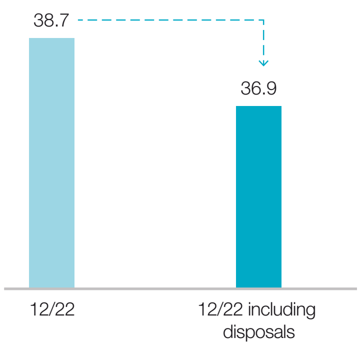
The renovation program on the Parc Glories II building in Barcelona is currently under analysis.

1.2.4 Capital structure

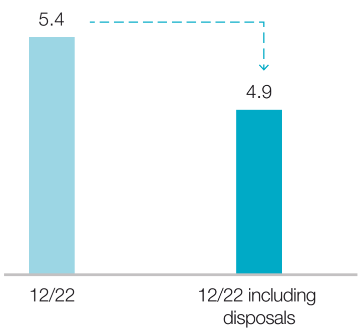
1. A strong balance sheet for future growth

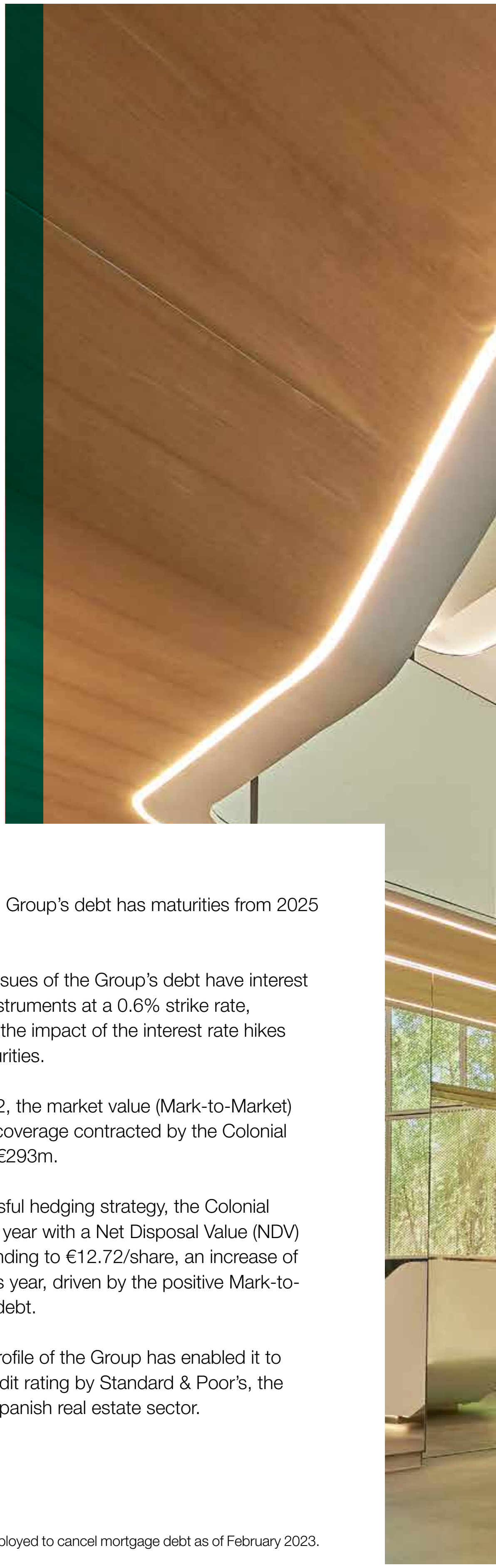
At the close of 2022, the Colonial Group had a solid balance sheet, both in terms of LTV and liquidity, specifically taking into account the disposal program.

Loan To Value (LTV)
%



Net Debt
€ bn





Including the disposal program impact for more than €500m, the debt profile of the Colonial Group considerably improves in all metrics:

- **The net debt will decrease by €421m[1] to €4,934m and the liquidity increases up to €2,645m.**
- **The LTV will decrease by (180bps) to 36.9%.**

The current liquidity, between cash and undrawn credit lines, enables the Colonial Group to cover all their debt maturities until 2027.

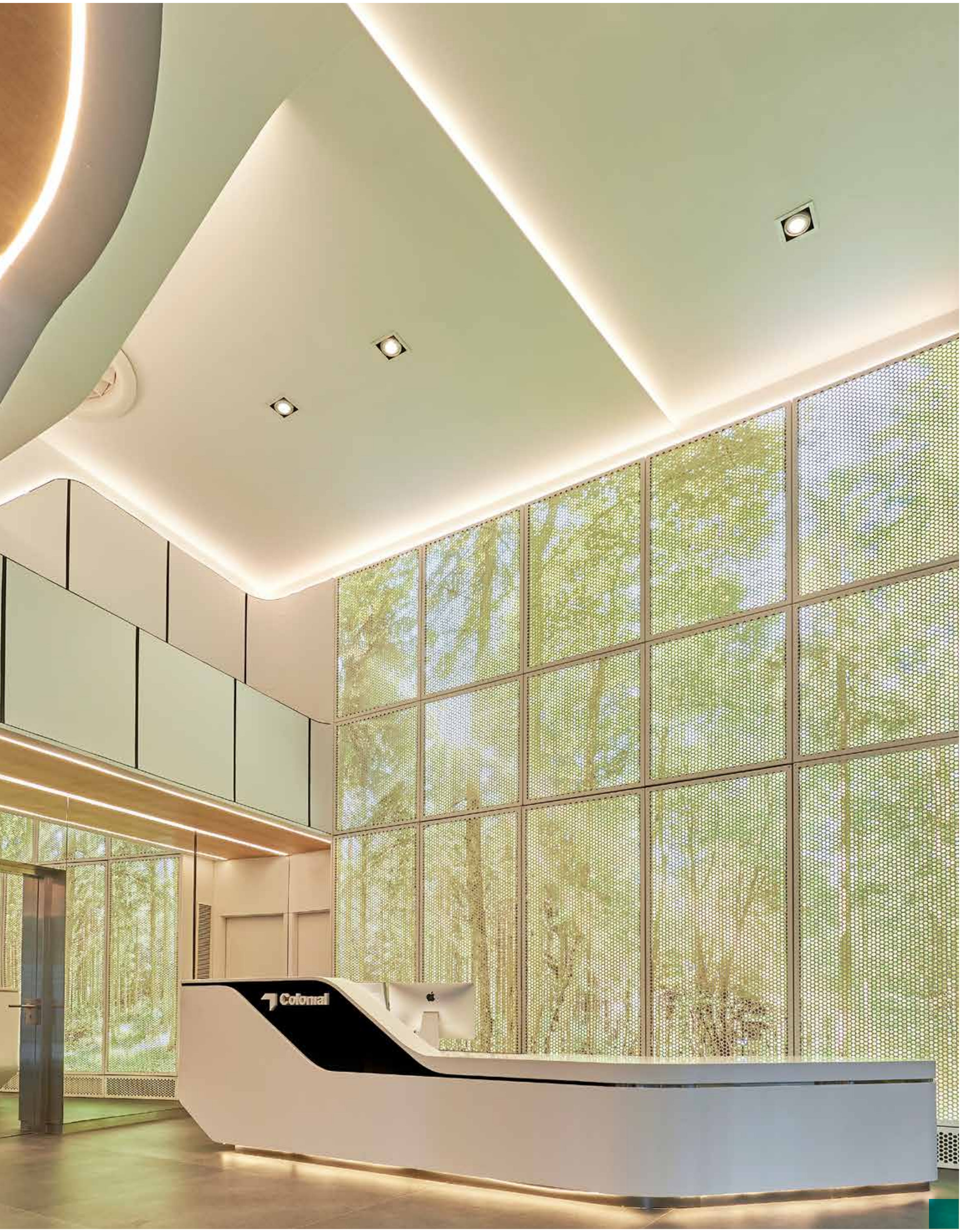
Likewise, the Colonial Group's debt has a high level of interest rate coverage thanks to a high volume of fixed-rate bonds together with hedging instruments contracted for long-term maturities.

- 100% of the Group's net debt is a fixed interest rate (post disposals).
- 70% of the Colonial Group's debt has maturities from 2025 onwards.
- 53% of the future issues of the Group's debt have interest rate pre-hedging instruments at a 0.6% strike rate, significantly limiting the impact of the interest rate hikes after the bond maturities.
- At the close of 2022, the market value (Mark-to-Market) of the interest rate coverage contracted by the Colonial Group amounts to €293m.

Thanks to the successful hedging strategy, the Colonial Group has closed the year with a Net Disposal Value (NDV) of €6,862m corresponding to €12.72/share, an increase of +15% vs. the previous year, driven by the positive Mark-to-Market impact in the debt.

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

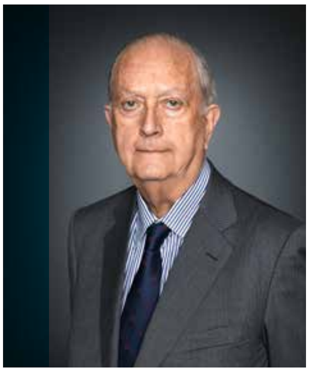
(1) Asset disposals signed and pending to be closed in 1H 2023 amounting to €421m, from which €0.2m have been employed to cancel mortgage debt as of February 2023.


Colonial

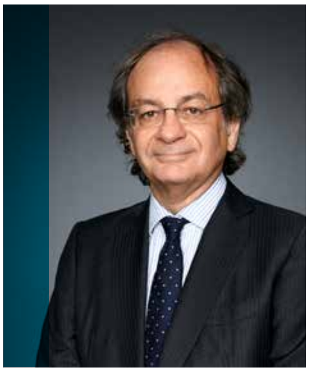
2

Interview with the Chairman and CEO

2. Interview with the Chairman and CEO



Juan José Brugera
Chairman



Pere Viñolas
CEO

2022 is the third consecutive year characterised by difficult macroeconomic environments: after two years of pandemic, 2022 is marked by war in Ukraine. How has Colonial evolved in this environment?

Juan José Brugera

For the third year running, our business model focused on quality offices in the business centres of Paris, Madrid and Barcelona has proven to be very resilient.

In 2022 we signed more than 170,000 sqm of contracts, the second highest figure in our Group's history, and also reached rental prices at the high end of the market, with an annual growth of 5% in market rent.

In addition, we have been able to capture the positive impact of indexation in our portfolio of contracts, an element that makes our asset portfolio very interesting for investors who want to hedge cash flows against inflationary effects.

In terms of financial results, we had high double-digit growth in recurring net income, due to the substantial increase in our rental income.

Looking ahead to 2022, as CEO, what points would you add to those mentioned by the chairman?

Pere Viñolas

First of all, the strong performance of the operating business should once again be highlighted: we have signed a high volume of contracts on good terms and have delivered all our projects planned for this year, achieving peak rents in the three markets in which we operate. The occupancy levels of our portfolio remain high: 96% for the Group and full occupancy in the Paris portfolio.

Secondly, I would highlight the resilience of the fundamental value of our business: property values have remained stable in an environment of high volatility in capital markets, demonstrating strong resilience in valuation.

Our net asset value at 31/12/22 stood at €12.07/share, including the dividend paid to our shareholders in July, offering them a steady fundamental value, as we have been able to pass on all the price increases in our client portfolio, offsetting the negative impact on the value of our properties due to higher capital costs in the market.

I would also like to highlight that we have concluded agreements for the sale of assets of more than 500 million euros, with sale prices in line with the valuation. These divestments provide clear market evidence that our assets are liquid and attractively priced to sell.

Regarding our financial structure, I would like to stress that, thanks to proactive balance sheet management, all our debt at 31/12/22 is 100% hedged at a fixed interest rate. This financial structure offers good cash flow protection in the current environment of rising interest rates. This represents added value for our shareholders, which is recorded as mark-to-market of our debt and which has allowed the value of the shares in terms of the net disposal value per share metric 12.72/share, an increase of 15% over the previous year.

From a more strategic point of view, what are the main challenges and opportunities in the short, medium and long term?

Juan José Brugera

In the short term, we face a complex macroeconomic environment, and in this context, Colonial must continue to manage its prime office portfolio efficiently, deliver ongoing projects and rotate non-strategic assets.

Three years of crisis have shown that we know how to navigate in these environments and that we have the right product: we have signed a high volume of contracts every year and have maintained high occupancy levels, always around 95%, well above the industry average. Therefore, we must continue to offer the best space for our customers in the best locations.

Pere Viñolas

In the medium term, we will see a clear consolidation of two trends. First, a growing attractiveness of urban environments for working and living in city centres such as Paris, Madrid and Barcelona. The importance of a good urban environment with the best mix of companies and scientific, technological and cultural centres to attract the best talent and foster innovation is evident.

The second major trend is the shifting understanding of what an office is: it is much more than a space; it is a service that offers customers an experience, space efficiency and the highest standards of sustainability.

Our duty and our opportunity are to create this product which is nowadays scarce in city centres and is highly demanded by our clients and by society. We are and will continue to be a major player in the urban transformation of cities with a focus on the most sustainable product.

Juan José Brugera

Looking at the long term, the most important trend is undoubtedly climate change: being able to proactively adapt to the challenges involved will not only mitigate their risks but also offer great business opportunities.

Our commitment to quality has meant that Colonial has been ahead of the sector in this area for many years, and today we have undoubtedly one of the most sustainable property portfolios in Europe. Our commitment to contributing to carbon neutrality is firm.

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

Pere Viñolas

We have an asset-by-asset decarbonisation plan that enables us to reduce and optimise operational carbon emissions. We have already come a long way by lowering the intensity of Scopes 1 and 2 from 25 kg CO_2eq/sqm in 2015 to levels of 6 kg CO_2eq/sqm by the end of 2022, one of the most efficient ratios in the sector. Our decarbonisation plan has been reviewed and approved by the Science Based Targets initiative. In addition, the CDP (Carbon Disclosure Project), one of the world's most demanding ratings in climate change management, has once again awarded us the highest rating and placed us among the top 1.5% of companies in all sectors worldwide and as one of the main leaders in the real estate sector.

Juan José Brugera

Committing to a strategy of long-term sustainability excellence is a clear competitive advantage and a catalyst for value creation: properties with high sustainability standards rent earlier, at higher rents and generate more interest in the investment market and thus a value premium.

This trend is set to intensify further in the capital markets. We were among the first to convert all our bonds into "green bonds", which allowed us a spread on the cost of debt, and the stock market is going to reward companies committed to climate change by applying a premium to the value of their shares.

3

Corporate Strategy

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

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

I. The Colonial Group's Mission

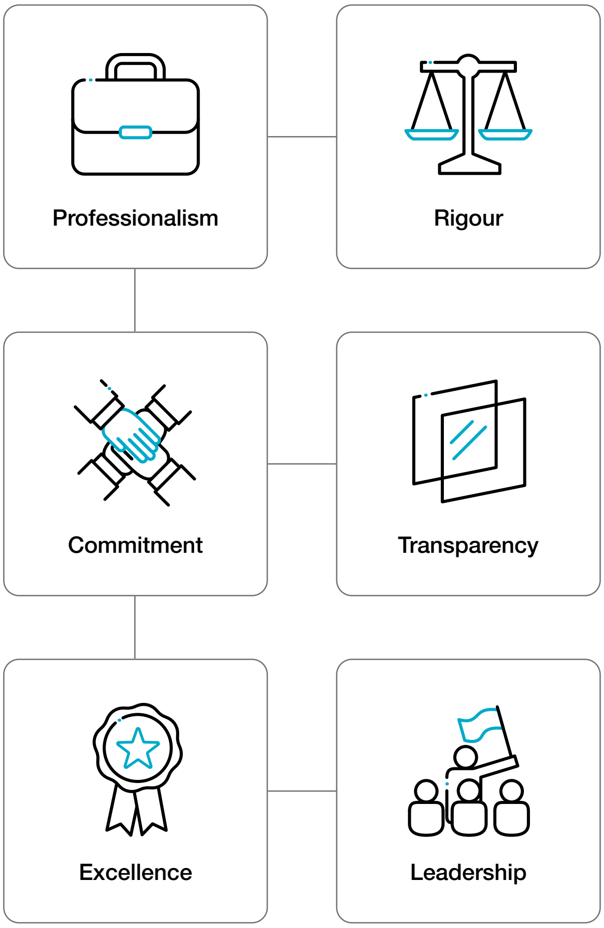
To create long-term value for shareholders, investors, employees and all stakeholders by investing in and managing office buildings that allow our clients to reach their full potential.

II. The Colonial Group's Vision

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

III. Values

To achieve its purpose, Colonial prioritises 6 values that must guide the behaviour of all team members.



3.2. Business model and value creation

3.2.1 Business model

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

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

   Colonial is a property management company focused on the prime office sector. Its portfolio consists of 80 assets (22 in Barcelona, 40 in Madrid and 18 in Paris) and it had an EPRA occupancy rate of 96% at 31 December 2022.

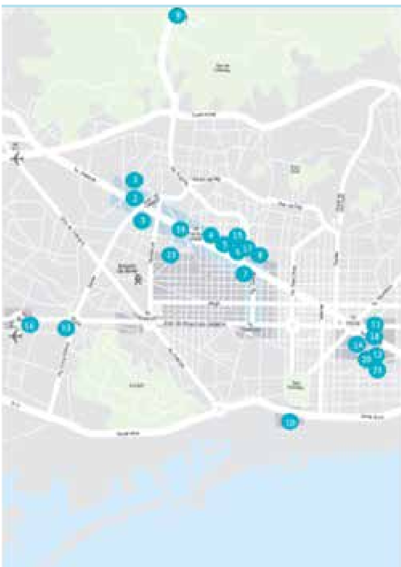
   Our clients, with more than 100,000 users spread across the Group's properties, enjoy the best office buildings and best locations in the city. Most of the buildings, are located a few minutes walking distance to public transportation, counting on the best connections to any part of the city and the airports.

   In addition, the unbeatable locations of our property portfolio allow our employees, clients and other stakeholders to enjoy all the services of the city centre, such as, housing, leisure, restaurants and professional or medical services.

   The Colonial Group has a unique and unrivalled office portfolio, 78% of which is located in the CBD of Barcelona, Madrid and Paris, a fact that sets it apart from any other European listed company, as can be seen in the following maps:

Barcelona

Colonial Portfolio - max. rent signed



Madrid

Colonial Portfolio - max. rent signed

Paris

Colonial Portfolio - max. rent signed

The CBD locations optimise travel to the offices and reduce the carbon footprint.

Colonial's decarbonisation strategy is focused on improving the eco-efficiency performance indicators and the carbon footprint and decarbonisation of its prime office portfolio in CBD locations, as well as on offering its clients a more environmentally and economically efficient office option.

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

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

2. Commitment to offer and create the best office product through the active management of the properties, aspiring to achieve the highest standards of sustainability and efficiency.

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

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

   The Colonial Group is committed to becoming a company with a carbon-neutral branch portfolio by 2030 by establishing emission reduction targets aligned and confirmed with the Science Based Target Initiative (SBTi), and to limiting the increase in the Earth's average temperature to below 1.5ºC.

   At year-end 2022, the Colonial Group had reduced the carbon footprint intensity for Scopes 1 (direct emissions) and 2 (indirect emissions) of our portfolio by 68% like-for-like, from the base year 2018, which has accelerated the strategic decarbonisation plan.

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

   75% of our client portfolio has been linked to the Colonial Group for more than five years, developing their business strategies in our buildings.

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

   The Colonial Group continues to work on a strategic human resources plan in order to accelerate and consolidate the leadership of its teams.

6. Highest standards of corporate governance, both nationally and internationally.

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

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

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

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

   > Solid and sustainable long-term capital structure, committed to sustainable financing, being the first and only IBEX 35 Company with all its bonds being green.

Colonial has a product strategy that is based on the "3 Es", which stand for Efficiency, Experience and Environment.

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

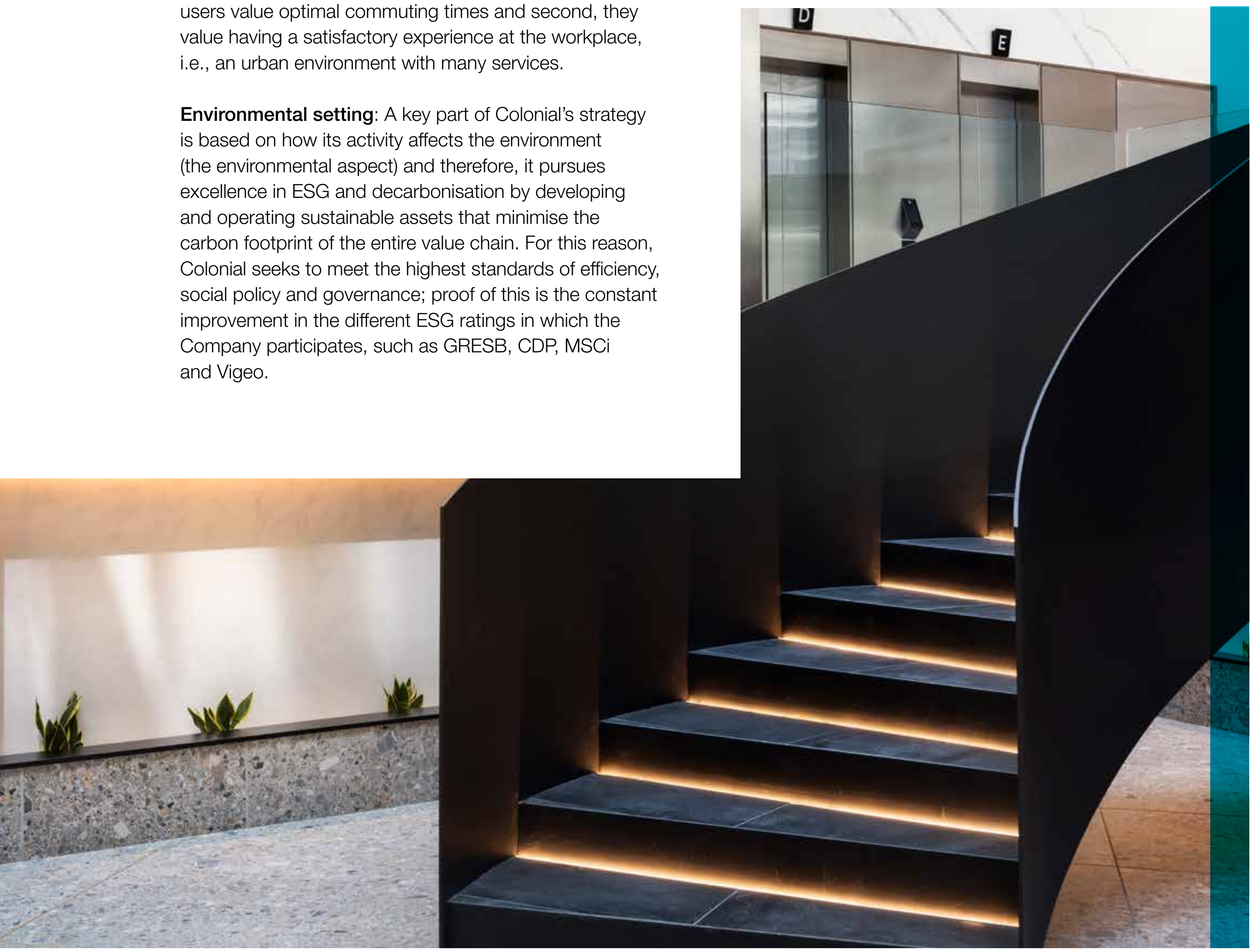
Experience: A satisfactory workplace experience is sought. According to the latest research, future demand for offices is expected to focus on two main areas. First, users value optimal commuting times and second, they value having a satisfactory experience at the workplace, i.e., an urban environment with many services.

Environmental setting: A key part of Colonial's strategy is based on how its activity affects the environment (the environmental aspect) and therefore, it pursues excellence in ESG and decarbonisation by developing and operating sustainable assets that minimise the carbon footprint of the entire value chain. For this reason, Colonial seeks to meet the highest standards of efficiency, social policy and governance; proof of this is the constant improvement in the different ESG ratings in which the Company participates, such as GRESB, CDP, MSCi and Vigeo.

The entire Colonial team is applying the "3 E's" strategy, the results of which are shown in the Group's high volume of contract renewals. A high percentage of our clients remain in Colonial's assets for more than five years. This enormous client retention capacity confers solid resilience and creates recurring revenue for the Company.

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

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



3.2.2 Excellence across the entire value chain

Colonial has been improving its processes and procedures to create an efficient organisation focused on creating long-term value for its shareholders, investors, employees, clients and stakeholders.

Colonial has significant know-how in the Company that allows it to achieve excellence in the various phases of the value chain of an office building: purchase, refurbishment, marketing, building management and the sale, where applicable.

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

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

	Acquisition	Refurbishment	Commercialisation	Property Management	Disposal
Colonial Teams	Investment, corporate and legal team	Project Teams	Commercial and legal team	Property, project and legal management team	Investment, corporate and legal team
Collaborators	Shareholders, brokers, capital markets	Architects, Engineers, Construction Companies	Clients, Brokers	Clients, service and maintenance companies	Shareholders, brokers, capital markets

3.3. ESG strategy and decarbonisation

3.3.1 Materiality analysis and stakeholders

Materiality analysis

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

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

For a clear analysis in line with legislation and industry priorities, it is essential to monitor the main trends and potential challenges that industry players must face in the global real estate market.

In 2021, the Group undertook a comprehensive process of strategic update and assessment of the most material issues for Colonial and all its stakeholders through the ESG Committee and reviewed by the Sustainability Committee. In particular, the various relevant aspects were synthesised and grouped into eleven key themes. All these aspects analysed and identified were captured in the materiality matrix illustrating their prioritisation.

The issues shown in the matrix will be reviewed periodically every three years with the objective of ensuring an optimal approach to the Company's strategy in a dynamic manner, in line with the relevant context and evolving stakeholder concerns.

The matrix consists of two dimensions or axes. The vertical axis shows the priorities of the stakeholders as determined by the most important opinions, and the horizontal axis shows the evaluation of the material aspects in terms of relevance for the Company.

The different analysis points are directly linked to the Sustainable Development Goals (SDGs) and are classified according to the Company's three pillars:

Environmental	Social	Governance
Resilience & low-carbon future	Office buildings with a positive social impact	Responsible practices across the value chain
"Built to last"	*"Built to gather"*	*"Built together"*
Development of future-proofed buildings & efficiency in operations	Offer to our tenants the areas and the premises they want to work in	Commit to the highest standards of corporate governance and transparency
1. Sustainable investment 2. Energy and carbon efficiency 3. Sustainable buildings 4. Circular economy 5. Biodiversity	6. Client relations and satisfaction 7. Attractive product 8. Community impact 9. Human capital	10. Ethics & transparency 11. Responsible value chain
		

Some of these issues are explained below, as they encompass different aspects in their interpretation that are worth highlighting:

> **Energy efficiency and carbon emissions**: This consists in minimising CO_2 emissions, as well as optimising energy consumption and the use of renewable energies.

> **Sustainable construction**: This includes aspects of sustainable construction and sustainability certifications, as well as the ability to adapt to climate change.

> **Circular economy**: This category encompasses both the efficient use of raw materials and waste management, as well as the optimisation of water consumption.

> **Attractive product**: The well-being of users is taken into consideration, as well as the provision of safe and sustainable products and services.

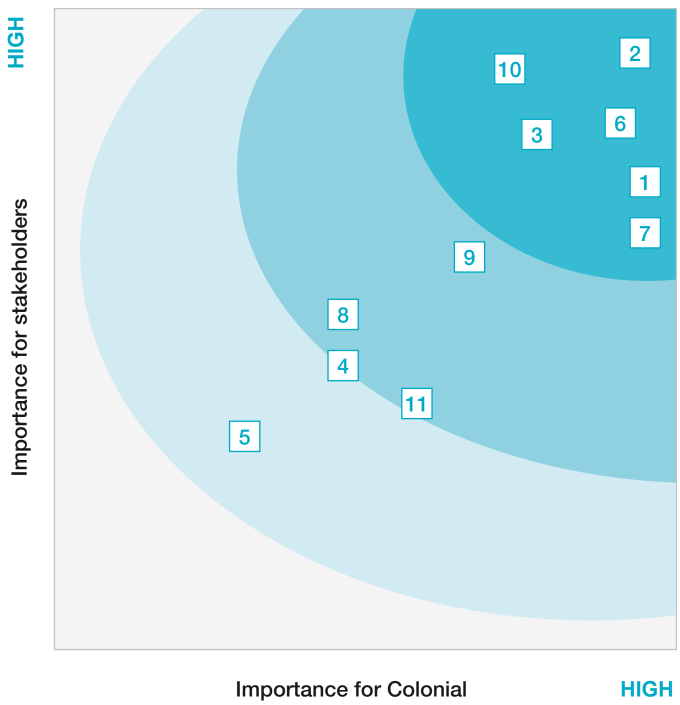
> **Human capital**: By human capital we mean different material sub-themes, such as occupational health and safety, human rights, equality and diversity, and human capital development.

> **Sustainable investment**: This is interpreted as short, medium and long-term value creation, sustainable financing, a relationship with the investment community, as well as addressing their ESG expectations.

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

The result of the analysis and assessment is detailed in the following materiality matrix:

1 Sustainable investment
2 Energy and carbon efficiency
3 Sustainable buildings
4 Circular economy
5 Biodiversity
6 Client relations and satisfaction
7 Attractive product
8 Community impact
9 Human Capital
10 Ethics & transparency
11 Responsible value chain



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

Given the materiality of these issues, they constitute the main areas for the Company to consider in ESG matters.

Significant progress was made in 2022, demonstrating the commitment and effectiveness of Colonial's strategy in these areas.

Energy and carbon efficiency

> GHG intensity (Scopes 1 and 2) of 6 Kg CO_2e/sqm, reduction of 27% compared to 2021.

> GHG emissions[1] (partial Scopes 1, 2 and 3) of 18,641 tCO_2e, showing a reduction of 8% compared to the previous year.

> Intensity of energy consumption of 167 kWh/sqm, a reduction of 8% in the entire portfolio compared to the previous year.

> Optimisation of the conductive maintenance of building installations and improved environmental performance through the implementation of Royal Decree Law 14/2022.

> 73% green power supply, an increase of 372 bps year-on-year.

> Main work areas to reduce the carbon impact:

  > Control, restraint and balance in the operation of the common and private areas of the assets.

  > Development of a circular economy and the reduction of embodied carbon in projects.

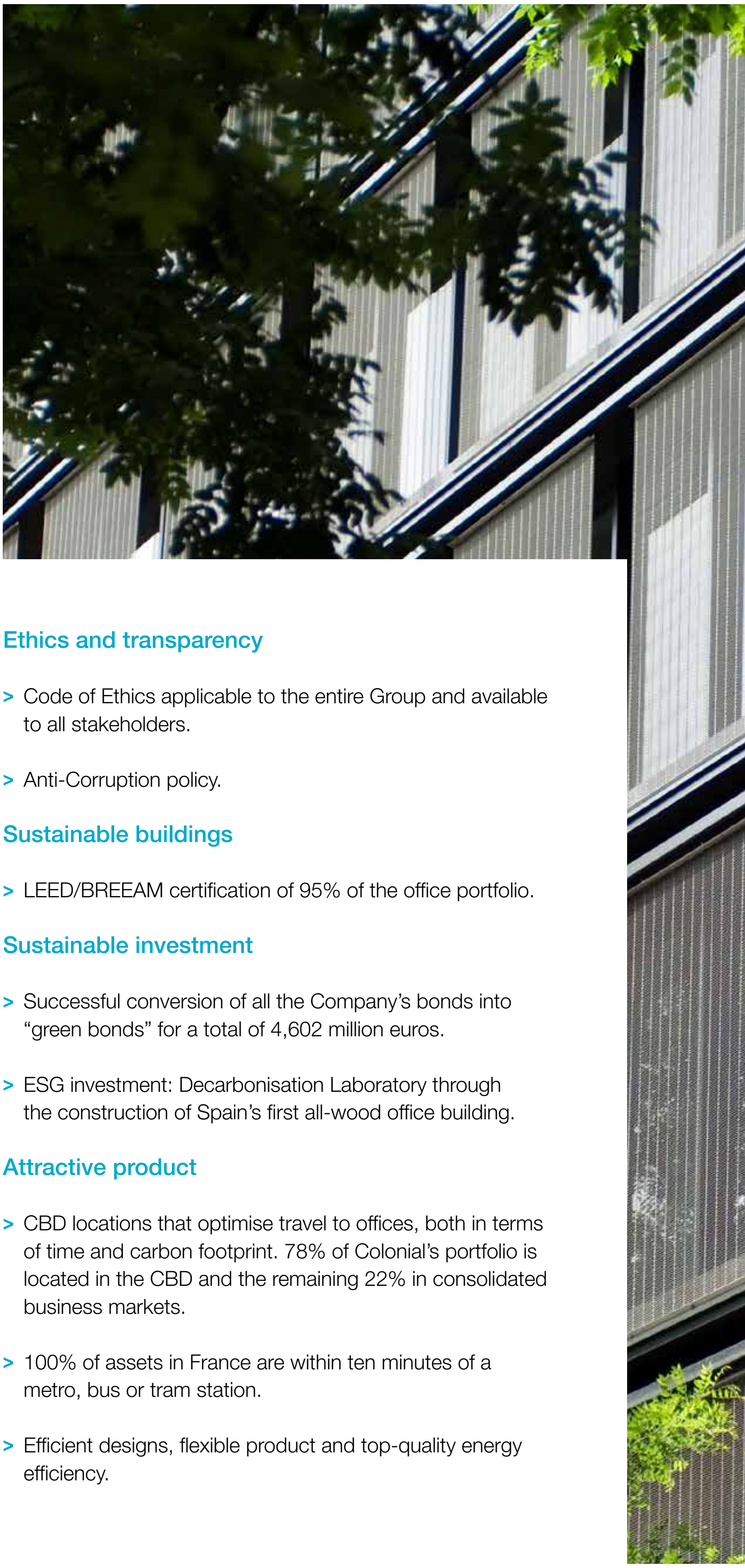
  > Support for the deployment of new forms of mobility for employees and users of Group assets.

Client relations and satisfaction

> A very high percentage of clients remain in our assets for more than five years.

> Client satisfaction surveys to meet clients' needs.

(1) Greenhouse Gas (GHG).



Ethics and transparency

> Code of Ethics applicable to the entire Group and available to all stakeholders.

> Anti-Corruption policy.

Sustainable buildings

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

Sustainable investment

> Successful conversion of all the Company's bonds into "green bonds" for a total of 4,602 million euros.

> ESG investment: Decarbonisation Laboratory through the construction of Spain's first all-wood office building.

Attractive product

> CBD locations that optimise travel to offices, both in terms of time and carbon footprint. 78% of Colonial's portfolio is located in the CBD and the remaining 22% in consolidated business markets.

> 100% of assets in France are within ten minutes of a metro, bus or tram station.

> Efficient designs, flexible product and top-quality energy efficiency.

Stakeholders

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

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

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

Internal stakeholders

- Employees and worker representatives
- Shareholders and investors

External stakeholders

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

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

1. **Identification and categorisation of stakeholders**: together with Colonial's management, identifying the tasks and operations carried out by the organisation and its interaction with the environment.

2. **Prioritisation of objectives and impacts**: assessing the influence of the stakeholder on the achievement of Colonial's strategic objectives, as well as the impact that the activities have on each stakeholder considered.

3. **Categorisation of the type of relationships**: the relationship framework makes it possible to categorise the type of relationship with each stakeholder and to define the most appropriate management and communication channels.

Communication with stakeholders

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

Stakeholders	Products	Channels
Employees	> "Live" platform > "Colonial counts on you" platform Colonial cuenta contigo	> Company intranet > Points of contact > Human resources email > Complaints channel > Horizontal and vertical informal communication channels
Clients and tenants	> Quarterly newsletter publication > LED screens in building lobbies > User guide on best practices in environmental management > Special events for building users > Biannual newspaper in Washington Plaza	> Property managers > Space Manager and Community Front (coworking spaces) > Surveys and programmes > "Coffee with the Manager" programme > Satisfaction surveys > Paris Workplace barometer > Colonial-Utopicus initiatives > Client portals > Newsletter > Blog and social media > Colonial Intranet: inmuebles.inmocolonial.com > Customer management points of contact: +34 93 404 79 00 www.inmocolonial.com
Suppliers and contractors	> Supplier selection process	> Supplier approval questionnaire > Supplier management platform > Points of contact with purchasing managers: proveedores@inmocolonial.com

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

3.3.2 Governance model and conceptual framework

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

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

ESG governance model

Board of Directors

Sustainability Committee

ESG Committee

Colonial Business Division

Corporate Development Division

SFL Business Division

Colonial Sustainability Area

ESG Coordination and Reporting Area

SFL ESG Area

Board of Directors

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

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

Sustainability Committee

In order to accelerate strategic leadership in ESG matters, at the end of 2020 Colonial set up the Sustainability Committee, a committee of the Board of Directors to which it assigned the following functions, among others:

i. Evaluate and review the environmental and sustainable development policies approved by the Company's Board of Directors on a regular basis, and check that the Company's environmental and sustainable development practices are in compliance with those policies.

ii. Assess and monitor proposals for the Company to form part of the most widely acknowledged international sustainability indexes.

iii. Advise the Board of Directors regarding the environment and sustainable development in accordance with internationally accepted best practices.

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

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

vi. Issue reports and carry out actions that correspond to environmental and sustainable development.

The Sustainability Committee met three times in 2022. The Committee is composed of five members of Colonial's Board of Directors, specifically Ms Silvia M. Alonso-Castrillo Allain, Mr Adnane Moussanif, Mr Luis Maluquer Trepat, Ms Ana Bolado Valle and Ms Ana Peralta Moreno.

ESG Committee: Committee is composed of members of the Colonial Group's Management Team

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

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

The ESG Committee meets at least quarterly, but met five times in 2022 and discussed the following topics:

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

> Monitoring and updating of the decarbonisation strategic plan and ESG targets - CRREM and embodied carbon analysis.

> Drawing up an operational action plan for implementing actions.

> Energy certifications.

> Analysis of taxonomy implications.

> Drafting of the 2022 Integrated Annual Report.

Operational implementation areas

Within the Corporate Development Department, the new ESG Coordination and Reporting area was created in 2021, the functions of which include the coordination of all ESG areas, as well as the analysis of the Company's business plan and its return on value.

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

3.3.3 ESG Policy and Strategic Plan

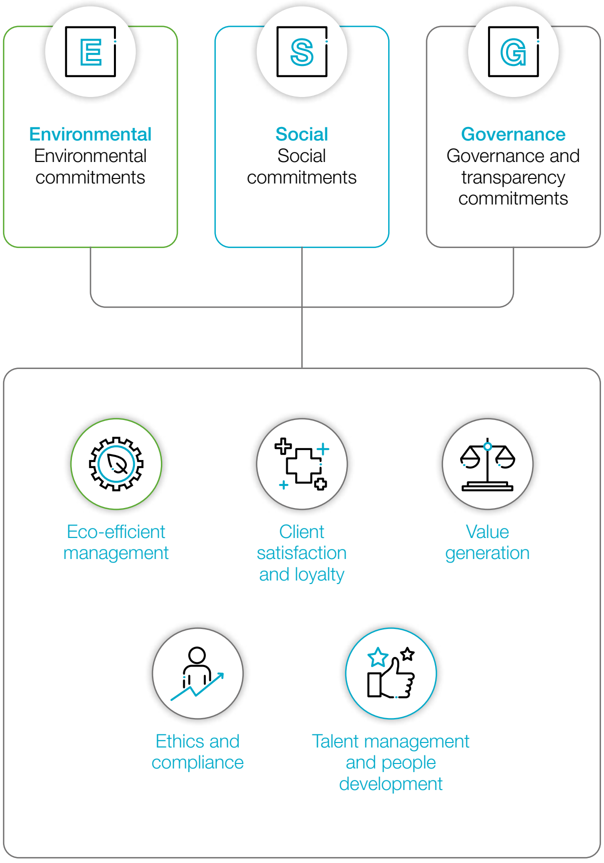
A core element of the Colonial Group's corporate strategy is its commitment to excellence and leadership in ESG, as this is the basis for ensuring sustainable long-term returns for the Company, i.e., for the Group's shareholders and all stakeholders.

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

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

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

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



Strategic Plan

The Colonial Group aspires to clear leadership in ESG, which is an essential element in the Group's strategy, prioritising a long-term sustainable return based on a model where quality is paramount. In this respect, the corporate strategy has at its core the highest standards of excellence in the areas of governance, social and sustainable investment.

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

The Company established an internal carbon price as a key element to prioritise and determine the most efficient actions in decarbonisation. Each tonne of CO_2 would have an associated price which would be passed on to the activity and serve to manage activities from the point of view of the most efficient energy production and consumption possible.

In this respect, the internal carbon price set by the Company was €100/tCO_2e, approved by the Sustainability Commission and applicable to any new investment to be carried out.

During 2022, the Colonial Group continued working to achieve maximum reductions in its carbon footprint and has reached the lowest levels in the European sector.

Sustainable Development Goals

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

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

3.4. Value created by Colonial and its stakeholders

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

Shareholders and investors

Recurring net profit with double-digit growth	> Recurring net profit of €161m, +26% year-on-year. > Recurring EPS (earnings per share) of €29.8cts, +21% vs. the previous year. > Group EBITDA of €283m, +14% compared to 2021. > Rental income of €354m, +13%, driven by Paris with +17%. > Like-for-like income growth of +7%, one of the highest in the sector.
Record trading volume	> 176,895 sqm of contracts signed: the second largest volume in Colonial's history. > 96% portfolio occupancy (~100% in Paris). > Project Portfolio: Pre-leasing of seven assets out of a total of 8 projects at maximum rents. > Renewal program completed with rentals at maximum rents.
Flight to Quality	> Disposal program of more than €500m of mature and/or non-strategic assets. > Online sales prices with the latest available valuation.
Resilience in value based on Prime positioning	> Asset portfolio value (GAV) of €13,005m, +5% compared to previous year (+1% like-for-like). > Net Tangible Assets (NTA) of €6,384m, corresponding to €11.83/share. > NTA including dividends paid: €12.07/share, higher than NTA 12/21 of €12.04/share. > Net Disposal Value (NDV) of €12.72/share, +15% driven by mark-to-market debt.

Society (community)	
Commitment to the decarbonisation of the portfolio	> Approval of the asset portfolio decarbonisation plan validated by the international Science Base Target initiative (SBTi). > The plan includes the goal of carbon neutrality by 2030. > In addition, the Company has established an internal carbon price of €100/tCO_2e as a key element to prioritise and determine the most efficient actions in decarbonisation.
Climate change mitigation and energy efficiency	> GHG emissions(*) (Scopes 1 and 2) of 6 kgCO_2/sqm, a reduction of –27% compared to 2021. > Intensity of energy consumption of 167 kWh/sqm, a reduction of –8% in the entire portfolio compared to 2021. > 73% green energy supply, 372 bps compared to 2021.
ESG leadership in accordance with top international ratings	> CDP 2022: rating A, the highest rating, among the only six best real estate agencies in Europe. > GRESB 2022: 5-Star rating, Standing Portfolio 90/100 and Development Portfolio 96/100 level. > Science Based Targets initiative (SBTi) has validated Colonial's decarbonisation targets. > Consolidation of EPRA, Sustainalytics, Vigeo and MSCI ratings.
Revitalisation of urban areas	> Major building refurbishments have been delivered in the centre of Madrid and Paris, with a significant improvement in their carbon footprint. > The design and execution of all projects are oriented towards the well-being of the building users and their community. > Implementation of circular economy policies in all projects.

(*) Greenhouse Gas (GHG).

Investors, financial backers and other stakeholders

Composition and functioning of the Board	> Appropriate size (11 members). > Separation of positions between CEO and Chairman. The Chairman no longer has executive functions.
Colonial's strategy is aligned with that of its shareholders	> Majority support for all items on the agenda at the June 2022 General Meeting with 82% attendance. > Including approval of the dividend for the 2021 financial year.
Independence and diversity of the Board	> Degree of independence: 36%. > Independence level of 45%, according to international standards (including micro dominical as independent).(*) > Gender diversity: 40% of non-executive directors are women. > All Board committees are chaired by women.
Improvements in transparency	> Long-term Board remuneration plan in line with international best practice, with ESG-related targets. > Evaluation of the Board's performance with the collaboration and intervention of an independent third party. > Reviewing and updating of the anti-corruption policy. > Development of several ethics and compliance actions.
Excellence in corporate governance	> Leading proxy advisors, ISS and Glass Lewis, acknowledge the Group's good corporate governance practices. > The main indices that evaluate ESG recognise Colonial's excellence in corporate governance.

(*) Under international standards, one of the current Dominical Directors representing a shareholder with less than 10% of the share capital (Micro-Dominical) would qualify as an Independent Director.

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

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

A good company in which to grow	> Colonial is included in the Best Workplaces 2022 according to the Great Place to Work survey carried out at the end of the year, the second consecutive year it has achieved the certification.
High level of training for employees	> Individual training plan per employee. > 32.5 training hours per employee, +13% vs. the previous year. > 96% of employees have received training.

Generated and distributed value

Thousand euros	2022	2021
Generated value	**229,362**	**765,014**
Revenue	361,613	316,719
Other income	9,304	5,330
Net gain on sales of assets	5,938	(1,261)
Variance in value of investment properties	(147,493)	444,226
Distributed value	**(358,841)**	**(358,273)**
Personnel expenses	(36,219)	(37,377)
Other operating expenses	(55,298)	(44,105)
Income tax expense	7,626	3,533
Dividends paid	(168,474)	(138,860)
Interest paid	(106,309)	(141,337)
Donations	(167)	(127)
Retained value	**(129,479)**	**406,741**
Amortisations	8,988	8,112
Retained earnings	(138,467)	271,456
Retained value without incl. variance in value of investment properties	**18,014**	**(37,485)**
Amortisations	8,988	8,112
Retained earnings	9,026	(45,597)

4

Risk management

4.1. Our risk management approach

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

Main highlights of 2022

- The implementation of a digital tool was completed for the management and monitoring of the internal control system over financial reporting, as well as for the management of the Group's corporate risks, taxation and criminal compliance.
- Climate risks, identified by the Group, have been integrated into the corporate risk assessment and monitoring process that the Company carries out every six months.
- The implementation of an internal control system over non-financial reporting in the "E" (Environment) area was completed.
- The Group continued to promote the risk culture within the Group, especially with the governing bodies, involving all members of senior management and the Board of Directors in risk management.
- Environmental risk analysis and opportunity analysis was integrated into the risk management model in accordance with the good practices of the **TCFD (Task Force on Climate-Related Financial Disclosure)**.

Priorities for 2023

- Finalise the implementation of the internal control system over non-financial reporting in the "S" (Social) and "G" (Governance) areas in order to ensure the quality of the information published by the Group.
- Integrate the management and monitoring of the internal control system over non-financial information into a digital tool.
- Continue to improve environmental risk management and monitoring, especially in the analysis of climate change risks and opportunities in line with the **TCFD** recommendations.

4.2. Our risk management model

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

4.2.1 Bodies responsible for risk management

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

- **Board of Directors**: The Board of Directors is responsible for establishing the risk management and control policy, identifying the Company's main risks and overseeing the internal information and control systems in order to ensure the Group's future viability and competitiveness.
- **Audit and Control Committee**: The Audit and Control Committee, as a body delegated by the Board of Directors, performs the following functions, among others, related to monitoring the risk management and control systems:
  - Submit a report to the Board on the risk management policy, for approval.
  - Periodically review risk management and control systems to identify, manage and report key risks.
  - Oversee the preparation process, the integrity and presentation of the mandatory public information reporting (both financial and non-financial).
- **Management Team**: Among other functions, the Management Team performs half-yearly reviews of risks in terms of impact and probability, analyses the need to include new risks (previously identified by each area) and eliminates those risks that are considered to be of little relevance.
- **Business Units**: The Business units are responsible for identifying operational risks in their respective areas of activity, as well as continuously reviewing and implementing controls to mitigate them.
- **Regulatory Compliance Unit**: The RCU is responsible for ensuring correct compliance with regulations and laws that may affect the Group in carrying out its activity.
- **Internal Audit Unit**: The Internal Audit Unit is responsible for carrying out the monitoring activities set out in its annual plans approved by the Audit and Control Committee to assess the effectiveness of the risk management processes, action plans, and controls implemented by the relevant departments to mitigate the risks identified.

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

Top-down
Implement the RMCS and monitor the Group's risk exposure level

Board of Directors

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

Heads of departments	Risk Management and Oversight Committee	Audit and Control Committee
> Identify the operational risks in their department > Monitor risk events affecting their department > Monitoring the mitigation controls in place and their efficiency	> Identify and monitor risks in each area > Periodically assess the criticality of their risks > Define an action plan > Define the corresponding controls > Monitor the risk indicators	> Supervise the risk control and management systems > Corporate risk map analysis and monitoring > Oversee the preparation of financial and non-financial information > Directly supervise the units with control functions (internal audit and regulatory compliance)
Business Areas	**Regulatory Compliance Unit**	**Internal Audit Unit**
> Identify each unit's operational risks > Review risk events under their responsibility > Implementation and ongoing review of mitigating controls	> Analyse regulatory compliance > Establish a regulatory risk prevention system	> Monitor RMCS effectiveness > Coordinate the risk map assessment
1st line of defence	**2nd line of defence**	**3rd line of defence**

Bottom-up
Assess risks and implement operational controls

4.2.2 Identification of risks

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

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

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

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

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

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

4.2.3 Risk assessments

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

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


4.2.4 Risk management

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

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

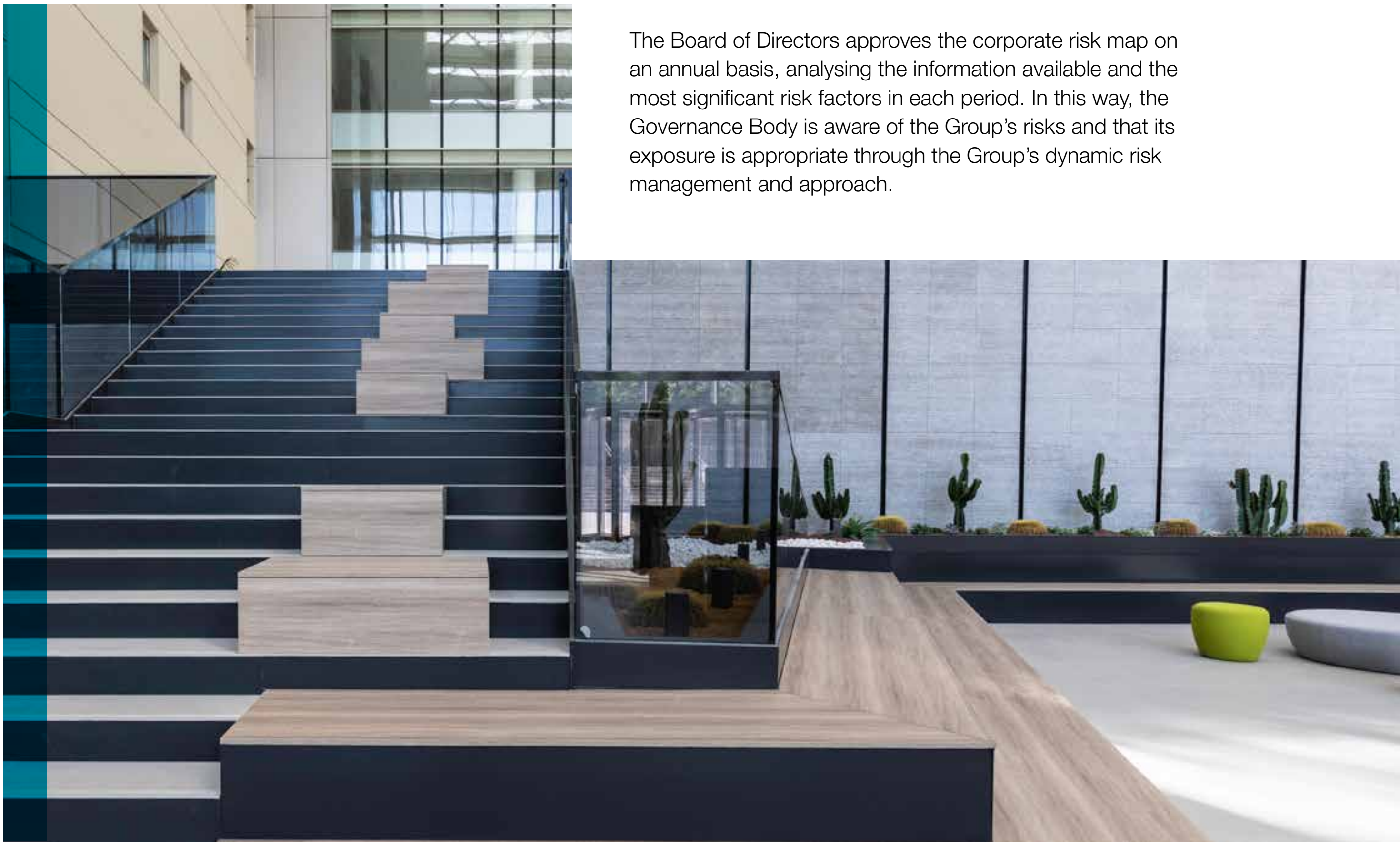
4.2.5 Risk exposure

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

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

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

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



4.3. Main risks identified in 2022: description, impact and control measures implemented

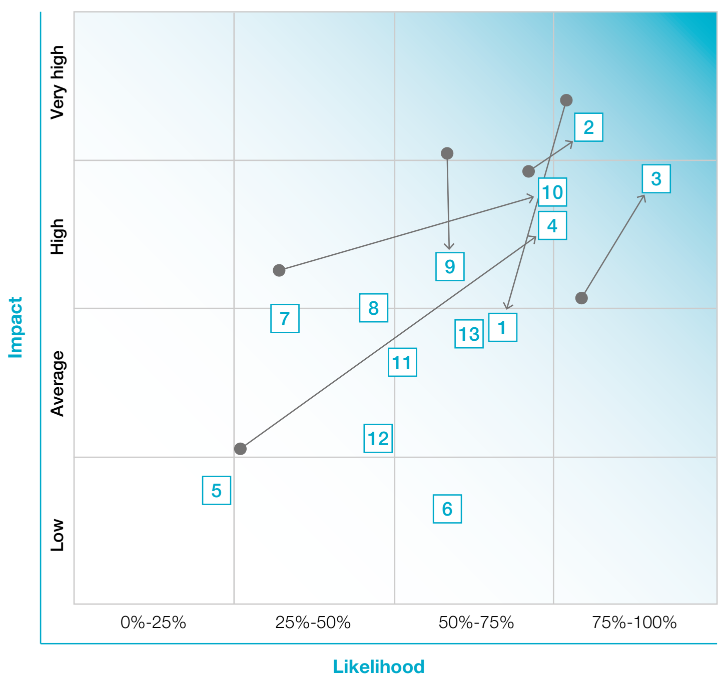
Colonial's commitment in relation to the public information reported is to guarantee its transparency and integrity, a true and fair image and to ensure a robust control environment for the activities that make up the Group's Risk Control and Management System.

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

In 2022, the Group saw a number of risks increase mainly due to the macroeconomic situation in the Eurozone and the conflict that broke out in Ukraine in February 2022, worsening the outlook for economic growth and increasing inflation rates to record levels, in Europe and the rest of the world.

Graphical representation of the Group's main risks in 2022:

External risks	Variance
Market	
1. New trends in the business model	∨
2. Fluctuation of the real estate cycle	∧
Economic	
3. Political and/or macroeconomic uncertainty	∧
Financial	
4. Liquidity and cost of financing	∧
5. Quality of the client portfolio	=
ESG	
6. Physical risks of climate change	=
7. Crisis - Extraordinary events	=
Internal risks	
Strategic	
8. Investment strategy and profitability	=
Operational	
9. Lease management	∨
10. Financial structure	∧
11. IT system failure and cybersecurity	=
ESG	
12. Human Capital	=
13. Climate change transition risks	○



Annual variance

∧ Increase
= Steady
∨ Decrease
○ New

● Risk in 2021
□ Risk in 2022

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

I. External risks

Market risks: Risks associated with the real estate market.

1. New trends in the business model

Risk	Description and impact	Control measures		Variation in risk over the year
New trends in the business model	The failure to anticipate or meet the needs and expectations of our clients due to the changing and competitive environment in which the Group operates may lead to structural changes in business models and affect the demand for space with a direct impact on revenues.	**Mitigation:** > Internal committee for analysing and monitoring of new trends. > Market research to identify new trends and behavioural changes in company workplaces. > Participation in sector projects linked to innovation and digitalisation. > Investment in the innovation and digitalisation of its real estate portfolio through the Proptech implementation project. > Customer satisfaction questionnaires to identify customer satisfaction and needs.		V > The end of the restrictions adopted during the pandemic have had a limited impact on remote working and an increased demand for flexible and more collaborative spaces. > In the long term, the advance of new technologies may facilitate the adaptation to these new trends provoking structural changes in demand or a demand for new services or new types of real estate.
	Main KRIs: > Average number of remote working days adopted by companies. > New client/market requirements. > Investment in repositioning. > Average number of sqm per tenant for new leases or renewals.	**Inherent risk:** > Impact: High. > Likelihood: High.	**Residual risk:** > Impact: Medium. > Likelihood: High.	
	Opportunities: Analysis of new business opportunities, rapid adaptation to new trends and the implementation of new technologies allow the Group to maintain and increase its competitive advantage.			

2. Real estate cycle fluctuation

<table>
<tr><th>Risk</th><th>Description and impact</th><th colspan="2">Control measures</th><th>Variation in risk over the year</th></tr>
<tr><td rowspan="3">Real estate cycle fluctuation</td><td rowspan="2">The cyclical nature of the real estate market, closely linked to the economic cycle and customer demand, has a direct impact on property valuations and the complexity of acquiring, managing or selling assets at the optimal time in the real estate cycle.</td><td colspan="2">Mitigation:
> Periodic analysis of Colonial's portfolio to review the maturity of the assets, their profitability, their development capacity and their compliance with the business plan.
> Concentration of the portfolio in prime and high growth potential areas.
> Research and analysis of off-market operations.
> Monitoring of the real estate market through sectorial reports and contact with real estate agents.
> Review of lease expiry risks in order to preserve the value of the properties.</td><td rowspan="2">> In 2022, the real estate market started to show signs of weakness due to the macroeconomic situation, as well as the sharp rise in interest rates and the consequent expansion of yields in the sector. At the end of 2022, the decrease in property values became apparent, a trend that may continue in the next valuation period.</td></tr>
<tr><td>Inherent risk:
> Impact: Very High.
> Likelihood: Very High.</td><td>Residual risk:
> Impact: Very High.
> Likelihood: Very High.</td></tr>
<tr><td colspan="4">Main KRIs:
> Level of demand for office space in the market.
> Volume of investments in the office market.
> Real estate yield vs. fixed income or bond yields.

Opportunities: The fluctuation cycle may present investment opportunities.</td></tr>
</table>

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

3. Political and macroeconomic uncertainty

<table>
<tr><th>Risk</th><th>Description and impact</th><th colspan="2">Control measures</th><th>Variation in risk over the year</th></tr>
<tr><td rowspan="3">Political and macroeconomic uncertainty</td><td>The political and economic environment directly affects the real estate cycle and the performance of our customers. Political and economic uncertainty in the Eurozone may negatively impact job creation, investor and consumer confidence and business activity, resulting in a decrease in demand for space.</td><td colspan="2">Mitigation:
> Monitoring of macroeconomic data (GDP growth, unemployment rate and inflation rate) to anticipate a change in the economic environment.
> Sensitivity testing of the business plan to ensure that the Group's structure is resilient to adverse changes in the economic environment.
> Analysis of possible impacts on the business in light of new regulations and legislation.
> Ongoing contact with public authorities and public sector advisers to ensure compliance with the regulations.</td><td rowspan="2">> In 2022, economic uncertainty increased, largely due to the conflict between Russia and Ukraine, which has led to higher inflation and a consequent increase in interest rates. Against this backdrop, most Eurozone economies have lowered their economic growth expectations and there is evidence of a decline in consumption and investment, with a future impact on the real estate market.
> Political risk has a limited impact on the Group's operations, although it depends on the regulatory changes that may be approved by the various governments.</td></tr>
<tr><td>Main KRIs:
> GDP growth rate (Spain, France and EU).
> Unemployment rate (Spain, France and EU).
> Inflation rate (Spain, France and EU).
> Interest rate evolution (ECB).
> Business confidence index (Spain and France).
> Geopolitical changes and new laws and regulations (Spain, France and EU).</td><td>Inherent risk:
> Impact: High.
> Likelihood: Very High.</td><td>Residual risk:
> Impact: High.
> Likelihood: Very High.</td></tr>
<tr><td colspan="4">Opportunities: Macroeconomic and/or political changes may generate opportunities in new sectors in which the Group is not present.</td></tr>
</table>

Financial risks: Risks arising from market liquidity and solvency.

4. Liquidity and cost of financing

<table>
<tr><th>Risk</th><th>Description and impact</th><th colspan="2">Control measures</th><th>Variation in risk over the year</th></tr>
<tr><td rowspan="3">Liquidity and cost of financing</td><td>Lack of liquidity in the financial markets may result in the Group being unable to obtain or refinance its debt at competitive interest rates, resulting in higher financing costs.</td><td colspan="2">Mitigation:
> The Group's rating and its size allow it to access multiple sources of financing and undrawn financing lines to ensure the necessary liquidity is available if needed.
> Constant monitoring of the liquidity of the debt markets and the trends in interest rates in order to design the optimal long-term financial structure for the Group.
> Contracting hedging instruments to mitigate the financial costs in the event of interest rate rises.
> Search for new financing tools (green bonds, green loans etc.).
> Roadshows with leading financial institutions to maintain investor confidence in the Group.</td><td rowspan="2">> Investor caution in financial markets due to the current situation has reduced liquidity and tightened access to financing.
> In 2022, interest rates rose steadily from lower levels and are expected to continue to rise in the near term to control inflation caused by the conflict in Ukraine and the rising cost of energy and materials, making the Group's cost of financing more expensive in the coming years.</td></tr>
<tr><td>Main KRIs:
> Loan to Value.
> ICR (Interest Coverage Ratio).
> % Fixed rate or hedged debt (5-year plan).
> Volume of hedging instruments.
> Interest rate developments (ECB).</td><td>Inherent risk:
> Impact: Very High.
> Likelihood: Very High.</td><td>Residual risk:
> Impact: High.
> Likelihood: High.</td></tr>
<tr><td colspan="4">Opportunities: The Group's size and rating allow it to obtain and renegotiate debt at highly competitive costs and to access highly liquid financial markets.</td></tr>
</table>

5. Quality of the client portfolio

<table>
<tr><th>Risk</th><th>Description and impact</th><th colspan="2">Control measures</th><th>Variation in risk over the year</th></tr>
<tr><td rowspan="3">Quality of the client portfolio</td><td>A scenario of economic weakness may affect several economic sectors of the Group’s clients, weakening their profit and loss account and their solvency.</td><td colspan="2">Mitigation:
> Diversified customer portfolio across various sectors focused on large AAA-rated companies.
> Analysis and monitoring of a concentration of clients to avoid individual exposure.
> Solvency and regulatory compliance analysis for new clients to ensure their soundness and reduce the probability of non-payment.
> Proactive search for potential clients to replace, if necessary, existing clients whose business or sector may be experiencing difficulties.</td><td rowspan="2">V
> We have built up a robust, resilient and world-class client portfolio.
> The Group’s non-performing loans ratio remained at very low levels.</td></tr>
<tr><td>Main KRIs:
> Monitoring of the Group’s default level.
> GDP growth rate (Spain, France and EU).
> Unemployment rate (Spain, France and EU).
> Business confidence index (Spain and France).</td><td>Inherent risk:
> Impact: Low.
> Likelihood: Medium.</td><td>Residual risk:
> Impact: Low.
> Likelihood: Low.</td></tr>
<tr><td colspan="4">Opportunities: A client portfolio composed of AAA clients, diversified across various sectors.</td></tr>
</table>

ESG risks: Risks deriving from the management of environmental, social and governance issues.

6. Physical risks of climate change

Risk	Description and impact	Control measures		Variation in risk over the year
Physical risks of climate change	The physical risks of climate change can be classified as acute or chronic. Acute risks can include extreme weather conditions, such as floods, storms, or gale-force winds, which can cause direct damage to the real estate assets and affect the activity of their occupants. Chronic risks may include long-term changes in weather patterns, such as rising average temperatures, rising sea levels or increased periods of drought, which may diminish the quality of life in certain areas and affect the property values. **See further details in section *4.4 TCFD***	**Mitigation:** ●●○ > Climate resilience in the design of the Group's assets to ensure the maximum comfort and well-being of their occupants and the physical integrity of the assets in case of adverse climate conditions. > Preparation of contingency and emergency plans for each property to adequately respond to incidents caused by extreme weather conditions.		⊜ > Risk events in 2022 related to the effects of climate change increased in frequency, although the impact on the Group has not altered.
	Main KRIs: > Development of the frequency of extreme weather events. > Development of the intensity of extreme weather events. > Number of days with high air pollution episodes. > Asset-based assessment of environmental risks.	**Inherent risk:** > Impact: Medium. > Likelihood: High.	**Residual risk:** > Impact: Low. > Likelihood: High.	
	Opportunities: Climate resilience in the design of the Group's buildings.			

7. Crisis - Extraordinary events

<table>
<tr><th>Risk</th><th>Description and impact</th><th colspan="2">Control measures</th><th>Variation in risk over the year</th></tr>
<tr><td rowspan="4">Crisis - Extraordinary events</td><td rowspan="2">Failure to react to an unexpected event involving the Group's assets and/or activities may result in a loss of stakeholder confidence, a reputational impact and/or a financial loss as a result of an erroneous or delayed response.</td><td colspan="2">Mitigation:</td><td>⊜</td></tr>
<tr><td colspan="2">> Our Business Continuity Plan contemplates multiple scenarios caused by extraordinary events, in order to ensure a rapid and adequate response in the event of a possible unexpected event that could have an impact on the Group's assets and/or operations.
> Definition of roles and responsibilities of the different emergency teams in charge of assessing and coordinating situations caused by unforeseen events.
> Supervision of the Health and Safety Committee to ensure the well-being of employees at all times.</td><td rowspan="2">> No unforeseen events have been detected by the Company in the Business Continuity Plan.
> The Group monitors the uncertain evolution of the Russia-Ukraine conflict and its possible direct and indirect impacts on the Group's operations.
> The end of the pandemic and the lifting of restrictions has reduced the risk and impacts that arose with Covid-19, however the Group remains alert to the emergence of new strains and/or restrictions.</td></tr>
<tr><td>Main KRIs:
> National Security Level (DSN).
> Health alerts (WHO, Ministry of Health).
> Number of incidents reported in Group buildings (employees, clients and suppliers).</td><td>Inherent risk:
> Impact: High.
> Likelihood: Medium.</td><td>Residual risk:
> Impact: Medium.
> Likelihood: Medium.</td></tr>
<tr><td colspan="4">Opportunities: Constant work to review vulnerabilities and ensure the safety and integrity of assets and their occupants.</td></tr>
</table>

II. Internal risks

Strategic risks: Risks derived from the Company's strategic plan.

8. Investment strategy and profitability

<table>
<tr><th>Risk</th><th>Description and impact</th><th colspan="2">Control measures</th><th>Variation in risk over the year</th></tr>
<tr><td rowspan="4">Investment strategy and profitability</td><td rowspan="2">The lack of a return on investments or the failure to achieve strategic results can be caused by an incorrect approach to the investment strategy and disinvestment at the right time in the cycle, selecting an inappropriate sector, lack of or over-exposure in one or several markets (cities), unexpected delays and/or cost increases in investment projects, etc.</td><td colspan="2">Mitigation:</td><td>⊜</td></tr>
<tr><td colspan="2">> Alignment of the strategic investment plan with the level of risk and return set by the Board of Directors.
> Analysis of potential transactions by the Investment Committee to assess potential risks and expected returns, and their submission to the Board of Directors for approval.
> Analysis of the Group's main indicators compared to competitors in the sector, to identify possible corporate transactions.
> Constant monitoring of new asset classes and/or markets in search of new growth opportunities.
> Definition of the strategy based on the concentration of its portfolio on high quality offices in the CBD and BD of the cities of Barcelona, Madrid and Paris, obtaining a minimum value and return on its assets.</td><td rowspan="2">> The prime office market showed great resilience in 2022; however, the Group is constantly analysing different asset classes and new markets in search of new investment opportunities.
> The pressure on the real estate market remained unchanged in 2022, making it difficult to buy prime products and to sell products in secondary locations.
> The co-working market evolved favourably in 2022, demonstrating a strong demand for flexible spaces and a good acceptance of the market following the lifting of restrictions imposed during the pandemic.</td></tr>
<tr><td>Main KRIs:
> Monitoring investments under implementation.
> % of portfolio under renovation and/or construction.
> Analysis of economic studies of large projects.
> Co-working market exposure.</td><td>Inherent risk:
> Impact: High.
> Likelihood: Medium.</td><td>Residual risk:
> Impact: Medium.
> Likelihood: Medium.</td></tr>
<tr><td colspan="4">Opportunities: Our strategic position ensures profitability in investment projects, as well as the expected growth of the Group by taking advantage of the opportunities that appear.</td></tr>
</table>

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

9. Lease management

Risk	Description and impact	Control measures	Variation in risk over the year
Lease management	An increase in the vacancy levels, influenced by an unfavourable economic-political outlook and/or the appearance of new disruptive trends for the business model, may increase the downward pressure on occupants' income levels, leading to a fall in the Group's revenue and profitability.	**Mitigation:** > Analysis of commercial transactions in the market to set appropriate rent levels. > Recruitment of commercial agents to increase the capacity to attract customers and ensure the level of rental income in accordance with the market situation. > Customer satisfaction surveys to identify clients' needs and adjust the investment and maintenance plan for each building. > Proactive search for potential clients to replace, if necessary, existing clients whose business or sector may be experiencing difficulties.	⊜ > Occupancy levels and rents remained high despite the negative trend of the main macroeconomic indicators, demonstrating the strength of the Group's assets and reinforcing its commitment to its business model. > The evolution of demand in the medium term remains uncertain pending economic developments.
	Main KRIs: > Level of rents relative to ERV from independent expert valuation. > Levels of occupancy/vacancy. > Average maturity of break options and average life of contracts. > Number of visits in vacant areas.	**Inherent risk:** > Impact: High. > Likelihood: High. **Residual risk:** > Impact: Medium. > Likelihood: High.	
	Opportunities: The high demand in the prime office market obliges the Group to maintain a high level of quality in the spaces and services offered, to ensure high occupancy and adequate rent levels.		

10. Financial structure

Risk	Description and impact	Control measures		Variation in risk over the year
Financial structure	An inadequate financial structure could lead to the Group becoming over-indebted, thus increasing the risk of debt default, increased financing costs, difficulties in debt issuance and/or refinancing and the consequent downgrading in rating.	**Mitigation:**		
		> Monthly analysis of the level of indebtedness to ensure a solid position and balanced financial structure according to the value of our assets (Loan to Value). > Active Liability Management to search for opportunities, diversify funding sources, renegotiate and increase debt maturities and/or optimise the cost of financing. > The Group's size, quality and financial structure allow the Group to obtain the highest credit rating in the sector (Standard & Poor's: BBB+ Moody's: Baa2). > Regular analysis of compliance with covenants and financial KPIs.		> In 2022, the Group prioritised managing Loan to Value levels, as a response to the decline in real estate values in the second half of the year, so the Group has designed a divestment plan to contain LtV and maintain its financial structure. > The Group continued its debt refinancing strategy by lengthening debt maturities and containing the cost of financing in an environment of rising interest rates. > The credit ratings have been renewed.
	Main KRIs: > Loan to Value. > Average maturity of debt. > Average cost of debt. > % of debt at a fixed or hedged rate.	**Inherent risk:** > Impact: Very High. > Likelihood: Very High.	**Residual risk:** > Impact: High. > Likelihood: High.	
	Opportunities: Maintaining an adequate financial structure is vital in executing the Group's strategic plan and ensuring the creation of value. The Group maintains sufficient liquidity to take advantage of any investment opportunities that may arise.			

11. IT system failure and cybersecurity

<table>
<tr><th>Risk</th><th>Description and impact</th><th colspan="2">Control measures</th><th>Variation in risk over the year</th></tr>
<tr><td rowspan="3">IT system failure and cybersecurity</td><td rowspan="2">Disruption of systems due to a failure or cyber-attack may result in the loss of sensitive data and/or disruptions to the Group's operations leading to potential reputational impacts, financial loss or regulatory sanctions (in the area of privacy).</td><td colspan="2">Mitigation:</td><td>⊜</td></tr>
<tr><td colspan="2">> Outsourced DPC server with a high level of availability of the Tier IV service with a backup system on a secondary server.
> The IT department keeps the systems updated and patched in order to mitigate vulnerability risk.
> Regular cybersecurity diagnostic tests to detect potential vulnerabilities and new threats.
> Random audits and testing of IT controls to verify their operation and effectiveness.
> Regular monitoring by the Internal Security Committee of possible incidents and the implementation of the various action plans.</td><td rowspan="2">> Continuous technological innovation and increased digitisation expose information systems to possible cyber-attacks, so the need to continuously reinforce systems against possible cyber-attacks remains.</td></tr>
<tr><td>Main KRIs:
> System vulnerability test results.
> Ratio of neutralised attacks over attacks received.
> Number of system incidents.
> Average incident resolution time.</td><td>Inherent risk:
> Impact: High.
> Likelihood: High.</td><td>Residual risk:
> Impact: Medium.
> Likelihood: Medium.</td></tr>
<tr><td></td><td colspan="4">Opportunities: The constant evolution of information systems, as well as cyber-attacks, obliges us to maintain a high level of investment in technology and innovation to ensure the correct functioning of the systems. Investing in digitalisation in our buildings gives us a high competitive advantage.</td></tr>
</table>

ESG risks: Risks deriving from the management of environmental, social and governance issues.

12. Human capital

Risk	Description and impact	Control measures		Variation in risk over the year
Human capital	Failure to attract, develop and retain the right people with the right skills and knowledge to achieve the Group's objectives can negatively impact the performance and effectiveness of employees and lead to inefficiencies in the Group's activities and operations. The concentration of critical processes in certain key people can lead to a loss of essential knowledge and even disruptions to the Group's operations.	**Mitigation:** ◯◯◯ > Searching for key personnel through specialised headhunting companies. > Attracting and retaining talent through competitive salaries, flexible working and social benefits. > Approved equality plan. > Training plan, which includes language training for the entire company. > The 'Colonial takes care of you' program promotes the health and well-being of employees through well-being practices. > The 'Colonial Career Conversation' program for monitoring personalised objectives and performance.		⊜ > The Group's turnover rate has remained stable compared to previous years. > The Group is in the process of analysing the organisational structures in Spain and France.
	Main KRIs: > Employee turnover. > Hours of training per employee and training expenditure as a percentage of the total wage bill. > Employee performance results.	**Inherent risk:** > Impact: Medium. > Likelihood: Medium.	**Residual risk:** > Impact: Low. > Likelihood: Medium.	
	Opportunities: The development of our employees enables us to obtain the necessary know-how to further improve the Group's business model.			

13. Climate change transition risks

Risk	Description and impact	Control measures		Variation in risk over the year
Climate change transition risks	The transition to a lower carbon emissions economy implies substantial changes in the policies and regulations developed by governments, as well as changes in technology and market dynamics to meet climate change mitigation and adaptation requirements. The speed, focus and extent of these changes will determine the degree of transition risks the Group may face, potentially representing financial and reputational impacts. **See details in section *4.4 TCFD***	**Mitigation:** > Strategic plan for decarbonisation. > Green CAPEX. > Internal carbon price. > Use of low carbon intensive materials. > Life cycle of materials. > Green energy supply. > Green finance linked to ESG indicators.		> The Group proactively operates with an explicit strategy and commitment towards decarbonisation and the transition toward a low-emission economic model. The upcoming development of the EU taxonomy as well as the tightening of ECP standards will challenge the Group to adapt its assets to the new regulations, rules and standards.
	Main KRIs: > The Group's GHG emissions. > % of embedded carbon in projects. > Consumption metrics. > % of renewable energy use. > Portfolio energy certifications.	**Inherent risk:** > Impact: High. > Likelihood: High.	**Residual risk:** > Impact: Medium. > Likelihood: High.	
	Opportunities: Improving real estate efficiency and adapting to changing client and investor demand **(see further details in section *4.4 TCFD*)**.			

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

I. Governance

Colonial integrates climate risk assessment and monitoring into its risk management model (for more details, see chapter 4.2. Our risk management model) so that the Group's governance bodies are involved in the process of assessing and monitoring these risks. Additionally, for climate risks, the Sustainability Committee (as a committee of the Board of Directors) is also responsible for analysing, evaluating and promoting the Group's policies and practices in the area of sustainable and environmental development, including the actions associated with the management of climate risks and opportunities, and the ESG Committee, as it is the Committee responsible for leading the evaluation, implementation and monitoring of the development of the ESG strategy. In addition, the latter is also assigned functions related to the analysis of risks and opportunities arising from climate change, as well as the implementation of internal control systems (for more details, see chapter 3.3. ESG strategy and decarbonisation).

II. Strategy

The Colonial Group pays special attention to the identification of risks and opportunities deriving from climate change that may have a current and future impact on its activity, assets, investments, clients, employees, and users of its real estate portfolio.

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

Governance	Strategy	Risk management	Metrics and objectives
a) Role of the Board of Directors in assessing and managing climate-related risks and opportunities. Pages 48-49, 60-62, 65, 130, 272, 299-301	a) Climate-related risks and opportunities that have been identified by the Organisation in the short, medium and long term. Pages 65-78, 81-85	a) Processes to identify and assess climate-related risks. Pages 63-64, 80-82	a) Metrics used to assess climate-related risks and opportunities. Pages 91, 142-148, 166-168, 185, 188, 383-390
b) Management control over climate-related risks and opportunities. Pages 48-49, 61-62, 65	b) Impact of climate-related risks and opportunities on the business, strategy and financial planning. Pages 66-78, 142-149	b) Processes to manage climate-related risks. Pages 66-78, 142-148, 161, 168-171, 199-200, 225, 252-255	b) Scopes 1, 2 and 3 of the GHG emissions and related risks. Pages 171-177, 383-387
	c) Resilience of the strategy taking into account different climate-related scenarios. Pages 81, 142-145	c) Integration of these processes into the Organisation's general risk management. Page 91	c) Targets used to manage climate-related risks and opportunities. Pages 147, 142-145

Our climate strategy

Colonial, a leading group in the European prime offices market with a presence in Paris, Madrid and Barcelona, is exposed to a variety of climate risks, both physical and transitional. The decarbonisation of the buildings is one of the main challenges for the sector and the Group.

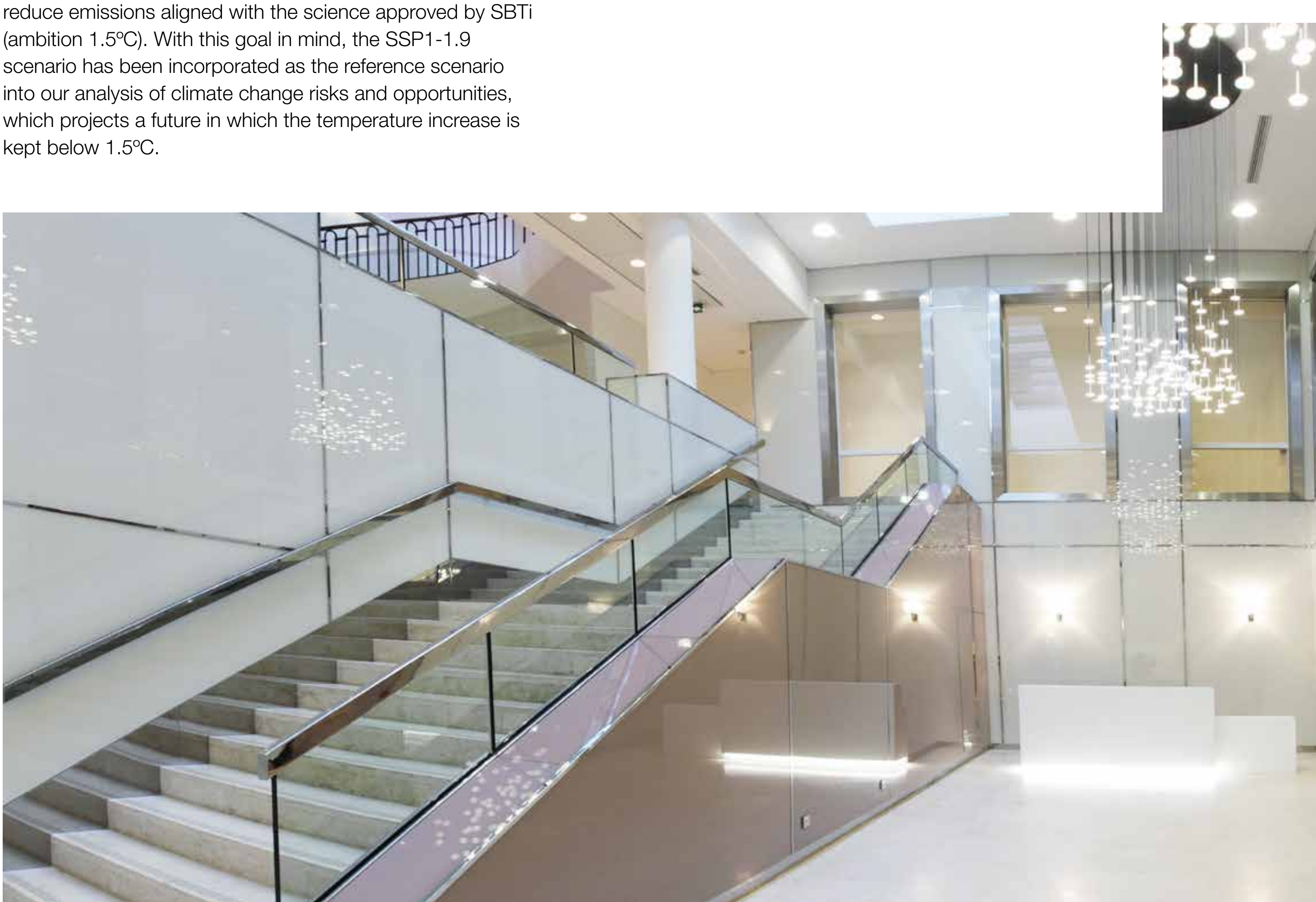
In response to this, Colonial has been integrating climate change issues into the definition and evaluation of its business strategy for years. Since 2015, Colonial has defined a Sustainability Business Plan, setting out its climate commitment with quantitative objectives and an associated investment plan guaranteeing the necessary funds to achieve them. This Business Plan is monitored on a recurring basis, setting 2018 as the base year for the targets and setting 2030 as the target year for becoming carbon neutral. In addition, the Group has set a price on carbon (€100/tCO_2), which will make it possible to assess the financial impact of the emissions associated with the assets and the various sustainability actions to be prioritised accordingly.

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

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

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

Lastly, in order to align the Group's financing strategy with its sustainability objectives, Colonial developed a green financing framework in 2021. This has made it possible in 2022 to convert all of the Group's bonds currently in circulation into green bonds, for a total aggregate amount of €4,602m.



Our approach to analysing climate change risks and opportunities

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

SSP1-1.9 - Sustainability

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

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

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

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

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

SSP5-8.5 - Fossil-fueled development

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

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

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

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

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

- Short term: 0-2 years. This risk horizon is aligned with the one used for the other risks.
- Medium-term: 2-10 years. In this case, it covers the medium and long-time horizons used for the other risks.
- Long-term: beyond 10 years. This horizon is specific to the climate risks and allows Colonial to more accurately assess the potential physical impacts of climate change even up to the middle of the century.

The results of our analysis of climate change risks and opportunities

The Colonial Group assesses climate risks in terms of impact and probability in accordance with the corporate risk management methodology.

Climate risks have been classified into two groups, according to their nature:

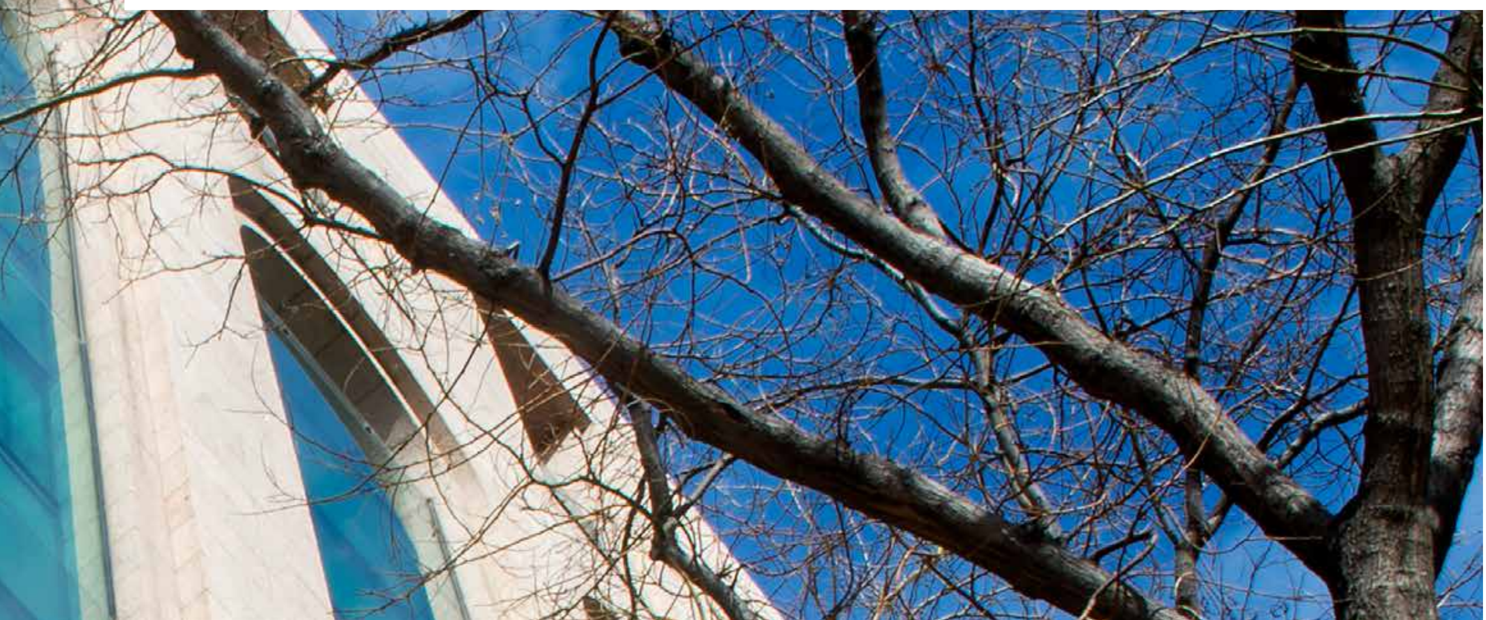
Climate change transition risks: Risks linked to the process of transition to a low-carbon economic model.

Physical risks of climate change: Risks linked to the physical effects of a change in weather and climate patterns.

The Group has conducted an assessment exercise for 2022 to identify the most significant climate risks to which it is exposed, in order to evaluate those risks, in terms of impact and probability, which are material for the Group's companies, as well as to identify those risks that must be monitored to follow their evolution, taking into account the SSP scenarios and the horizons contemplated by the Group.

The climate risks identified in the analysis are listed below according to their materiality, group and category:

	Group	Category	Risk
Material risks	Transition	Legal & regulatory	New regulation on energy requirements of existing buildings (EU taxonomy & EPC)
	Transition	Legal & regulatory	Carbon price regulation
	Transition	Market	Change in client behaviour
	Transition	Reputational	Increased cost of capital
Risks to monitor	Transition	Market	Increased costs of raw materials
	Transition	Market	Increased costs of energy and water supplies
	Physical	Chronic	Average temperature increase
	Physical	Acute	Increased severity and frequency of extreme weather events
	Physical	Acute	Floods



The most significant material risks for the Group are detailed below:

#	Group	Category	Risk	Risk description	Horizon
1	**Transition**	**Legal & Regulatory**	New energy efficiency regulations and reporting requirements (EU taxonomy & EPC)	The EU taxonomy project and the EPC standards, focused on energy improvement and carbon emissions reduction of buildings, will require the Group to make new investments in its asset portfolio to comply with the newly approved regulations. Likewise, the different EU member states are starting to apply new regulations in the real estate sector with the aim of reducing carbon emissions and applying specific energy efficiency measures in the sector (Spain) NZEB France: Tertiary decree).	S/T
2	**Transition**	**Legal & Regulatory**	Carbon price regulation	The overall EU target of reducing emissions by at least –55% by 2030 (vs. 1990) cannot be achieved without significant emission reductions in buildings and road transport. To support other political measures related to construction and transport, the Commission proposes a new EU-wide emissions trading system, which will put a price on emissions from the Real Estate and road transport sectors, thereby increasing the Group's costs due to the need to purchase these emission rights. The new system is designed to start in an orderly, smooth and efficient manner from 2026.	M/T
3	**Transition**	**Market**	Change in consumer behaviour	In the consumer market, the transition to a more sustainable and low-emission intensity economic model has led to changes in consumer requirements and increased polarisation in the office market, increasing demand for buildings with sustainable spaces and higher green certifications and penalising spaces in the least sustainable buildings (Brown Discount). In the investment market, the obsolescence of assets due to the lack of adaptation and transition of assets towards a low-emission model can lead to a depreciation of the value of the assets due to their unattractiveness in the investment market.	S/T, M/T
4	**Transition**	**Reputational**	Increased cost of capital	Investors in both debt and equity markets are increasingly looking for companies with sustainable portfolios, which are committed to sustainability goals and are transparent. Failure to invest in sustainability and to disclose comprehensive, robust and credible ESG information may result in a loss of investors, making it difficult to access financing.	M/T, L/T

Scenario	Potential impact	Estimation of the potential impact	Impact	Likelihood
SSP1 and SSP5	> CAPEX increase	The cost of maintaining high sustainability standards in the asset portfolio is estimated at €30m of capex per year, including €10m per year from the decarbonisation plan.	VERY HIGH	VERY HIGH
SSP1	> Increased costs for the purchase of emission rights	Considering the internal carbon price established by the Colonial Group of €100/TnCO_2e, the cost of emissions for the Group is estimated at €2m, taking 2022 carbon emissions as a reference for the calculation.	LOW	HIGH
SSP1	> Demand reduction > Income level reduction > Depreciation of asset value	The potential impact of not maintaining high sustainability standards in the portfolio is estimated at €20m of lower rental income, corresponding to 5% of annualised passing rents.	HIGH	AVERAGE
SSP1	> Loss of competitiveness due to restricted access in the debt market and in the equity market > Reduced liquidity	The potential impact of not maintaining high sustainability standards for debt is estimated at approximately an increase of 10 bp in financing cost, which on gross debt at 31 December 2022 is equivalent to a potential impact of €6m.	LOW	HIGH

In addition, the Group has established that it must monitor the evolution of the following risks:

- **Transition risks**: The Group regularly monitors the changes in the cost of raw materials and the price of energy.
  - Raw materials may experience an increase in cost due to the use of new, more sustainable carbon-neutral materials and construction methods in order to meet energy efficiency and sustainability requirements during the construction and renovation process. This results in additional costs for the use of these new materials and/or construction methods for which demand is expected to increase in the coming years.
  - The cost of energy may increase due to the investments needed to decarbonise national energy systems. In addition, to disincentivise fossil fuels, taxes associated with GHG emissions are likely to be increased. This, along with other factors, could increase the price of electricity during the transition to a low-carbon economic model.
- **Physical risks**: Currently, the physical risks identified do not pose a material risk to the Group's assets due to their geographical location and their current low probability. However, the Group closely monitors the evolution of weather patterns and assesses the impact and exposure of the risks on an asset-by-asset basis each year.
  - The increase in average temperature can lead to an increase in energy consumption, which is estimated to represent a 4% increase in consumption for each degree of temperature increase, resulting in higher operating costs. In addition, in the event of a breakdown of any cooling equipment, it could hamper the operation of the affected buildings, affecting the well-being of their occupants or even temporarily interrupting their activity.
  - Increased intensity or frequency of extreme weather events could cause damage to some elements of buildings, increasing the cost of repairs to damaged elements.
  - Moreover, though less likely, and with greater impact than the physical risks described above, the risk of flooding could cause damage and temporarily disrupt activity at the exposed assets should it materialise.

Opportunities for proactive climate change management

Colonial is working to prevent these risks from materialising in the affected scenarios, given that they could have unforeseeable effects for the Group. However, Colonial also identifies opportunities that can also help neutralise the negative impacts of some of these risks.

#	Group	Category	Opportunity
1	**Transition**	**Resource efficiency**	Improvement in the energy efficiency of the buildings.
2	**Transition**	**Resource efficiency**	Increased competitiveness for low-carbon real estate.
3	**Transition**	**Products and Services**	Increased demand and rents for sustainable and low-carbon intensive buildings.
4	**Transition**	**Market**	Increased access and competitiveness to capital and financial costs

Description	Opportunity estimation
Compliance with energy regulations allows us to continue to innovate and improve the Group's buildings to achieve maximum efficiency and reduced energy consumption.	The Group estimates a return of between 10% and 12% of the CAPEX invested in decarbonisation over the next five years, representing between €5m and €6m of reduction in property Opex resulting in improved efficiency and cost improvements for tenants.
As part of the Group's decarbonisation plan, Colonial has set an internal carbon price (€100/TnCO_2) which it uses internally in planning studies for new developments and new projects. In this way, the Group can estimate the impact of embedded carbon emissions and incentivise the reduction of emissions emitted in its projects to reduce the theoretical cost of offsetting the carbon emissions embedded in each project.	
The polarisation of the office market makes it possible to differentiate high-quality assets from the rest of the market. With most companies adopting their sustainability and decarbonisation plans, those assets certified with the highest environmental certifications and with higher degrees of efficiency will experience an increase in demand and consequently an increase in the level of rents (Greenium).	The potential positive impact of maintaining high sustainability standards in the portfolio is estimated to be at €20m of higher rental income, corresponding to 5% of annualised passing rents.
The adaptation of the assets makes it possible to show investors in the financial markets the transition carried out by Colonial towards a more sustainable and carbon-neutral business model that is valued by the Group's various stakeholders, facilitating access to capital and reducing the cost of the same.	The potential positive impact of maintaining high sustainability standards on debt is estimated to be an improvement opportunity of approximately 10 bp of lower financing cost, which on gross debt at 31 December 2022 is equivalent to a positive impact of €6m.

Impact on the strategic plan

Colonial is firmly committed to being part of the solution to the changes caused by climate change-related.

The Colonial Group's leadership in energy efficiency in its portfolio and management of carbon emissions reduction represents a clear opportunity: it offers the Colonial Group a clear competitive advantage in the office market, which allows the company to crystallize the opportunities described in the table below, and without materializing, to date, any impact of the associated risks.

Opportunity	Risk	Impact on Strategy	Impact on Business Plan
Improvement in the energy efficiency of the buildings	**New energy efficiency regulations and reporting requirements (EU taxonomy & EPC)**	The Group's strategic plan includes a decarbonisation and sustainability plan in which it is committed to achieving carbon neutrality by 2030. In order to achieve carbon neutrality, the Group's strategic objective is to reduce energy intensity (<10%) and purchase green energy (>70%), in addition to the energy and environmental certification of its entire portfolio and obtaining the highest certifications for new projects. All of these objectives are aligned with compliance with the new emerging energy regulations and are focused on improving energy efficiency for compliance with EPC standards.	The Group's Business Plan includes the necessary investments that the Group must make in order to adapt its assets to the new emerging energy regulations and to comply with EPC standards. The individualised master plan for each asset includes the necessary adaptation actions for each building.
Increased competitiveness for low-carbon real estate	**Carbon price regulation**	The Group's Decarbonisation Plan has the goal of neutral Scope 1&2 GHG emissions. Likewise, with the aim of highlighting the decarbonisation plan and reaffirming its strategic importance, Colonial has set an internal price for embedded carbon (€100/TCO_2) for new projects. This action encourages sustainable development and the pursuit of carbon neutrality in the Group's new projects.	For each new project, the carbon emissions of the project itself (embodied carbon) as well as the carbon emissions of the entire life cycle of the asset are analysed. To assess its economic impact, the internal carbon price of €100/$TnCO_2e$, established by the Group, is applied.

In general terms, these impacts have not changed significantly compared to 2021, although the Group is aware that these can evolve and vary in the future according to the scenario that finally materializes.

Opportunity	Risk	Impact on Strategy	Impact on Business Plan
Increased demand and rents for sustainable and low-carbon intensive buildings	**Change in consumer behaviour**	The Group has set various sustainability targets for project development. Project life cycle analysis is applied to all of Colonial's assets, involving all suppliers in sustainability objectives (design, demolition, construction and maintenance) to achieve high quality and environmentally efficient buildings. The Group also has ESG clauses with all its significant suppliers. In addition, Colonial aims to apply Green Clauses with all its new clients (100%), aligning its sustainability objectives with those of its clients and placing value on investment in developing more sustainable spaces.	The Group plans to undertake new projects with the aim of achieving the highest environmental and energy certifications (LEED and BREEAM) and complying with EPC standards. The economic studies of each project include specific items to ensure that the sustainability objectives of each project are met.
Increased access and competitiveness to capital and financial costs	**Increased cost of capital**	The Colonial Group considers the reporting of ESG information to investors and analysts to be of strategic importance. In addition, an Internal Control System is being implemented to ensure the reliability and veracity of the ESG data reported. In 2022 it was implemented for environmental indicators (E) and by 2023 it is planned to integrate social (S) and corporate governance (G) indicators.	The Group has integrated ESG indicators into its financial strategy as key performance indicators (KPIs) because of their importance in accessing and trading capital in the financial markets.

Resilience of the business model

Short and medium-term resilience (2020-2030):

Transition risks:

The Group's business model has been adapted to show its resilience to the climate risks identified in the short and medium term. The Group is in the process of transitioning its portfolio towards a carbon neutral portfolio through its strategic decarbonisation plan (2018-2030). Additionally, the sustainability objectives set resulted in new developments, with a clear focus on the reduction of CO_2 emissions and an improvement in the energy efficiency of the assets to comply with EPC standards and the regulations that may be set by the EU Taxonomy, as well as by local regulations of the different EU member states, allowing for the transition of Colonial's portfolio towards a more sustainable model aligned with the new demands of clients and investors.

Physical risks:

Colonial's current strategy, based on prime assets located in the CBD, means that physical risks are largely located in urban areas with a high resilience to the physical risks of climate change. Therefore, the Group's assets are not exposed to significant damage over this time horizon, especially for possible extreme weather events or flooding.

Long-term Resilience (>2030):

Transition risks:

The Group is aware that it will have to readapt its business model and increase its adaptation measures for the effects of climate change and the impacts of climate risks in the long term.

Physical risks:

In an SSP1 scenario, in which the temperature increase is contained to below 1.5°C, the Group's portfolio will maintain its current resilience as no major investments are expected to mitigate the effects of the identified physical risks that are expected to occur in the long term.

In an SSP5 scenario, with an average temperature increase above 4.4°C, the Colonial Group will need to increase its investments in mitigation measures for extreme weather events, as well as to reduce the risk of flooding in assets located in vulnerable areas. In addition, the Group should exclude those assets from its asset purchase strategy that are located in risk areas and include existing assets in its disposal plan in such areas, in order to minimise its exposure to climate risks.

III. Risk management

Methodology for identifying and assessing climate risks and opportunities

The responsibility for identifying risks and opportunities lies with the Business Area and the Corporate Development Area (responsible for ESG coordination and reporting), whose teams are also responsible for their risk management. Colonial collaborates with external advisory services (Upcycle and EY) to further identify these risks.

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

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

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

Once identified, climate risks are assessed in terms of likelihood and impact. Each of these fields has been quantified from 1 to 4, with 1 being very unlikely or a very low impact and 4 being very likely or a very high impact, respectively. To measure the impact, both the direct and indirect financial impact (e.g. caused by reputational damage), have been taken into account.

Integration into the risk matrix

Climate risks (both physical and transitional) are integrated into the corporate risk matrix, which is updated every six months through reviews with risk owners. In this respect, these climate risks are assessed by the members of the ESG Committee (risk owners). (For more details, see section Our risk management model).

Currently, climate risks are integrated into the matrix in an aggregated form through risks no. 6, Physical risks of climate change, and no. 13, Transition risks of climate change. No. 6 integrates the risks outlined above linked to the physical, social and economic consequences of climate change that may impact Colonial’s assets and stakeholders. On the other hand, no. 13 comprises those risks linked to the impacts deriving from the transition to adapt to climate change, especially the legal, regulatory and reputational risks.

IV. Metrics and objectives

The Colonial Group’s Decarbonisation Business Plan is the Group’s transition plan towards a carbon neutral future. It integrates several strategic objectives, most of them directly or indirectly linked to climate change and the associated risks and opportunities. The most relevant goal in this regard is carbon neutrality by 2030. Thanks to improvements in energy efficiency and, in particular, the purchase of electricity from renewable sources, Colonial has already managed to reduce its carbon footprint intensity for Scopes 1 and 2 by 25% in 2022 compared to 2021 in like-for-like terms, advancing at an accelerated pace towards the total decarbonisation of its portfolio. To see the progress of the Business Plan, see section 5.4. Transition to Carbon Neutrality.

Colonial pays increasingly more attention to GHG emissions in its value chain. Since 2021, Colonial has calculated and published its Scope 3 emissions for the categories most relevant to the Group. Colonial also actively measures the embodied carbon of new projects.

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

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

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

5

Performance

5.1. Office markets

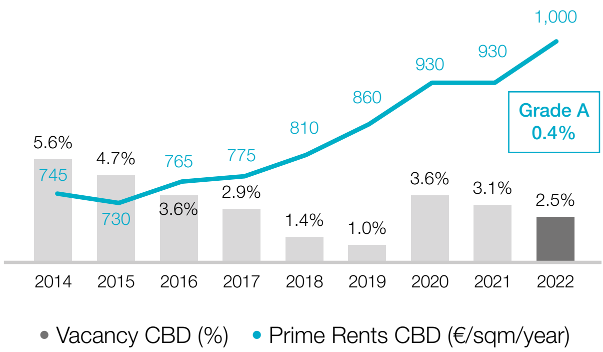
5.1.1 Rental markets

In the Paris office market, take-up in 2022 reached **2,108,300 sqm**, an **increase of +10% compared to 2021. Demand in the city centre leads the growth, increasing +19% compared to the previous year. The vacancy rate in the CBD remains low levels at 2.5% and Grade A availability is stable at 0.4%**. In 2022 **prime rents increased to €1,000/sqm/year**.

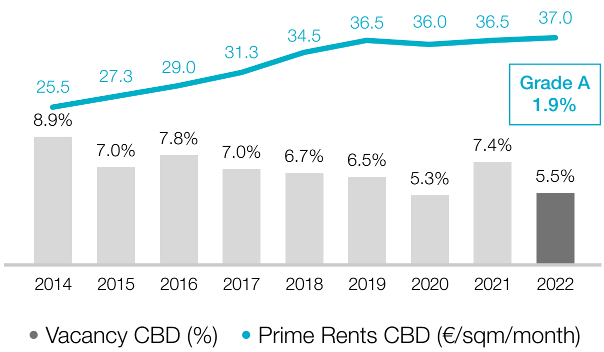
In the office market in Madrid, 507,000 sqm were signed in 2022, up +23% compared to the previous year. **More than 50% of the contracts** were signed on **assets in city centre** locations, within the M-30. This dynamic has reduced the **vacancy rate** to **11.3%** (12.3% in December 2021). The **vacancy rate in the CBD decreased to 5.5%** and for **Grade A** product it was down to **1.9%**. This high volume and number of letting transactions in the CBD has settled prime rents at **€37/sqm/month in 2022**.

Take-up in the **Barcelona office market** stood at **331,000 sqm in 2022, in line with the last 10-year average**. Demand polarization for city centre products has decreased the **CBD vacancy rate to 5.4%**. Demand continues to be led by technology and professional services sector, capturing 50% of the market. **Prime rents** remained at a high of **€28/sqm/month**.

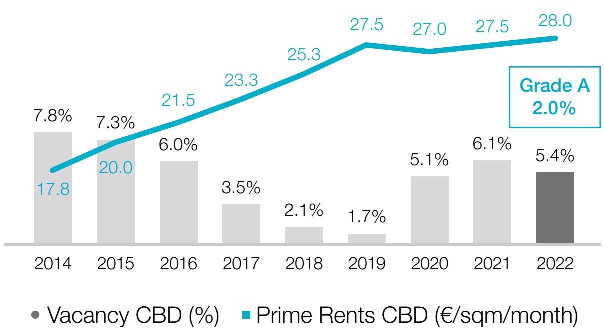
Paris



Madrid



Barcelona



Sources: CBRE and JLL.

5.1.2 Investment market

The **investment volume** in the office market of **Paris reached €10,456m** in 2022: 50% of the transactions were carried out in the city centre and Paris CBD by domestic investors, comprising 69% of the total invested. **Prime yields stood at 3.25%**.

In **Spain, the investment volume in offices reached a historically high figure of €2,288m in 2022**.

In Madrid investment increased by +99% in 2022 compared to 2021, reaching **€1,188m**. **In Barcelona**, the investment volume reached **€1,100m**, with 80% of the transactions taking place in 22@. **High economic uncertainty has pushed prime yields in Madrid and Barcelona to 4.0%**.

5.2. Financial and operational results

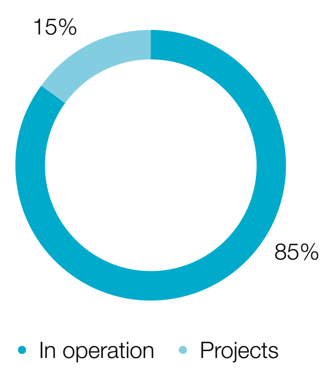
5.2.1 Management of the contract portfolio

Breakdown of the current portfolio by surface area

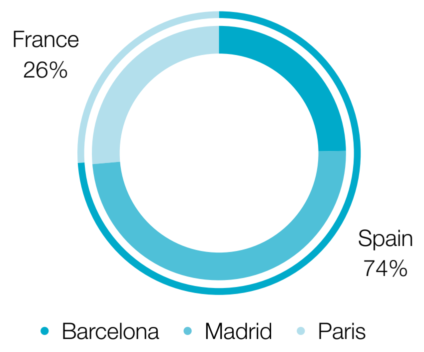
At the close of 2022, the Colonial Group's portfolio amounted to 1,688,149 sqm, mainly concentrated in office assets, which correspond to 1,543,934 sqm.

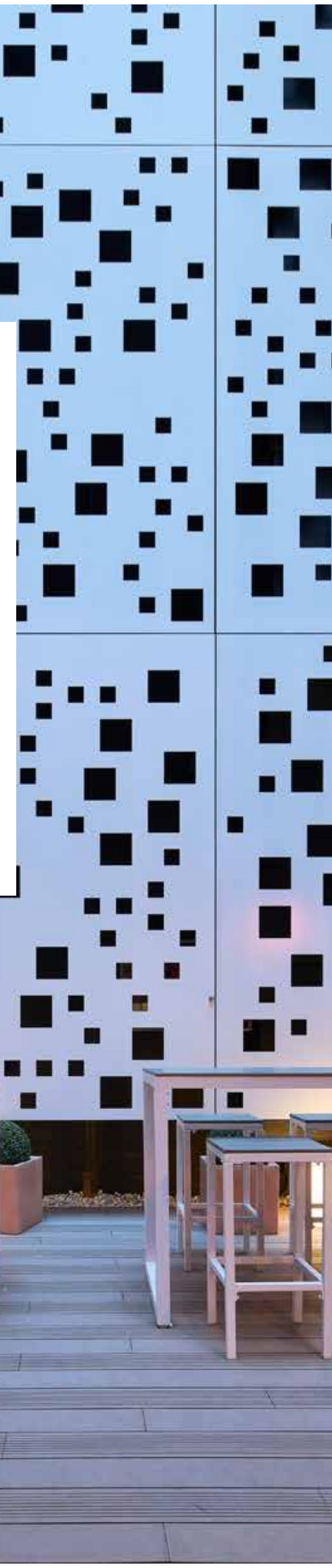
85% of the total surface area of offices was in operation at the close of 2022 and the rest corresponded to an attractive portfolio of projects and renovations.

Offices Surface - by condition



Offices Surface - by market



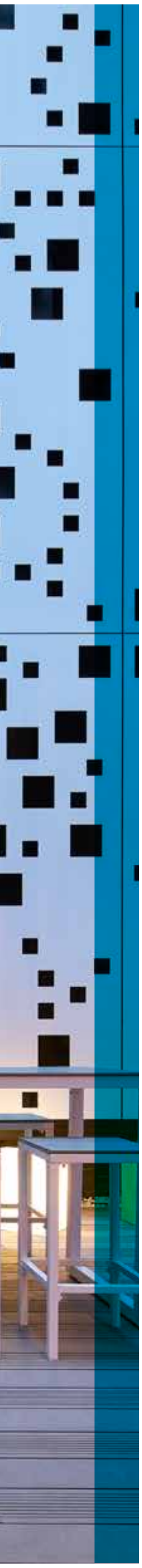


Signed leases - Offices

At the close of 2022, the Colonial Group formalized leases for a **total of 176,895 sqm of offices**. 75% (133,092 sqm) corresponded to contracts signed in Barcelona and Madrid and the rest (43,803 sqm) were signed in Paris.

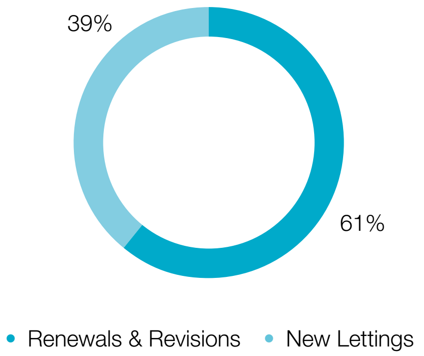
Renewals: Out of the total office letting activity, 39% (69,476 sqm) are lease renewals, highlighting the 54,443 sqm renewed in Madrid.

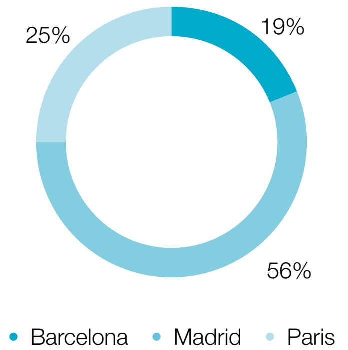
New lettings: New leases relating to 107,419 sqm were signed, highlighting the 45,204 sqm signed in Madrid and the 40,579 sqm signed in Paris.



Letting Performance - Offices

December cumulative - sqm	2022	Average maturity	% New rents vs. previous
Renewals & revisions - Barcelona	11,809	2	5%
Renewals & revisions - Madrid	54,443	3	6%
Renewals & revisions - Paris	3,224	5	6%
Total renewals & revisions	**69,476**	**3**	**6%**
New lettings - Barcelona	21,636	4	
New lettings - Madrid	45,204	6	
New lettings - Paris	40,579	8	
New lettings	**107,419**	**7**	**n. a.**
Total commercial effort	**176,895**	**6**	**n. a.**





The new rents stood at +6% above previous rental prices: **Barcelona +5%, Madrid +6% and Paris +6%**.

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

In Spain, 133,092 sqm were signed during 2022, corresponding to 84 contracts, and in Paris 43,803 sqm were signed, corresponding to 29 contracts.

Of special mention is the large commercial activity of the office portfolio in Madrid, where rental agreements have been signed for a total surface area of 99,647 sqm across 49 transactions. These include the renewal of 8,818 sqm on the Santa Engracia asset with various tenants, the renewal of 8,056 sqm on the Francisca Delgado 11 asset with a leading telecommunications company, the renewal of 6,425 sqm on Martínez Villergas 49 with a railway company, the renewal of 6,252 sqm on Manuel de Falla 7 with a governing body and the renewal of 5,455 sqm on Castellana 43 with a leading space rental company. Regarding new contracts signed, worth mentioning is the signing of 12,137 sqm on the Velázquez 86D asset and the signing of 6,101 sqm on Ortega y Gasset with various tenants and the signing of 7,320 sqm on the Miguel Ángel 23 asset with a strategic consultancy firm.

In the office portfolio in Barcelona, rental contracts were formalized with a surface area of 33,445 sqm across 35 transactions. Of special mention is the renewal of 5,485 sqm on the Illacuna asset, as well as the renewal of 4,144 sqm on the Diagonal 609-615 asset with various tenants. Likewise, regarding new contracts signed, worth mentioning is the signing of 7,436 sqm on the Plaza Europa 34 asset and the signing of 5,743 sqm on the Diagonal 609-615 asset with various tenants.

In the office portfolio in Paris contracts were signed for an amount of 43,803 sqm across 29 transactions. Regarding new contracts signed, worth highlighting is the signing of 23,167 sqm on the Biome asset, as well as the signing of 3,322 sqm on the Galeries Champs Elysées asset, 3,400 sqm on Grenelle and 2,558 sqm on Washington Plaza, all signed with various tenants. Regarding renewals signed, of special mention is the renewal of 2,277 sqm on the Cezanne Saint-Honoré asset with two tenants.

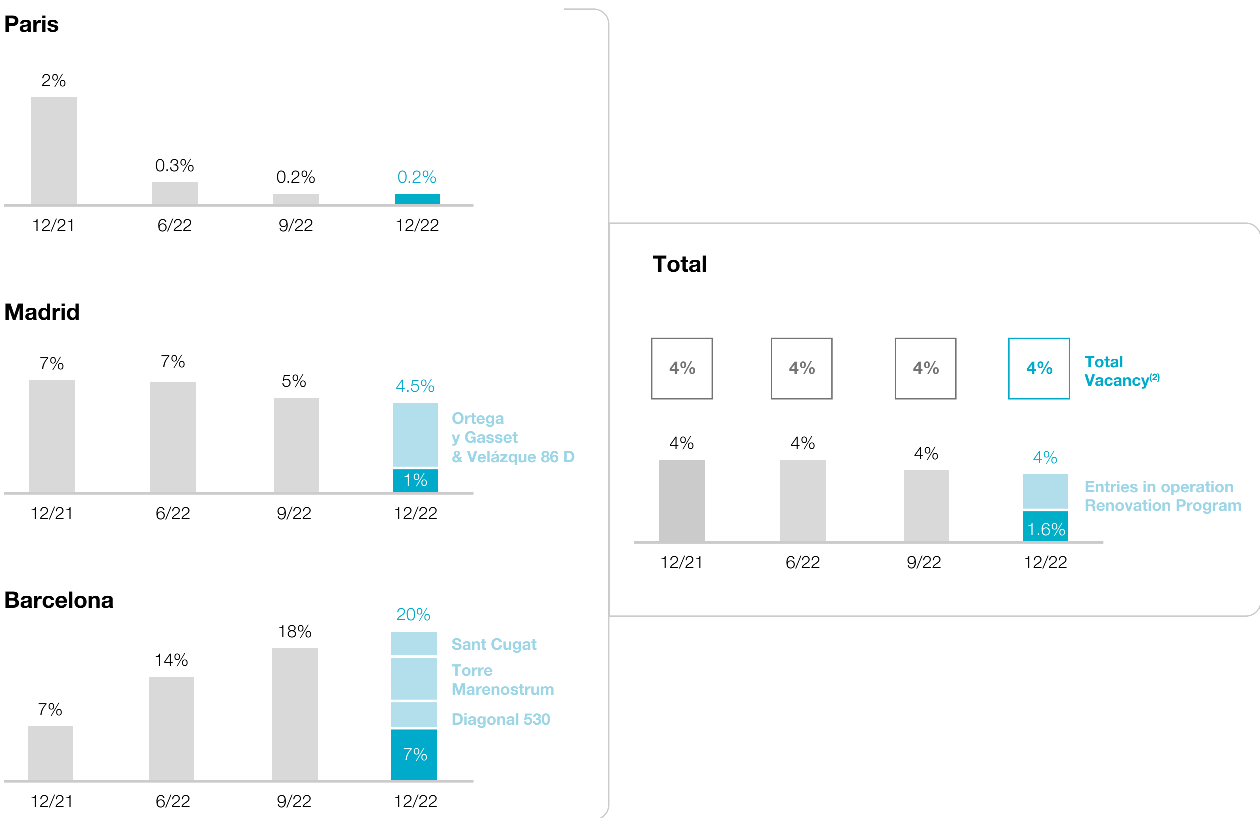
Stability in the portfolio occupancy

> **The total vacancy of the Colonial Group,** at the close of 2022, **stood at 4%, a vacancy rate in line with the last quarter reported and the same period of the previous year.**

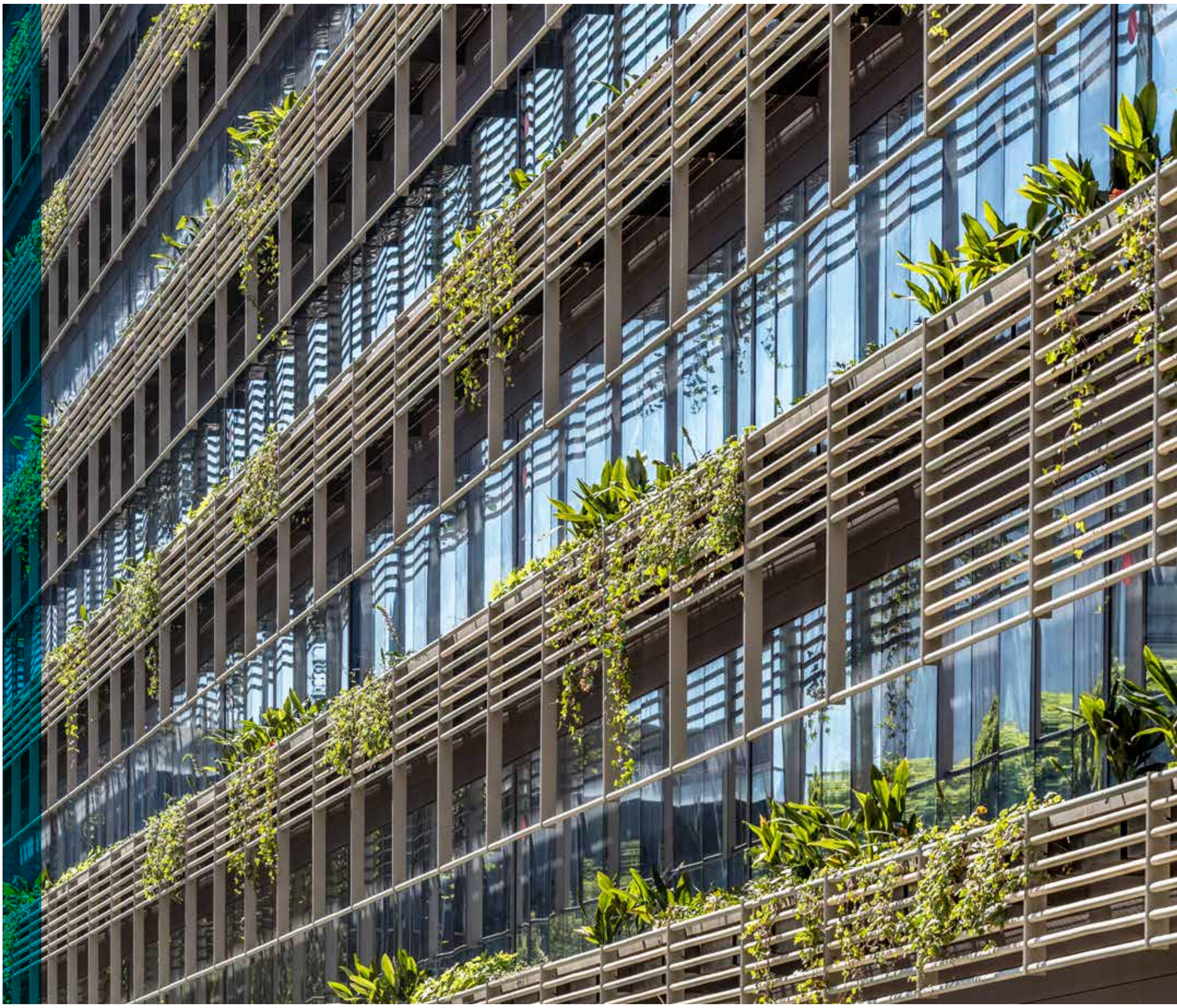
Improvements in the Paris office portfolio have compensated for the entry into operation of the renovated assets in Spain. **Excluding these entries into operation, the total vacancy of the Colonial Group is at 1.6%**.

EPRA vacancy(1)

Office & Total Vacancy - Evolution of Colonial's Portfolio



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



The office portfolio in Paris is almost at full occupancy, thanks to the successful implementation of the renovation program and the robustness of the prime market of Paris.

The office portfolio in Madrid has a vacancy rate of 4.5%, a rate below the last quarter reported, mainly due to the new lettings on the Miguel Ángel 23, Ortega y Gasset, Cedro and Recoletos 37 assets, among others. Regarding the last quarter reported, the rate in the Madrid office market remained stable. The vacant surface area mainly corresponds to the entries into operation of the Ortega y Gasset and Velázquez 86D assets. It should be mentioned that a pre-let agreement has been reached for 100% of the Ortega y Gasset asset. Likewise, the last available floor in the Velázquez 86D asset is generating high interest in the market.

The Barcelona office portfolio has a vacancy rate of 20%, a rate higher than the last quarter reported and higher than the same period of the previous year. This is mainly due to the entry into operation of the Torre Marenostrum and Diagonal 530 assets, as well as the tenant rotation in the Sant Cugat and Illacuna assets. Excluding the entries into operation of the Torre Marenostrum and Diagonal 530 assets, as well as the tenant rotation in Sant Cugat, the occupancy of the Barcelona office portfolio stands at 7%. To date, agreements have been reached on the Diagonal 530 asset for 89% occupancy of the building (at present, conversations are being held to rent the building in its entirety).

Commercial lease expiry and reversionary potential

Commercial lease expiry

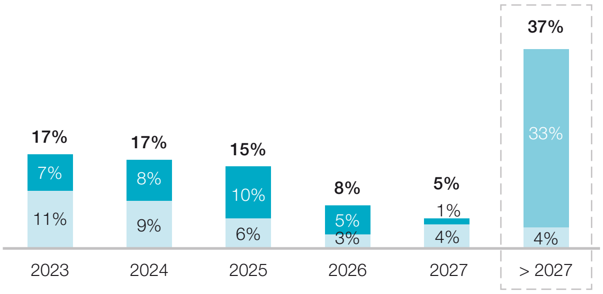
The following graphs show the contractual rent roll for the coming years.

The **first graph** shows the **commercial lease expiry dates** for the **Colonial Group's entire portfolio**. If the tenants choose to end the contract at the first possible date in the year 2023 (break option or end of contract), it will correspond to 17% of the contract portfolio. If the tenants remain until the contract expires in 2023, the figure is reduced to 10%.

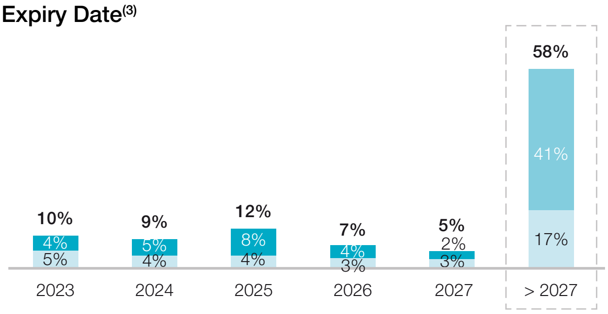
Colonial Group

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

First Potential Exit(2)



Expiry Date(3)



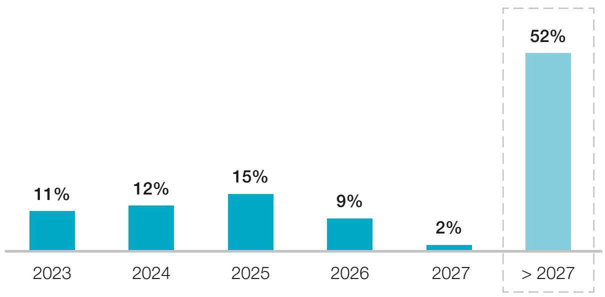
(1) % = surface to rent x current rents / current rental revenues.
(2) Renewal dates based on first potential exit of the current contracts.
(3) Renewal dates based on the expiry date of the current contracts.

The **second graph** shows the **commercial lease expiry dates** of the assets **in France** if the tenants choose to end the contract at the first possible date (break option or end of contract) or if the tenants remain until the contract expires. In France, the contract structure is over the long term.

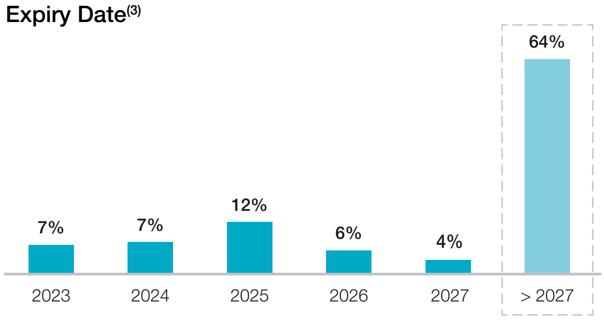
France

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

First Potential Exit[2]



Expiry Date[3]



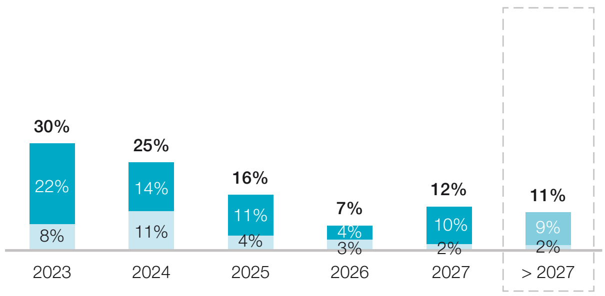
The **third graph** shows the **commercial lease expiry dates** of the assets **in Spain** if the tenants choose to end the contract at the first possible date (break option or end of contract) or if the tenants remain until the contract expires.

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

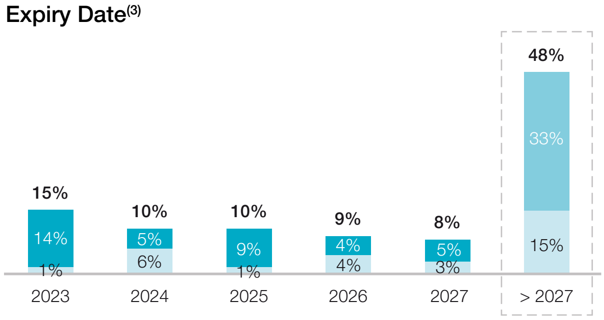
Spain

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

First Potential Exit[2]



Expiry Date[3]



• Madrid • Barcelona

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

Reversionary potential of the rental portfolio

The Colonial Group's rental portfolio has significant reversionary potential. This reversionary potential is the result of comparing the rental income of the current contracts (contracts with current occupancy and current rents) with the rental income that would result from letting the total surface at the market prices estimated by independent appraisers as at the close of 2022 (not including the potential rents from the projects and significant renovations underway).

The static reversionary potential (assets at 100% occupancy applying current market rents without considering future indexation impacts and rental growth) of the rental revenues of the office portfolio stood at:

- +24% in Barcelona
- +8% in París
- +1% en Madrid

Figures at December 2022

"Reversionary potential" | Current passing rentl(*) | Average maturity of the contracts (years)

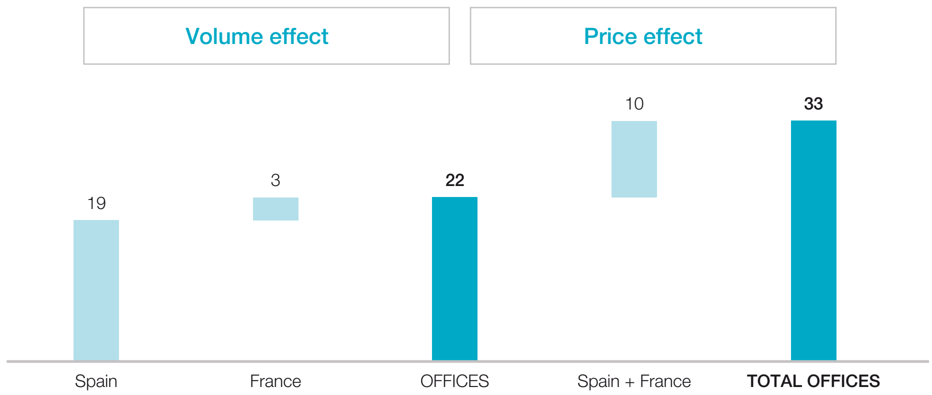
First Potential exit | Expiry date

(*) Current office rent of occupied surfaces.

Specifically, the static reversionary potential of the current portfolio **would result in approximately €33m of additional annual rental income**.

Reversionary potential-rental income

€m



5.2.2 Project pipeline

Project pipeline

The Colonial Group has a **project pipeline of 184,455 sqm spread across eight assets**.

At the date of publication of these results, the pre-let levels and the degree of progress made in the project portfolio were both very high:

> 7 of the 8 projects are pre-let.

> 6 of the 8 projects have been completed **(including Plaza Europa 34 which will be delivered in the coming weeks).**

	Project	City	% Group	Delivery	GLA (sqm)	Total Cost €m(*)	Yield on Cost
1	Diagonal, 525	Barcelona CBD	100%	Delivered	5,706	41	≈ 5%
2	83 Marceau	Paris CBD	98%	Delivered	9,600	154	≈ 6%
3	Velázquez, 86D	Madrid CBD	100%	Delivered	16,318	116	> 6%
4	Miguel Ángel, 23	Madrid CBD	100%	Delivered	8,155	66	> 5%
5	Biome	Paris City Center	98%	Delivered	24,500	283	≈ 5%
6	Plaza Europa, 34	Barcelona	50%	1H 23	14,306	42	≈ 7%
7	Louvre SaintHonoré *Prime* Commercial	Paris CBD	98%	2H 23	16,000	215	7-8%
8	Méndez Álvaro Campus	Madrid CBD South	100%	1H 24	89,871	323	7-8%
Current pipeline					**184,455**	**1,241**	**6-7%**

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

In **Paris**, of special mention is the finalization of the renovation works and entry into operation of the Biome building of 24,500 sqm which has been fully let to the Banque Postale and SFIL Paris. The transaction covers the entire space of offices, as well as the adjacent areas (restaurant, facilities, conference centre, etc.). Two contracts for a term of 10 years have been signed at rental prices at maximum market levels.

Finally, **Louvre Saint Honoré of 16,000 sqm in the Paris Prime CBD** is totally pre-let to the Cartier Foundation.

The renovation works are progressing as planned for delivery in the 2H 2023.

Biome
Paris City Centre

Louvre St. Honoré
CBD Paris

In **Madrid, agreements were reached** on the **Miguel Ángel 23** and **Velázquez 86D assets for practically the entire surface area**.

In **Miguel Ángel 23**, one of the first Net Zero buildings in the CBD in Madrid, an agreement was reached **to rent the entire surface area of the building to McKinsey**. The contract term is for 10 years, with a rent higher than the market rent. The project was delivered in October 2022

In August 2022 the asset **Velázquez 86D** was delivered and **86% of the building of 16,318 sqm has already been let**, with only one floor pending to be rented. **The building was let to top-tier clients, such as Bain & Company, AON, White & Case and Sagardoy Abogados**. All the contracts were signed at **maximum rental prices**, establishing the prime benchmark in the Madrid market.

Miguel Ángel, 23
CBD Madrid

Velázquez, 86D
CBD Madrid

In **Barcelona**, an agreement has been reached to **rent 100% of the asset Plaza Europa 34**. This is a unique offices project which will become the benchmark in its area due to its visual identity and versatility, with a total of more than 14,000 sqm across 20 floors.

In addition, the Diagonal 525 project in the Barcelona CBD (new Headquarters of Naturgy) and the **83 Marceau project in the Paris CBD** (headquarters of Goldman Sachs) were delivered in 2021. Both assets are **100% let at maximum market rents**.

Plaza Europa, 34
22@ Barcelona


100%
Let

Diagonal, 525
CBD Barcelona

100%
Let

Marceau
CBD Paris

100%
Let

Renovation program

The **renovation program has 108,294 sqm distributed over 9 assets**, of which 8 programs, with a total surface area of 90,434 sqm have entered into operation and have been pre-let with significant rental price increases.

Asset		City	Delivery	Pre-let	GLA (sqm)
1	103 Grenelle	Paris 7ème	✓	100%	5,631
2	Charles de Gaulle	Paris Neuilly	✓	100%	6,742
3	Washington Plaza	Paris CBD	✓	100%	10,611
4	Cézanne SH	Paris CBD	✓	90%	9,951
5	Cedro	Madrid North	✓	83%	14,437
6	Ortega & Gasset 100	Madrid CBD	✓	100%	7,792
7	Diagonal 530	Barcelona CBD	✓	89%	12,876
8	Torre Marenostrum	Barcelona 22@	✓	35%	22,394
9	Parc Glòries II	Barcelona 22@	2024	Project under analysis	17,860
Total renovation program					**108,294**

In Paris, 4,624 sqm were signed in 2022 on the Grenelle and Charles de Gaulle assets. As a result, the renovation program in Paris has reached 31,634 sqm pre-let, representing 96% of the entire scope of action.

In this respect, the **Grenelle, Washington Plaza** and **Charles de Gaulle assets are 100% let** at maximum market rents.

The **Cézanne Saint Honoré building entered into operation in the second quarter of 2022 and is 90% pre-let** to Wendel Investissement, Lacourte Raquin Tatar and Lincoln International, with mandatory contracts of between 9 and 12 years. **The signed rents are at the high end of the Paris prime market**.

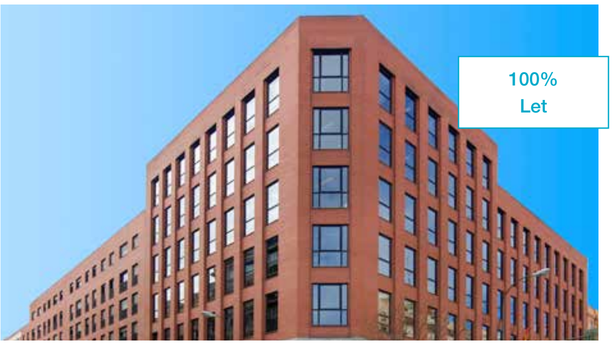
Cézanne St. Honoré
Paris

90%
Let

In Madrid, 13,763 sqm were signed on two assets from the renovation program.

On the **Ortega y Gasset asset**, agreements were reached for **100% occupancy of the asset, after closing contracts in 2022 & 2023 for more than 7,700 sqm** with top-tier companies such as an important technology company and The Instant Group. In addition, **5,971 sqm were signed on the Cedro** building with Digi and Arval (subsidiary of BNP Paribas) and Diasorín, **bringing the asset close to full occupancy (83%)**.

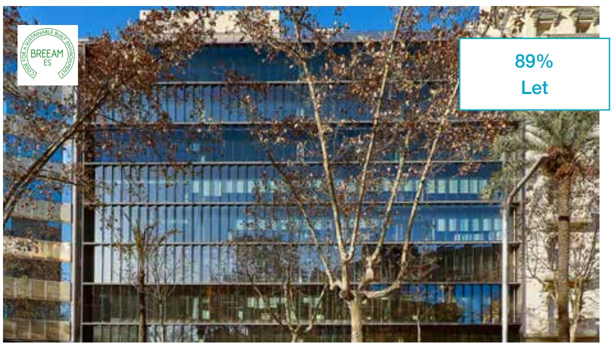
Ortega y Gasset
Madrid



Cedro
Madrid

In **Barcelona**, significant progress has been made in the commercialization of the projects in the fourth quarter of 2022. In particular, agreements have been reached for **Diagonal 530** (an asset delivered in the third quarter of 2022) for 89% occupancy of the building, totalling 7,557 sqm of new contracts signed in 2022. **Torre Marenostrum** is in full commercialization phase.

Diagonal, 530
Barcelona



Torre Marenostrum
Barcelona

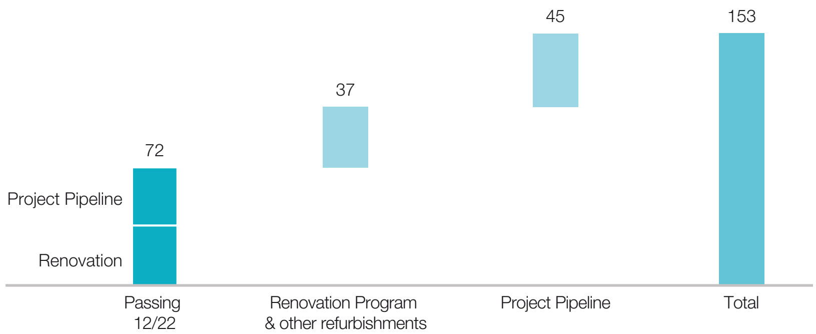
Potential of the project pipeline and the renovation program

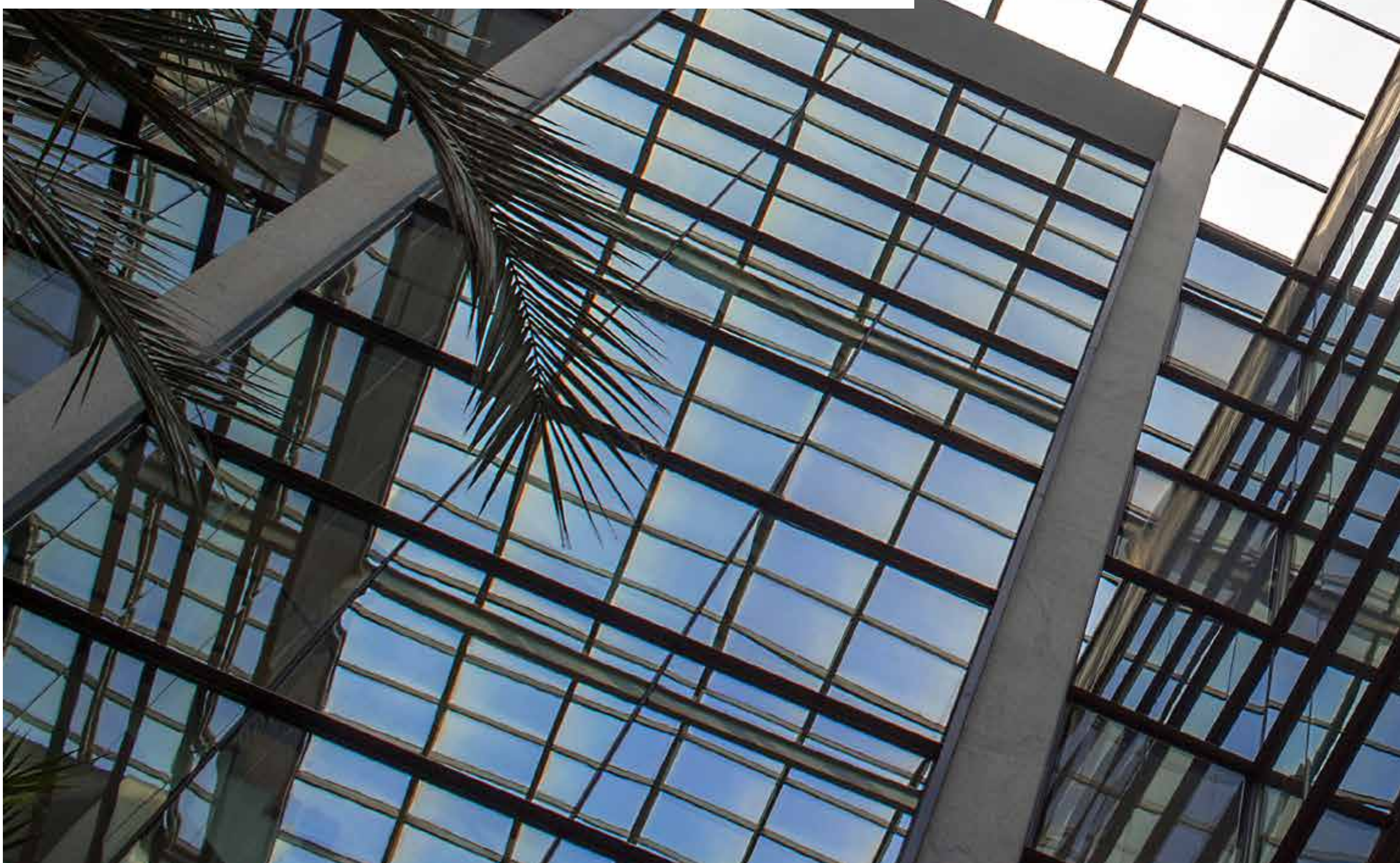
The project pipeline, as well as the renovation program and other refurbishments, provide potential additional annual rents of €153m.

The entry onto the market of the renovation program and other refurbishments has the potential for €37m in additional rents in the short-term.

Additional rental income from projects and significant refurbishments

€m





5.2.3 Active portfolio management

Investments

Final settlement of the purchase of the Amundi headquarters in the centre of Paris - 15eme Arrond

By the end of April 2022, the Colonial Group formalized the purchase of the 91 Pasteur building of almost 40,000 sqm located in the centre of Paris (15th district), announced in February this year.

The purchase of the asset was closed at a **price of €484m, equivalent to €12,250/sqm, 26% lower than the capital value for offices in this market segment**.

The building is the global headquarters of Amundi, the leading asset manager in Europe, with a 12-year contract signed in February this year.

Considering this contract and the attractive purchase price, this transaction has an initial yield of 3.9%.

With this transaction, the Colonial Group ensures a strategic position near one of the main transportation hubs in Paris, the Montparnasse railway and metro station. This station, at the heart of the 15th district, is undergoing full renovation and offers many services for the large offices located in this area.

This asset is the 7th largest office building in the Paris market and has a floor layout of more than 2,000 sqm, with high luminosity and a very efficient distribution. The building was totally renovated in 2012 and a limited investment in capex is expected. It currently has HQE and BREEAM energy certifications.

Disposals

At the closing date of this document, the Colonial Group is finalizing a disposal program of more than €500m with prices in line with the appraisal.

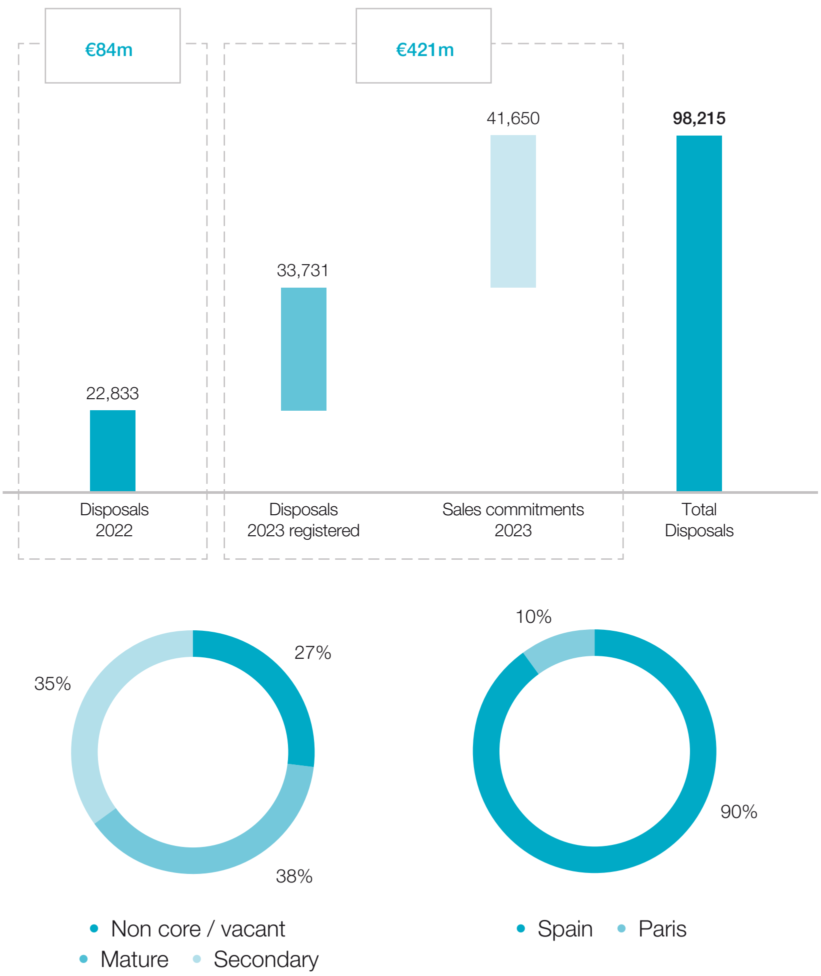
Of the total disposal program, €84m was made in 2022. Additionally, during the first half of 2023, the disposal of 6 assets is expected to be finalized amount €421m. It is important to highlight that 3 of the assets have already been sold and the rest of the disposals program is expected to be finalized during the 1H 2023.

The disposal program includes 10 assets with a total surface area of 98,215 sqm with no further value creation potential. Of the almost 100,000 sqm of the disposal program, 27% corresponds to land plots of land and/or non-strategic assets with high vacancy levels, another 35% to buildings in secondary locations and the rest correspond to mature assets without long-term value creation potential.

The sale price of the program implies an initial yield (EPRA Net Initial Yield) below 2.6% and the CBD assets in Madrid were disposed of for a capital value of more than €9,000/ sqm.

Disposal program

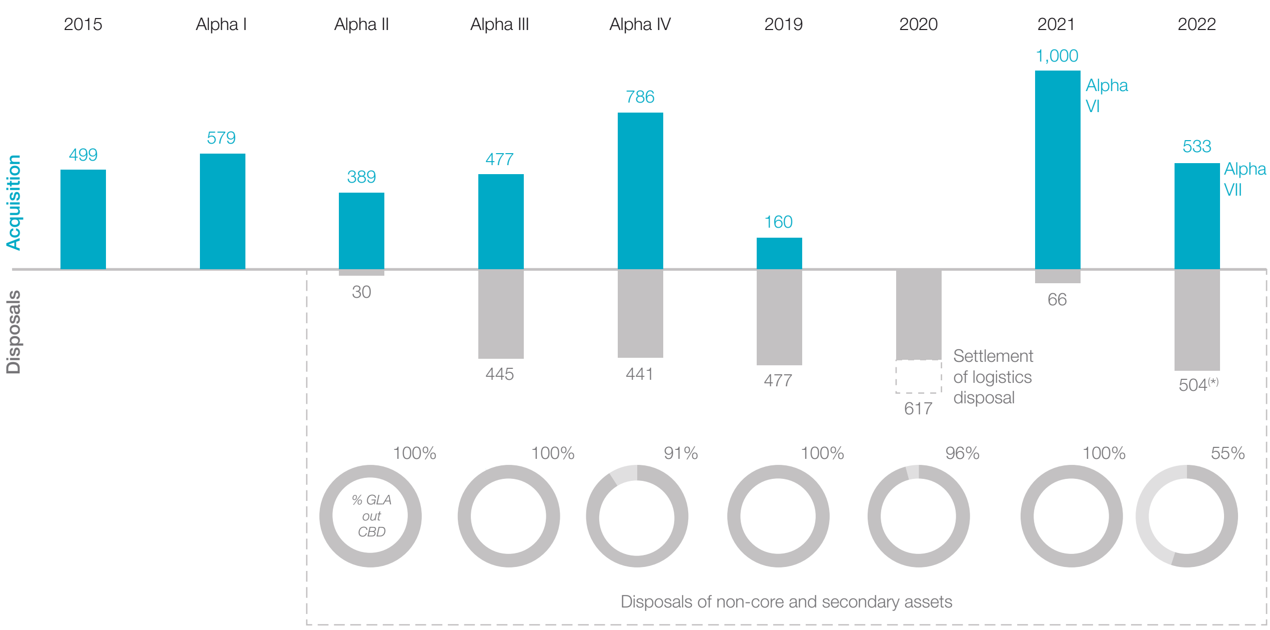
sqm



The disposal program is part of the flight to quality strategy, which, through the active management of the portfolio, divests mature and/or non-strategic assets in order to recycle capital for new opportunities of value creation and to continually improve the risk return profile of the Group.

Net investments since 2015

€m



(*) Out of €500m, €84m correspond to assets already divested in 2022. The remaining amount is attached to disposal of 6 assets, of which 3 already have been sold in January 2023 and the rest is expected to be signed during 1H 2023.

5.2.4 Gross rental income and EBITDA of the portfolio

Colonial closed 2022 with **Gross Rental Income of €354m, a figure +13% higher than the previous year**, mainly due to the entries into operation of the Group's pipeline projects, as well as the acceleration of the renovation program within the portfolio and the new acquisitions carried out.

In like-for-like terms, adjusting for disposals and variations in the project pipeline and renovation program, and other extraordinary items, **the rental income increased by +7% compared to the same period of the previous year**.

In **France**, the rental income increased **+8% like-for-like**, mainly due to higher rents and increased occupancy in the Edouard VII, #Cloud and Washington Plaza assets, as well as higher rents on the 92 Champs Elysées asset.

In Spain, the rental income increased by +7% like-for-like.

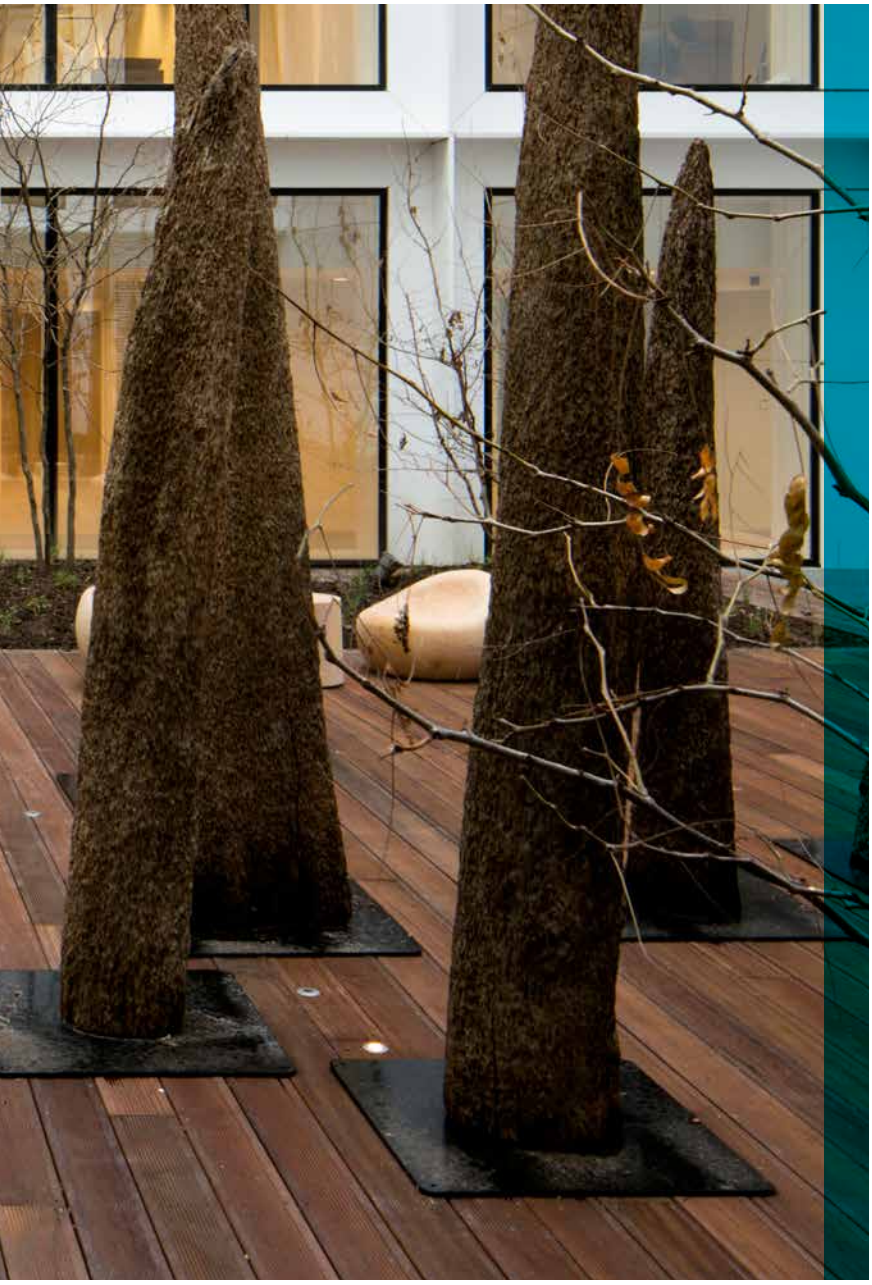
In **Barcelona**, the rental income increased by **+9% like-for-like**, thanks to higher rents on Parc Glories, and the new contracts signed on Diagonal 609-615, Dau Retail and Diagonal 682.

The increase in income of **+6% like-for-like in Madrid** was mainly due to a combination of higher rents and increased occupancy in the José Abascal 45, Castellana 163, Serrano 73 and Estébanez Calderón assets.

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

	Barcelona	Madrid	Paris	Total
Rental revenues 2021R	**44**	**95**	**175**	**314**
EPRA like-for-like(*)	4	5	12	20
Projects & refurbishments	(1)	7	7	13
Acquisitions & Disposals	1	(3)	11	9
Indemnities & others	(0)	(1)	0	(1)
Rental revenues 2022R	**48**	**102**	**205**	**354**
Total variance (%)	***8%***	***8%***	***17%***	***13%***
Like-for-like variance (%)	**9%**	**6%**	**8%**	**7%**

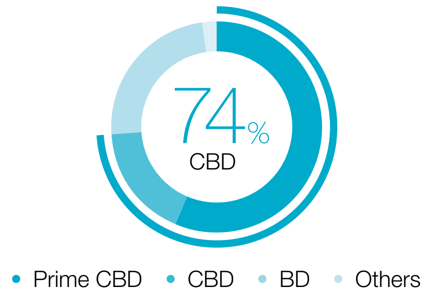
(*) EPRA like-for-like: Like-for-like calculated following EPRA recommendations.



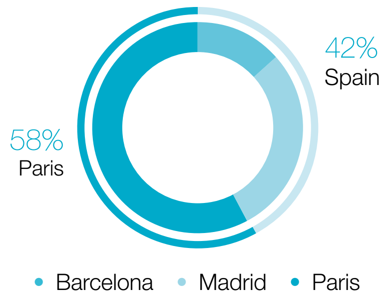
Consolidated group

Revenues - by use

Revenues - by area



Revenues - by market

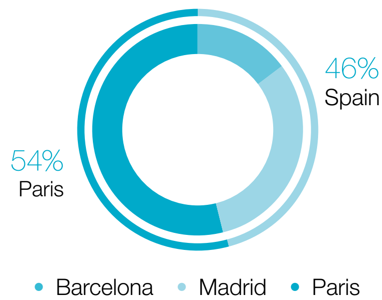


Rental income breakdown: 96% of the Group's rental income comes from the office portfolio. Likewise, the Group maintains its high exposure to CBD markets, with 74% of the income.

In consolidated terms, **58% of the rental income (€205m), came from the subsidiary in Paris** and 42% was generated by properties in Spain. **In attributable terms, 54% of the rents were generated in Paris and the rest in Spain**.

Attributable

Revenues - by market



At the close of 2022, EBITDA rents reached €326m, an increase of +7% in like-for-like terms, driven by an increase of +9% in the Barcelona portfolio.

Property portfolio

December cumulative - €m	2022	2021	Var. %	EPRA Like-for-like(*) €m	EPRA Like-for-like(*) %
Rental revenues - Barcelona	48	44	8%	3.7	9%
Rental revenues - Madrid	102	95	8%	4.8	6%
Rental revenues - Paris	205	175	17%	11.9	8%
Rental revenues Group	**354**	**314**	**13%**	**20.3**	**7%**
EBITDA rents - Barcelona	42	39	7%	3.0	9%
EBITDA rents - Madrid	90	86	5%	5.3	7%
EBITDA rents - Paris	194	168	15%	9.9	7%
EBITDA rents Group	**326**	**293**	**11%**	**18.2**	**7%**
EBITDA rents/Rental revenues - Barcelona	*87%*	*88%*	*(0.7 pp)*		
EBITDA rents/Rental revenues - Madrid	*88%*	*91%*	*(2.1 pp)*		
EBITDA rents/Rental revenues - Paris	*95%*	*96%*	*(1.5 pp)*		

pp = percentages points.
(*) EPRA like for like: like for like calculated with EPRA recomendation.

5.2.5 Analysis of the Profit and Loss Account

The **Colonial Group** closed **2022 with a recurring net profit of €161m, representing a net recurring profit per share of €29.8ct/share, 21% higher than the previous year**.

December cumulative - €m	2022	2021	Var.	Var. %[1]
Rental revenues	354	314	41	13%
Net operating expenses[2]	(28)	(21)	(8)	(37%)
Net Rental Income	326	293	33	11%
Other income[3]	4	(1)	6	388%
Overheads	(48)	(43)	(4)	(10%)
EBITDA	**283**	**248**	**34**	**14%**
Exceptional items	(6)	(10)	4	43%
Change in fair value of assets & capital gains	(142)	443	(585)	(132%)
Amortizations & provisions	(8)	(8)	(1)	(8%)
Financial results	(85)	(110)	25	23%
Profit before taxes & minorities	**42**	**563**	**(521)**	**(93%)**
Income tax	8	4	4	116%
Minority Interests	(42)	(93)	51	55%
Net profit attributable to the Group	**8**	**474**	**(466)**	**(98%)**

Results analysis - €m	2022	2021	Var.	Var. %
Recurring EBITDA	283	249	34	14%
Recurring financial result	(81)	(80)	(1)	(1%)
Income tax expense & others - recurring result	(13)	(12)	(0)	(4%)
Minority interest - recurring result	(28)	(29)	0	1%
Recurring net profit - post company-specific adjustments[4]	**161**	**128**	**33**	**26%**
NOSH (million)[5]	539.6	520.1	19	4%
EPS recurring (€cts/share)	29.8	24.6	5	21%

(1) Sign according to the profit impact.
(2) Invoiceable costs net of invoiced costs + non invoiceable operating costs.
(3) Reinvoiced capex & Center EBITDA Coworking.
(4) Recurring net profit = EPRA Earnings post company-specific adjustments.
(5) Average number of shares outstanding without considering treasury stock adjustments.

- Colonial closed 2022 with a Gross Rental Income of **€354m, a figure +13% higher compared to the same period of the previous year**. In l**ike-for-like terms, the rental income increased by +7%**, one of the highest increases in the sector.

- Net Rental Income amounted to **€326m, a figure +11% higher than the same period of the previous year. In comparable terms, EBITDA rents increased +7% like-for-like**.

- **The EBITDA of the Group amounts to €283m**, a figure **+14% higher than the same period of the previous year**.

- The impact on the Profit and Loss account from the revaluation at 31 December 2022, together with the capital gains from the disposals of property investments, amounted to (€142m). The revaluation, which was registered in France as well as in Spain, does not imply a cash outflow.

- The financial result of the Group amounted to (€85m), a +23% improvement compared to the previous year. The recurring financial result of the Group amounts to (€81m), a figure in line with the previous year.

- **Profit before taxes and minority interests** at the close of 2022 **amounted to €42m**.

- Finally, once included the minorities attributable result of (€42m), as well as corporate income tax of €8m, the **Net Profit attributable to the Group amounted to €8m**.

5.2.6 Financial structure

In macroeconomic terms, 2022 has been characterized by the Russian-Ukraine conflict, high inflation, and volatile interest rates with strong increases. In the midst of this environment, Colonial continues to maintain a solid financial profile enabling the Company to maintain a BBB+ credit rating by Standard & Poor's, the highest rating in the Spanish Real Estate sector.

Moody's	S&P Global Ratings	
Baa2 positive	BBB+ Stable	BBB+ Stable

• Colonial • SFL

The Colonial Group's high liquidity levels were strengthened in 2022 by extending the maturities of various liquidity lines for a total of €1,475m and formalizing new loans and credit lines in the amount of €768m. At the close of 2022, the Colonial Group improved its liquidity to €2,400m between cash and undrawn credit lines and improved the average maturity to 4.6 years. This liquidity enables the Group to cover its debt maturities until 2025.

With the aim of mitigating interest rate risks, the Group has a long-term hedging strategy based on:

i. A pre-hedging portfolio which enables the Company to cover 53% of the nominal value of its future debt issues. The strike rate is at 0.64% and the average maturity is 5.4 years.

ii. A hedging portfolio (IRS) for the current variable interest rate for debt in the amount of €600m. The strike rate is 2.42% and the average maturity is 6.3 years.

At 31 December 2022, 96% of the debt is covered at a fixed and/or hedged rate. The reasonable value of the derivative instruments is positive at €293m.

Through the proactive management of its financial structure, Colonial has carried out the following operations:

Feb. 22	Conversion Group Bonds to Green Bonds
	New loan of €20m expiration Feb-27
Mar. 22	New RCF of €100m expiration Dec-27
Apr. 22	New loan of €100m expiration Apr-27
	TAP €99m on the 2028 Bond
Jun. 22	TAP €99m on the 2027 Bond
Sep. 22	Repayment Bond expiration Nov-22
Oct. 22	Extension of the maturity of the RDF (€1,000m) Nov-27
Sep. 22-Dec.22	New coverages (IRS) for a total of €600m
Nov. 22	New credit line €50m expiration Nov-27
Dec. 22	Term Loan for the amount of €300m expiration Dec-27
2H	Extension €475m of credit line
Jan-23	Cancellation of two bilateral loans (€177m)

● Colonial ● SFL

The details of these operations are summarised below:

- In February 2022, Colonial and SFL converted all of the Group's bonds into Green Bonds, for a total amount of €4,602m.[1] The reclassification of the current bonds to Green Bonds is a competitive advantage and an attractive investment for the capital markets, which has a growing interest in this type of investment. Both Colonial and SFL are committed to ensuring that all future issuances are made under the Green Financing Framework, subject to the availability of Eligible Assets. With this transaction, Colonial has become the first Spanish issuer with 100% of its bonds classified as green. On 8 February 2023, on its website the Group published the Green Financing Report, corresponding to 2022.

- Also in February 2022, the subsidiary Inmocol Torre Europa signed an unsecured loan for €20m, maturing in February 2027. This loan is sustainable as it is linked to compliance with the KPIs defined in the Green Bond Framework of the Colonial Group.

- Colonial signed a new corporate loan in the amount of €100m, maturing in April 2027. In addition, this loan is sustainable as its margin is linked to the rating Colonial obtains from the agency GRESB.

- In March 2022, SFL contracted a new credit line of €100m, maturing in March 2027. At 31 December 2022 it was fully available.

- In April and June 2022, SFL formalized two TAP on its bonds, maturing in 2028 and 2027, respectively, amounting to €99m each.

- In September 2022, SFL bought back the entirety of its bonds maturing in November 2022, with a pending nominal amount of €289.6m, which accrued a coupon of 2.25%.

- In October 2022, Colonial subrogated its mortgage-secured loan, obtaining an improvement in the margin and extending the maturity until October 2027.

- In addition, Colonial reached an agreement with the financial entities participating in the €1.0bn credit line, extending the maturity to November 2027.

- In November 2022, SFL contracted a line of credit in the amount of €50m, maturing in November 2027. At the close of 2022, it was fully undrawn.

- In December 2022, SFL contracted a Term Loan, in the amount of €300m, maturing in December 2027, extendable until December 2029.

- In the second half of 2022, SFL extended the maturity of some of its credit lines in the amount of €475m, gaining 2.6 years.

- Subsequent to the close of 2022, Colonial sold an asset bundle which enabled it to reduce its net debt to €421m, cancelling its mortgage loan, obtaining a 100% fixed rate debt, and significantly reducing its financing cost (PF Dec-22).

(1) Active amount at the date of conversion.

The table below shows the main debt figures of the Group at 31 December 2022:

Colonial Group

€m	PF Dec.-22(1)	Dec. 2022	Dec. 2021	Var.
Gross Debt	5,339	5,515	4,935	*11.8%*
Net Debt	4,934	5,355	4,716	*13.6%*
Total liquidity(2)	2,645	2,400	2,359	*1.7%*
% debt fixed or hedged	100%	96%	95%	*1%*
Average maturity of the debt (years)(3)	4.6	4.6	5.2	*(0.6)*
Cost of current Debt	1.69%	1.71%	1.40%	*31 bp*
LtV Group (DI)	36.9%	38.7%	35.8%	*2.9%*
Secured Debt	–	1.37%	1.53%	*(0.2%)*

(1) PF Dec-22 post disposals after the closing year 2022.
(2) Cash & Undrawn balances.
(3) Average maturity based on available debt and post issuance and liability management.

The net financial debt of the Group at the close of 2022 stood at €5,355m, the breakdown of which is as follows:

Net financial debt

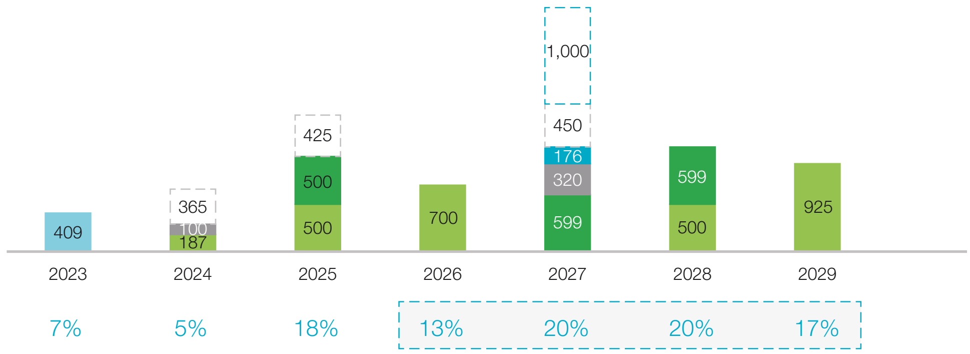
	December 2022			December 2021			Var.	
€m	Colonial	SFL	Total	Colonial	SFL	Total	Total	Average Maturity (1)
Unsecured debt(2)	120	400	520	–	–	–	520	4.6
Secured debt(2)	76	–	76	76	–	76	–	4.8
Bonds Colonial	2,812	1,698	4,510	2,812	1,790	4,602	(92)	4.6
Issuances notes	–	409	409	140	117	257	152	0.1
Gross debt	**3,008**	**2,507**	**5,515**	**3,028**	**1,907**	**4,935**	**580**	**4.6**
Cash	(91)	(69)	(160)	(104)	(115)	(219)	59	
Net Debt	**2,917**	**2,438**	**5,355**	**2,924**	**1,792**	**4,716**	**639**	
Total liquidity(3)	1,091	1,309	2,400	1,104	1,255	2,359	41	
Cost of debt - Spot (%)	1.67%	1.76%	1.71%(4)	1.50%	1.23%	1.40%	31 bp	

(1) Average maturity calculated based on the available debt.
(2) After closing 176 millions euros have been canceled.
(3) Cash & Undrawn balances.
(4) Average maturity calculated based on available balances.

At 31 December 2022, 82% of the Group's debt was comprised of bond issues on the securities market and the rest was formalized with financial entities and ECPs. The mortgage guarantee, which at the end of 2022 amounted to 1.36%, was cancelled in February 2023. Excluding the ECPs issued, 70% of the debt will mature as of 2025.

Debt maturity in years

€m



	2023	2024	2025	2026	2027	2028	2029	Total
Colonial	–	187	500	700	196	500	925	**3,008**
SFL	409	100	500	–	899	599	–	**2,507**
Total	**409**	**287**	**1,000**	**700**	**1,095**	**1,099**	**925**	**5,515**

• Green Bonds Colonial • Green Bonds SFL • ECPs
• Rest of Debt • Canceled Debt January-23 Undrawn Balances (€m)

Financial results

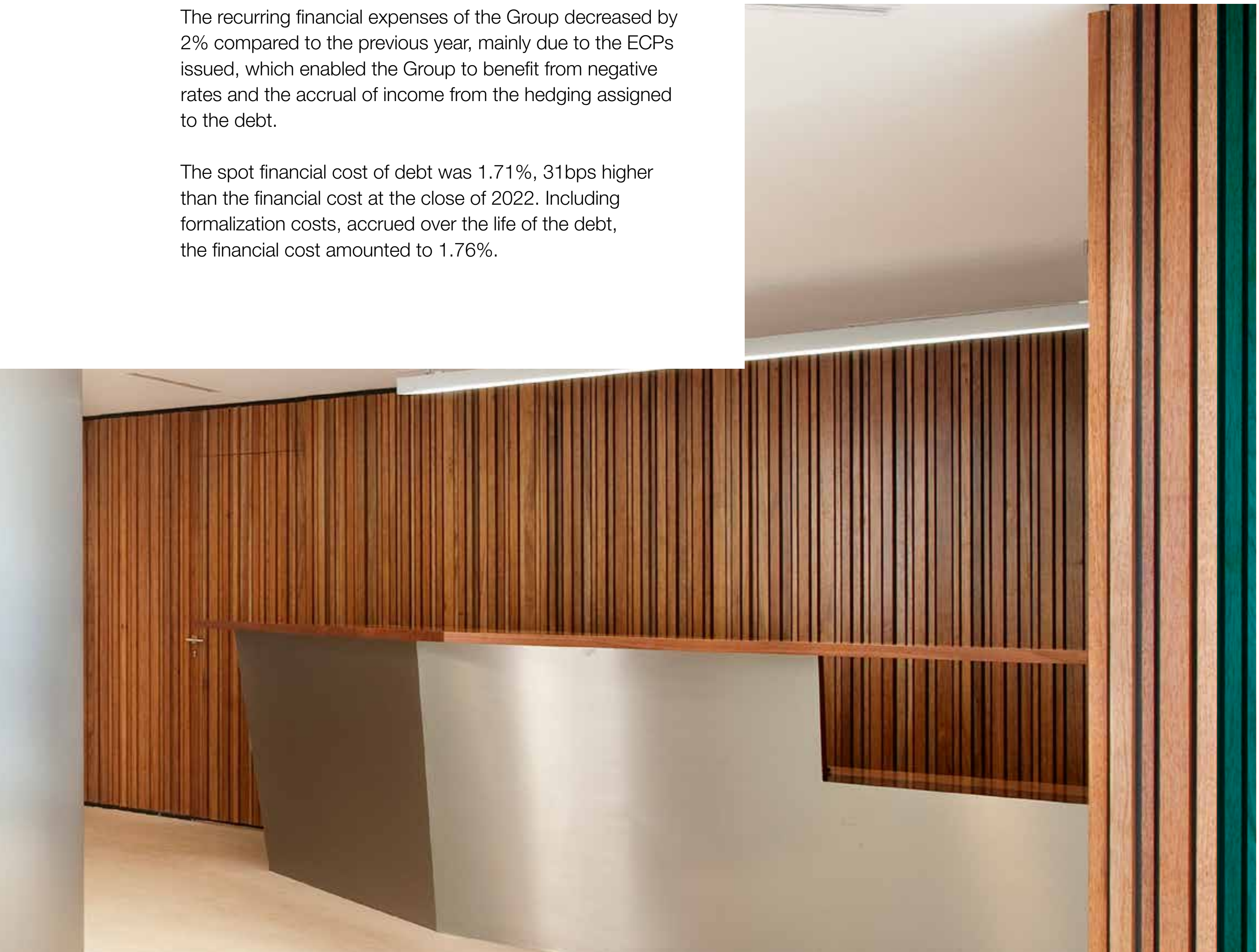
The main figures of the financial result of the Group are shown in the following table:

December

€m	COL	SFL	2022	2021	Var.%
Spain	*(56)*	–	*(56)*	*(59)*	*5%*
France	–	*(35)*	*(35)*	*(34)*	*(3%)*
Recurring Financial Exp.	**(56)**	**(35)**	**(91)**	**(93)**	**2%**
Capitalized interest expenses	6	4	9	12	(24%)
Recurring Financial Result	**(50)**	**(31)**	**(81)**	**(80)**	**(1%)**
Non-recurring financial exp.	(5)	(0)	(5)	(31)	(83%)
Financial Result	**(55)**	**(32)**	**(86)**	**(111)**	**22%**

The recurring financial expenses of the Group decreased by 2% compared to the previous year, mainly due to the ECPs issued, which enabled the Group to benefit from negative rates and the accrual of income from the hedging assigned to the debt.

The spot financial cost of debt was 1.71%, 31bps higher than the financial cost at the close of 2022. Including formalization costs, accrued over the life of the debt, the financial cost amounted to 1.76%.



Main debt ratios and liquidity

The undrawn balances of the Group at 31 December 2022 amounted to €2,400m. The average life of these credit lines amounts to 3.8 years, and the average spread is at 1.2%. This liquidity enables the Group to guarantee its financing needs in the coming years.

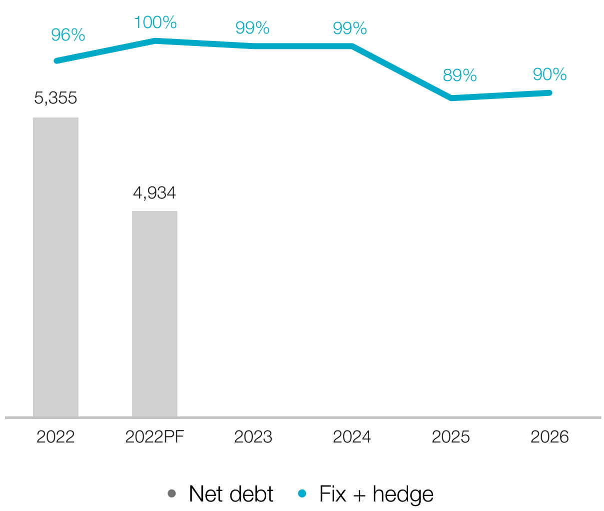
The breakdown of balances is shown in the following graph:

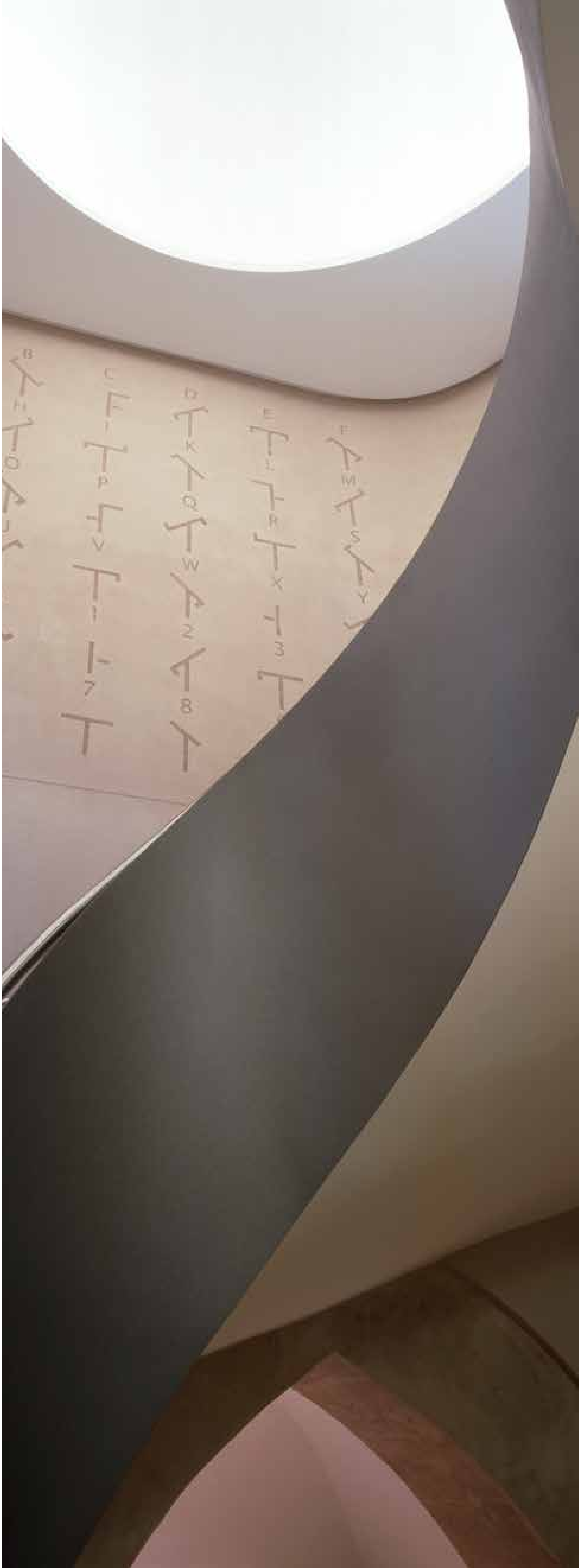
Cash & undrawn balances

€m	Colonial	SFL	Group
Current accounts	91	69	160
Credit lines available	1,000	1,240	2,240
Total	1,091	1,309	2,400
Total (post disposals)	1,279	1,366	2,645

Current Net Debt and evolution of the fixed and/or hedged debt 2022-2026

€m





5.2.7 Portfolio valuation

The Gross Asset Value of the Colonial Group at the close of 2022 amounted to €13,005m (€13,727m including transfer costs), showing an increase of +5% compared to the previous year. In like-for-like terms, Colonial's portfolio was revalued by +1% compared to the previous year.

The assets in Spain and France have been appraised by Jones Lang Lasalle, Cushman & Wakefield and CB Richard Ellis. The appraisal values are updated half-yearly, following the best market practices, in compliance with the Regulation Standards of the Royal Institution of Chartered Surveyors (RICS) comprised in the Red Book – the valuation manual.

The market valuations defined by the RICS are internationally recognized by advisors and accountants of investors and corporations that own real estate assets, as well as The European Group of Valuers (TEGoVA) and The International Valuation Standards Committee (IVSC). The appraisers' fees are determined by the volume for the specific workout of each assignment.

Gross Asset Values - Excluding transfer costs

				Dec 22 vs. Jun 22		Dec 22 vs. Dec 21	
Asset valuation (€m)	31-Dec-22	30-Jun-22	31-Dec-21	Total	LfL [1]	Total	LfL [1]
Barcelona	1,261	1,427	1,423	(12%)	(5%)	(11%)	(4%)
Madrid [2]	2,753	2,557	2,538	8%	(6%)	8%	(5%)
Paris	7,525	7,281	6,633	3%	(2%)	13%	1%
Portfolio in operation [3]	**11,539**	**11,266**	**10,594**	**2%**	**(3%)**	**9%**	**(1%)**
Projects	**1,466**	**2,069**	**1,843**	**(29%)**	**4%**	**(20%)**	**10%**
Colonial Group	**13,005**	**13,334**	**12,436**	**(2%)**	**(2%)**	**5%**	**1%**
Spain	4,759	4,978	4,830	(4%)	(4%)	(1%)	(0%)
France	8,246	8,357	7,606	(1%)	(1%)	8%	2%

Gross Asset Values - Including transfer costs

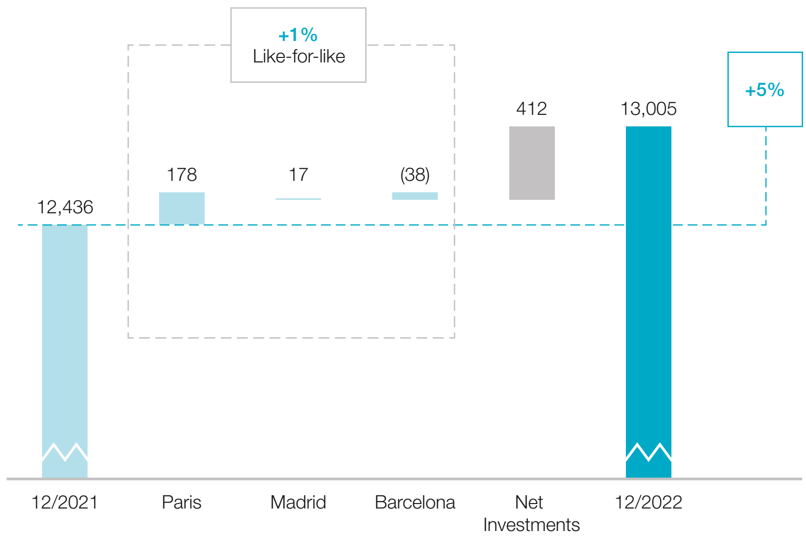
Colonial Group	**13,727**	**14,064**	**13,091**	**(2%)**	**(2%)**	**5%**	**1%**
Spain	4,904	5,122	4,953	(4%)	(4%)	(1%)	0%
France	8,823	8,942	8,138	(1%)	(1%)	8%	2%

(1) Portfolio in comparable terms.
(2) Includes other assets corresponding to retail non core in Spain.
(3) Portfolio in operation: current rental portfolio as well as new entries into operation of completed projects.

The value variance analysis is as follows:

Variance analysis value 12 months

€m



GAV variance LFL

	2022	2H 2022	1H 2022
Total	+5%	(2%)	+7%
Total LFL	+1%	(2%)	+4%
Paris	+2%	(1%)	+4%
Madrid	+1%	(4%)	+5%
Barcelona	(2%)	(4%)	+1%

In like-for-like terms, Colonial's portfolio was revalued by +1% compared to the previous year. In the second half of the year, a correction in value was registered, compensated by the increase in value in the first half of the year.

By sub-segments, the Gross Asset Value evolution is as follow:

> In Paris, the value of the portfolio increased +2% like-for-like in 2022, thanks to the robustness of the prime portfolio in Paris, as well as the progress made in the project portfolio.

> In Spain, the value of the portfolio in Madrid increased +1% like-for-like in 2022, while in Barcelona the value of the asset portfolio experienced a slight correction of (2%) like-for-like in 2022.

Polarization & Prime Pan-European Positioning

In a highly volatile environment with interest rate hikes, the value of the asset portfolio has shown defensive performance, thanks to its Pan-European Prime Positioning.

The Colonial Group's successful bet on Paris is reflected in the solid results. **The Paris portfolio has registered the best growth** in the Group's portfolio with **year-on-year growth of +2% like-for-like. Madrid and Barcelona have remained stable thanks to the focus in CBD and city centre locations**, which have shown a much more defensive nature than secondary areas.

Alpha Value Creation: "Pricing Power" & Projects

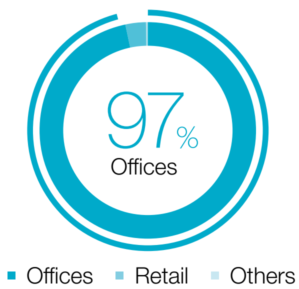
In a market environment of interest rate hikes, the valuation of Colonial's assets have been impacted by an expansion in the valuation yields[1] (25bps in 12 months). However, it is important to highlight that those impacts have been offset by two Alpha value creation drivers: (1) Pricing Power: the improvement in the cash flows due to the capture of the indexation impact, as well as higher market rents (ERVs) and (2), the successful delivery and progress of projects that have enabled the crystallization of double-digit value creation margins.

The breakdown of the valuation of the Group's rental portfolio by use, market and type of product is shown below:

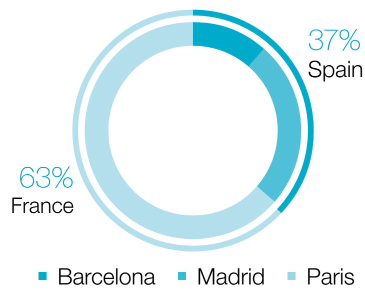
(1) Like-for-like variance of the valuation yield of the portfolio in operation.

Consolidated Group

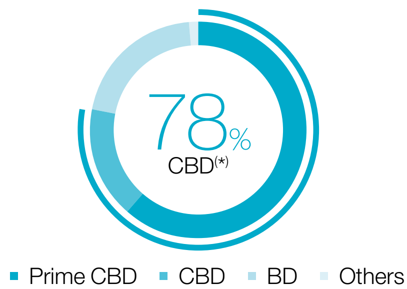
Valuation - by use



Valuation - by market



Offices Valuation - by area



(*) CBD Barcelona, includes the 22@ market segment assets.

Regarding the valuation of the portfolio in operation, the main value parameters are as follows:

Main parameters of Asset appraisal

Portfolio in operation	€m	sqm above ground(*)	€/sqm(*)	Valuation Yield	
Barcelona	1,261	218,240	5,777	4.4%	Gross Yields
Madrid	2,733	397,218	6,880	4.3%	
Paris	6,801	349,937	19,436	3.3%	Net Yields

(*) In Barcelona the sqm for the calculation of the capital value correspond to the surface above ground of all Barcelona assets, excluding the Plaza Europa project, Wittywood and the entire Diagonal 197 asset, and the Sancho de Ávila asset, as well as the surface area of non-strategic premises.
In Madrid, the sqm correspond to the surface above ground of all assets in Madrid, excluding the Méndez Álvaro complexes, Luca de Tena 7 and Puerto Somport 10-18, as well as the surface area of non-strategic premises.
In France, the sqm correspond to the office surface above ground in operation, excluding the main commercial assets and including certain rentable surfaces below ground in the portfolio not corresponding to parking units.

When **comparing the valuation parameters of Colonial's appraisal values with market data**, the following must be taken into consideration:

1. **In Spain, consultants publish gross yields in their market reports**
(Gross yield = gross rent/value excluding transfer costs).

2. **In France, consultants publish net yields in their market reports**
(Net yield = net rent/value including transfer costs).

The appraisal certificate is as follows:

CONSEJO DE ADMINISTRACIÓN

INMOBILIARIA COLONIAL, SOCIMI S.A.

Av. Diagonal 532, 08006 Barcelona

Barcelona, 31st December 2022

Dear Sirs,

In accordance with your instruction, **Cushman & Wakefield RE Consultants Spain, S.L.** and **CBRE Valuation Advisory S.A.**, as valuers of the **Inmobiliaria Colonial** portfolio in Spain, and **Cushman & Wakefield Valuation France S.A.** and **CBRE Valuation**, as **SFL** valuers in France; have carried out the valuation reports of the freehold interest of the portfolio of properties of Inmobiliaria Colonial (Spain and France) as at 31st of December 2022 for internal use of the company.

According to the aforementioned reports, the Net Market Value of the company's portfolio is:

€ 13,005,183,000

(Thirteen billion, five million, one hundred eighty-three thousand Euros)

The breakdown is as follows:

Unit	Market Value (Excl. Transfer Costs)	Gross Value (Incl. Transfer Costs)
Madrid	3,235,410,000 €	3,323,981,615 €
Barcelona	1,507,475,000 €	1,562,298,355 €
Rest Of Spain	16,580,000 €	17,234,867 €
Total Colonial (Spain)	**4,759,465,000 €**	**4,903,514,837 €**
Total SFL (Paris)	**8,245,718,000 €**	**8,823,123,949 €**
Total Colonial + SFL	**13,005,183,000 €**	**13,726,638,786 €**

Definitions:

- **Market Value** = **Net Market Value**
- **Net Market Value** of the Properties: Market Value, net of purchaser's cost (typically IAJD taxes, notary and agent and legal/ technical advisors costs.
- **Gross Market Value** of the Properties: Market Value, plus purchaser's costs (typically IAJD taxes, notary and agent and legal/ technical advisors costs).

For the avoidance of doubt, each valuer company and valuer individual only accepts responsibly for the assets that they have valued within the portfolio.

The portfolio value assumes 100% ownership for all properties.

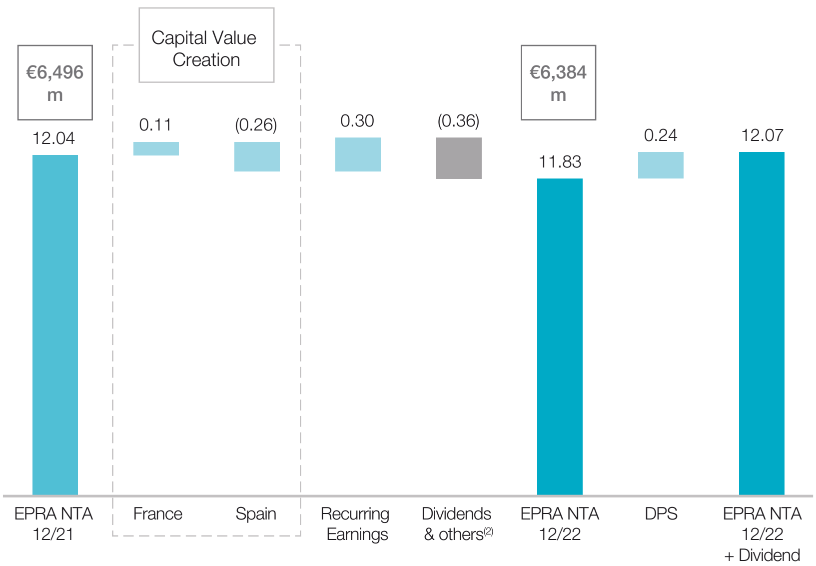
The valuation has been prepared in accordance with the RICS Valuation - Global Standards (current edition), as stated in the "the Red Book" published by the Royal Institution of chartered Surveyors by a valuer acting as an External valuer, as defined within the Red Book.

Mr. Tony Loughran MRICS	Ms. Laura Casillas MRICS	Mr. Fernando Fuente MRICS	Mr. Josep Canió MRICS	Ms. Anne Digard FRICS-REV	Mr. Marc Guillaume MRICS
Partner Head V&A Spain	Partner V&A Spain	Vicepresident	Director	Président CEO	International Partner V&A France
Cushman & Wakefield RE Consultants Spain, S.L.	Cushman & Wakefield RE Consultants Spain, S.L.	CBRE Valuation Advisory S.A.	CBRE Valuation Advisory S.A.	CBRE Valuation	Cushman & Wakefield Valuation France S.A.

5.2.8 EPRA Net Tangible Assets (NTA)

The Net Asset Value at 31 December 2022 amounted to €6,384m corresponding to €11.83/share. Including the dividends paid of €0.24/share, the Net Asset Value for Colonial's shareholders was €12.07/share, in line with the NTA 2021 of €12.04/share.

EPRA NTA €/share



Total Shareholder Return(1)

	12 months
NTA Growth per share	(2%)
Dividend per share	+2%
Total Return per share	+0.3%

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

In an environment with high volatility and an energy crisis, the quality positioning together with the active management of Alpha value creation has enabled Colonial to maintain stable Net Total Assets.

At the close of 2022, the Net Disposal Value (NDV) amounted to €6,862m corresponding to €12.72/share.

The NDV increased +15% compared to the NDV of the previous year (€11.04/share), mainly due to the positive Mark-to-Market impact of the debt of more than €1,000m and the derivatives of the Colonial Group. This increase in value, shows the successful financial strategy of the Group in terms of protection against interest rate hikes.

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

EPRA Net Tangible Assets

€m (Net Asset Value)		12/2022	12/2021
IFRS Equity attributable to shareholders		**6,159**	**5,999**
Include:			
(i)	Hybrid instruments	–	–
Diluted NAV		**6,159**	**5,999**
Include:			
(ii.a)	Revaluation of investment properties (if IAS 40 cost option is used)		
(ii.b)	Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)		
(ii.c)	Revaluation of other non-current investment	147	149
(iii)	Revaluation of tenant leases held as finance leases	–	–
(iv)	Revaluation of trading properties	14	12
Diluted NAV at Fair Value		**6,321**	**6,160**
Exclude:			
(v)	Deferred tax in relation to fair value gains of IP	339	351
(vi)	Fair value of financial instruments	(276)	(15)
(vii)	Goodwill as a result of deferred tax	–	–
(viii.a)	Goodwill as per the IFRS balance sheet	–	–
(viii.b)	Intangible as per the IFRS balance sheet	–	–
Include:			
(ix)	Fair value on fixed interest rate debt	n. a.	n. a.
(x)	Revaluation of intangibles to fair value	n. a.	n. a.
(xi)	Real estate transfer tax	–	–
EPRA NAT (NAV) - €m		**6,384**	**6,496**
Nº of shares (m)		***539.6***	***539.6***
EPRA NTA (NAV) - Euros per share		***11.83***	***12.04***

Calculation of the EPRA NTA (NAV). Following the EPRA recommendations and starting from the consolidated equity of €6,159m, the following adjustments were carried out:

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

5.2.9 Tax information

5.2.9.1 Tax strategy

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

Colonial will strive to apply its Tax Strategy and Tax Risk Management and Control Policy in relation to the group's investee companies except in those cases where said companies have their own tax strategy or their own tax risk management and control policy due to their specific characteristics.

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

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

5.2.9.2 Tax Risk Management and Control Framework

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

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

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

Colonial has a tax risk management and control framework that develops its tax strategy and complements the Group's global risk control and management system. It is configured as a procedure of mandatory compliance for all Colonial employees (extending to any collaborators or third parties with which Colonial has a relationship) and covering, principally, the following areas:

- Description of the structure, organisation and management of the Group's tax function.
- Collaboration on tax matters between the Organisation's different departments.
- Storage, administration and management of documentation generated by interactions with the different tax authorities (including any resulting from management of the tax function).
- Building on the tax-related knowledge acquired in the past.
- Updating, monitoring and dissemination of tax expertise.
- Management of possible litigation, tax audits and inspections.
- Criteria for delimiting the Group's tax risk in line with that established in the management and supervision system for other risks, factors for its identification and assessment, and protocol for action.
- Definition of transactions of special tax significance and their approval by the Group's governing bodies.
- Reporting of information relating to the tax attributes of the Group's banks.
- Periodic controls of the efficiency and compliance with the tasks necessary to settle and file those taxes to which it is subject in Spain.
- Monitoring of the application requirements of the REITs (governing listed real estate investment companies), SIIC (Sociétés d'Investissement Immobilier Cotées) or similar regimes.

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

Finally, it should be noted that Colonial has developed its fiscal risk management and control framework taking account of best practices in the market on fiscal governance (as recommended by the Tax Administration itself, by NGOs, by experts in the area or by any other stakeholder). These practices are monitored and based on the principle of continuous improvement. Following those criteria, any updates or improvements needed are gradually introduced to strengthen the control procedure.

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

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


5.2.9.3 Co-operative Relationship with Tax Administrations

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

During 2022, Colonial filed the Annual Tax Transparency Report for 2021, following the proposal for the reinforcement of good corporate tax transparency practices of the companies adhering to the Code of Good Tax Practices.

Furthermore, with regard to the tax governance compliance behaviours encouraged by the Code, Colonial states that it has adopted them satisfactorily:

> The Board of Directors has established and documented a tax strategy.

> The Board of Directors has approved the operations and investments of particular tax risk.

> The Company's risk management policy includes measures to mitigate identified tax risks and has established internal corporate governance rules in this area.

> The Company has used effective internal control and reporting systems for tax risks in that their design and operation is fully integrated into the overall internal control systems of the business it conducts.

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

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

5.2.9.4 Breakdown of tax information

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

Non-financial information of a tax nature

The list of entities that make up the Group, their name and principal activity, as well as their tax residence, are included in the Appendix to the consolidated financial statements for 2022.

The number of the Group's employees and the basis for their calculation are detailed on page 214 of the Integrated Annual Report for 2022.

The reporting period for the Group corresponds to the calendar year.

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

Revenues from sales to third parties

Millions of euros	2022	2021
Spain	157.1	142.1
France	204.5	174.6
Total	**361.6**	**316.7**

There have been no intra-group transactions between tax jurisdictions.

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

Accounting profit before tax

Millions of euros	2022	2021
Spain	–136.3	201.8
France	178.3	361.6
Total	**42.0**	**563.4**

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

The amount of investment property revaluations recorded for the 2022 financial year in Spain and France amounts to 186.1 million euros loss and 38.6 million euros income, respectively (2021: 189.1 million euros loss and 255.1 million euros income, respectively). These amounts do not include the effect of possible deferred taxes associated with them, nor the portion of such results attributable to non-controlling interests.

The Group's consolidated accounting profit before tax, excluding the effect of recording its investment property at fair value through profit or loss, is shown in the table below:

Accounting profit before tax

€m	2022	2021
Spain	49.8	12.7
France	139.7	106.5
Total	**189.5**	**119.2**

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

Property, plant and equipment and investment property

€m	2022	2021
Spain	4,625.5	4,749.9
France	8,128.2	7,515.7
Total	**12,753.7**	**12,265.6**

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

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

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

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

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

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

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

The following table shows the amount of tax on profits paid in 2022 and 2021:

Profit tax paid

€m	2022	2021
Spain	(0.2)	1.7
France	(4.5)	(6.0)
Total	**(4.7)**	**(4.3)**

Tax contribution report

Colonial publicly breaks down the main tax payments in those countries in which it operates. This reflects the importance attached by Colonial to tax matters, as well as its level of commitment to the main stakeholders. To view this information, access the tax transparency section on the corporate website (https://www.inmocolonial.com/en/social-responsibility/transparency-complying-tax-legislation).

Total Tax Contribution 2022

Total Tax Contribution of the Group

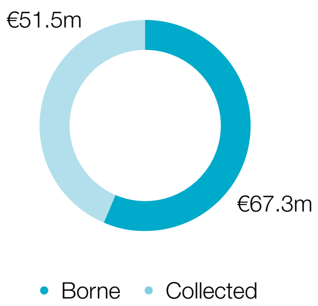
Total taxes generated by the Group's activity in all the territories in which it operates **amounted to €118.8m**, of which **57% refers to taxes borne** and **43% refers to taxes collected**.

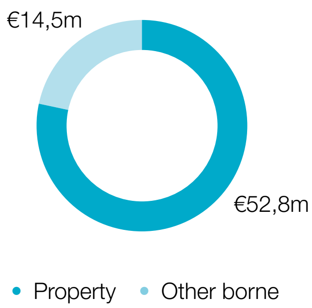
Taxes borne in 2022

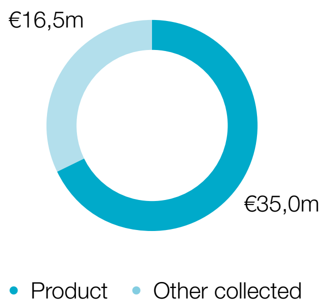
The taxes borne by the Colonial Group in 2022 amounted to 67.3 million euros, of which the most important were property taxes with the costs arising from the corporate restructuring undertaken in France followed by property tax, accounting for 78%.

Taxes collected in 2022

The taxes collected by the Colonial Group in 2022 amounted to 51.5 million euros, the most significant of which are the taxes on products and services, mainly VAT, which represent 68% of the total taxes collected.







Colonial's Tax Contribution with respect to 2022 turnover

For every 100 euros of the Group's revenue, 33 euros are used to pay taxes. Of that amount, 19 euros are taxes borne and 14 euros are taxes collected.

Total Tax Contribution Rate in 2022

During 2022, the Total Tax Contribution Ratio of the Colonial Group represents 29% of the profits before taxes borne (the profit before taxes borne is adjusted for the impact of revaluations).

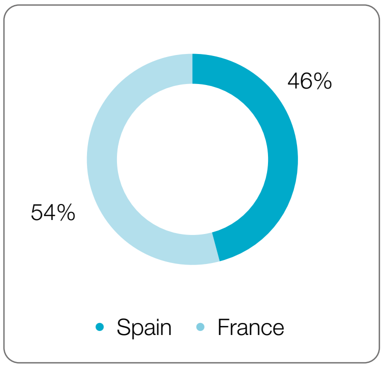
Distributed tax value in 2022 (*)

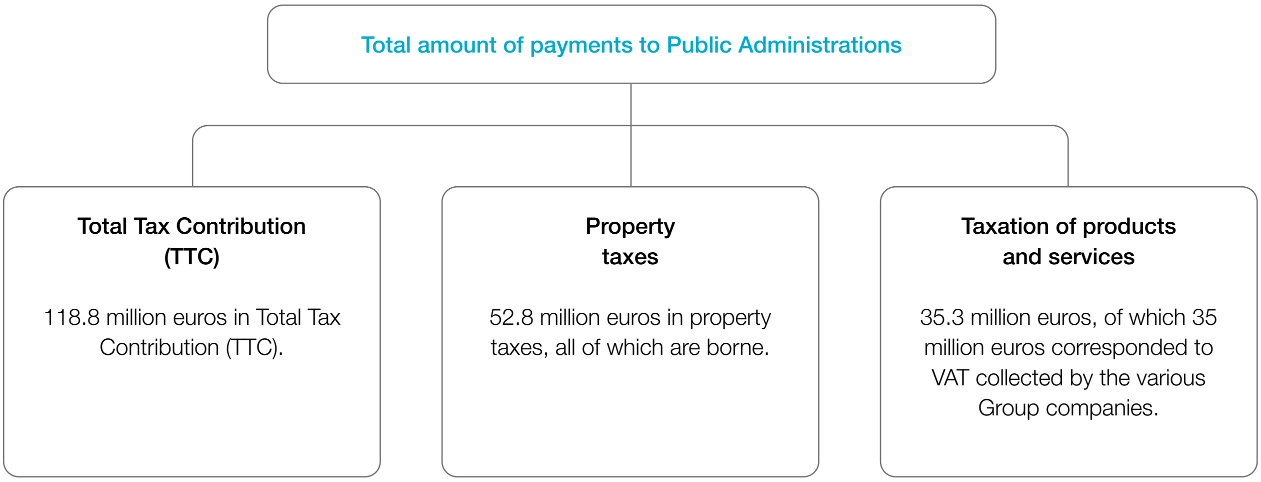
Of the value generated by the Colonial Group while carrying out its business activities, 118.8 million euros has been paid to the Public Treasury through taxes borne and collected. Thus, of every 100 euros of value generated by the Group in 2022, 31 euros were used to pay taxes.

(*) The value generated by the company is calculated as the sum of taxes (borne and passed on), net withholding dividends, net interest and wages and salaries net of taxes collected on behalf of employees.
Source: Prepared in-house.

Geographical distribution of the tax contribution in 2022

Of every 100 euros that the Colonial Group pays in taxes throughout the world, 46 euros are paid in Spain.

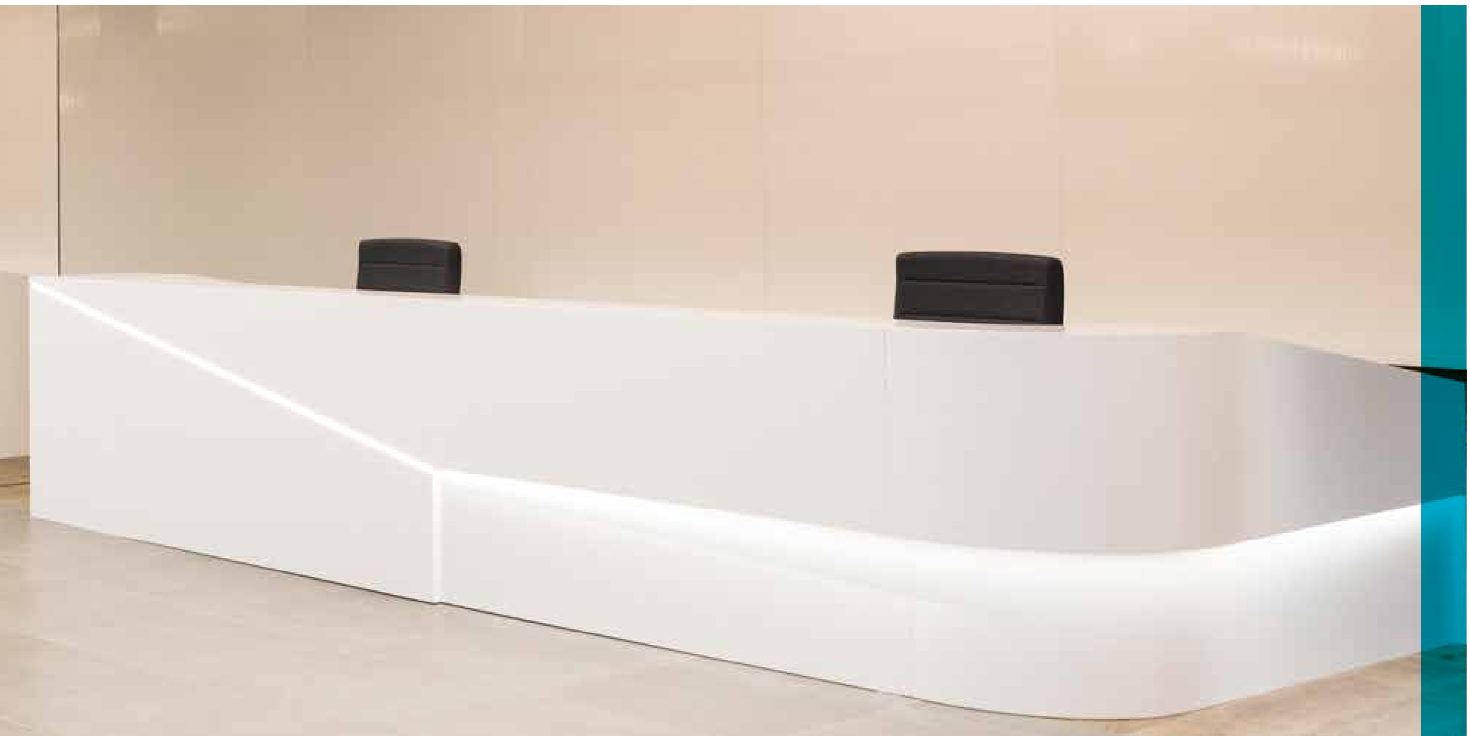




Source: Prepared in-house.

Taxes paid to the Public Treasury

	Spain		France		Total	
€m	Taxes borne	Taxes collected	Taxes borne	Taxes collected	Taxes borne	Taxes collected
Corporation tax	**2.0**	**5.5**	**4.6**	**0.1**	**6.6**	**5.6**
Corporate tax	0.2	–	4.6	–	4.8	–
Others	1.8	5.5	–	0.1	1.8	5.6
Property tax	**19.7**	**–**	**33.1**	**–**	**52.8**	**–**
Property tax	17.0	–	18.1	–	35.1	–
Others	2.7	–	15.0	–	17.7	–
Taxes associated with employment	**1.9**	**7.0**	**5.7**	**3.6**	**7.6**	**10.6**
Payments to Social Security	1.9	0.4	4.1	1.8	6.0	2.2
Earned income withholdings	–	6.6	0.6	1.8	0.6	8.4
Others	–	–	1	–	1	–
Taxes on products and services	**0.3**	**17.6**	**–**	**17.4**	**0.3**	**35.0**
VAT settled	–	17.6	–	17.4	–	35.0
Others	0.3	–	–	–	0.3	–
Environmental taxes	**0.0**	**0.3**	**–**	**–**	**0.0**	**0.3**
Subtotal of taxes paid	**23.9**	**30.4**	**43.4**	**21.1**	**67.3**	**51.5**
Total	54.3		64.5		118.8	



5.3. ESG ratings

Important advances in the indexes

The Colonial Group continues to consolidate its leadership in sustainability, a fundamental element of its corporate strategy, achieving the highest ratings in ESG.

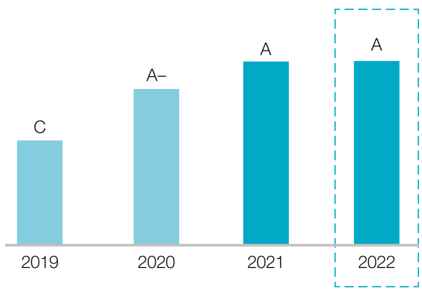
CDP

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

This rating far exceeds the European regional average, as well as the financial services sector average, and has led to a strong year-on-year increase. It is worth mentioning the following:

- Colonial is the only Spanish office real estate company with an A rating.
- Only 6 Real Estate companies in Europe have achieved an A rating.
- Only 283 companies out of 18,600 participating in CDP worldwide have an A rating.

Global CDP score



CDP
DISCLOSURE INSIGHT ACTION

Colonial
Your CDP score
A

SBTi (Science Based Target Initiative)

Colonial's alignment to the Science Based Target Initiative (SBTi): SBTi has validated and approved the target of Colonial's decarbonization plan to significantly reduce its emissions by 2030. This target is aligned with limiting the increase of the Earth's average temperature to below 1.5ºC (Business Ambition for 1.5ºC).

SBTi is the result of a partnership between CDP, the UN Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

GRESB

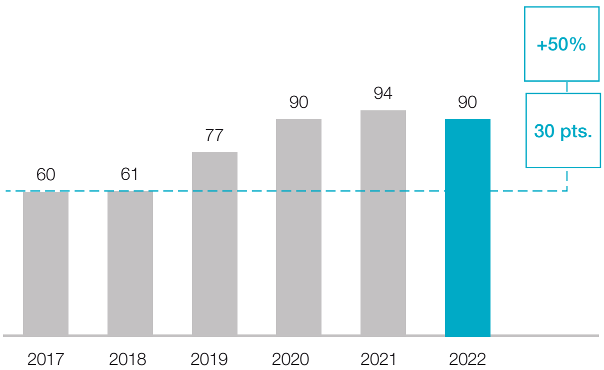
For the third consecutive year, Colonial has maintained the maximum 5-star rating from GRESB.

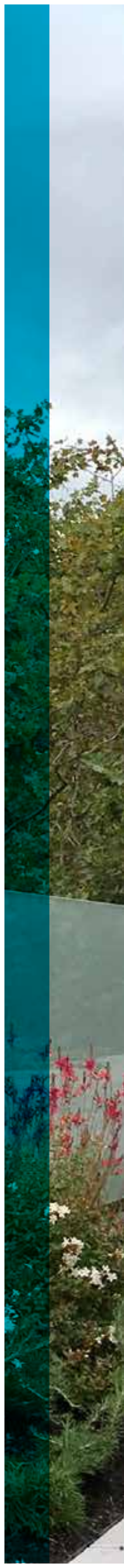
In 2022, Colonial obtained a **score of 90 out of 100 in the Standing Investments Benchmark and a score of 96 out of 100 in the Development Benchmark**, positioning itself in the latter as third among the listed mid-rise offices in Europe.

Since 2017, Colonial's ratings have steadily increased each year, climbing more than 30 points over the last five years.

GRESB standing investments

Evolution of the GRESB index score





VIGEO

Colonial has achieved a Vigeo A1+ rating. This rating is at the high end of the sector and is in the top 3% of the over 4,000 companies rated worldwide (3rd out of 97 in the financial services– Real Estate).

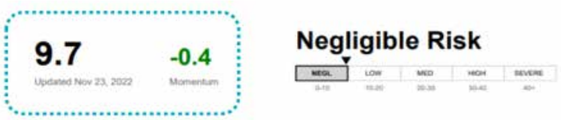
The Company's overall score has increased since last year's review, showing the Company's excellent willingness and ability to integrate ESG factors into its strategy, operations and risk management.

SUSTAINALYTICS

Sustainalytics awarded Colonial a rating of 9.7 in ESG risk, placing it in the Top 31 of the 459 listed real estate companies that were analysed. The agency highlights the good management of ESG policies in accordance with all international standards. Globally, Colonial is positioned in the Top 198 of the 15,617 companies analysed.

Sustainalytics score

Low Risk assessment for 2021 Sustainalytics Rating



MSCI

MSCI, a benchmark company in rating the performance of listed companies, upgraded Colonial, awarding it a "AA" ESG rating, one of the highest international scores. Colonial continues to lead its competitors with a strong focus on green investment, as well as very high standards in Corporate Governance.

FTSE4Good

FTSE4Good: Rating at the high end, positioned above the Office REIT sector average and the Spanish average - ***Score 4.2/5***.

EPRA

For the 7th consecutive year, Colonial has obtained the EPRA Gold sBPR rating, which certifies the highest ESG reporting standards.

5.4. Transition to carbon neutrality

5.4.1 Strategic plan for decarbonisation and sustainability

Environmental sustainability policies

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

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

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

> Corporate social responsibility policy.

> Environmental policy.

> Biodiversity policy.

> Climate change policy.

> ESG criteria policy to choose suppliers.

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

> Well-being policy.

Environmental sustainability policies are reviewed to ensure high standards of eco-efficiency and sustainable management.

Strategic decarbonisation and sustainability plan at the heart of the Colonial Group's strategy

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

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

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

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

During 2022, the Colonial Group continued to develop and update the 2018-2030 Decarbonisation Business Plan, approved by the Board of Directors in 2021.

This decarbonisation plan, with a baseline year of 2018, was put in place to monitor reductions in consumption (in particular energy and carbon footprint) and to chart a path towards carbon neutrality.

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

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

In addition, the Company has established an internal carbon price as a key element to prioritise and determine the most efficient actions in decarbonisation. Each tonne of CO_2 would have an associated price which would be passed on to the activity and serve to manage activities from the point of view of the most efficient energy production and consumption possible. The internal carbon price is €100/tCO_2e, which is a very ambitious price approved by the Sustainability Committee and applied to all new investments.

Master Plan - Specific actions

The decarbonisation plan was developed by the ESG Committee and approved by the Sustainability Committee and the Board of Directors of the Colonial Group. Work began on the decarbonisation plan by analysing data asset-by-asset in each of the cities in which the Group operates, analysing the current status and characteristics on an individual basis and assessing their energy efficiency and carbon reduction potential.

To complete the decarbonisation plan, the current status and characteristics of each asset were analysed individually, to assess their energy efficiency potential and carbon emission reductions, to identify any areas for improvement, as well as all possibilities of implementing renewable energies and other decarbonisation mechanisms.

The master plan, which analyses the different actions in terms of decarbonisation, has been approved with an investment of €50m in CAPEX linked to the decarbonisation plan to be distributed over the next five years.

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

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

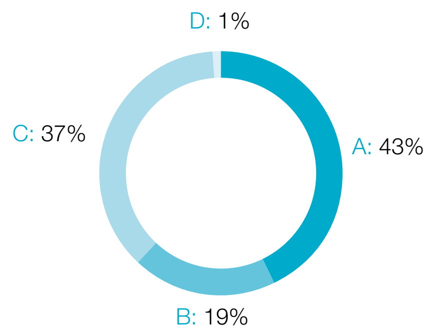
B. Improved building automation and control: PropTech 2.0.

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

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

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

Group		
A	Ventilation and climate	43%
B	BMS control improvement	19%
C	Relamping	37%
D	Solar photovoltaic	1%
Total		**100%**



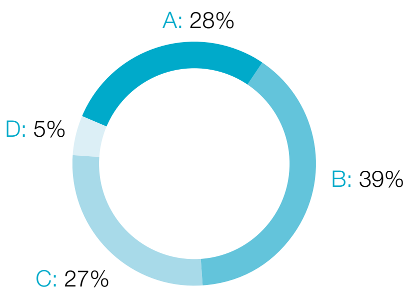
This decarbonisation plan acts on a perimeter of 59 assets, 17 in Barcelona, 30 in Madrid and 12 in Paris, which is equivalent to 786,008 sqm and a market value of €9,126m.

The breakdown of actions by market is as follows:

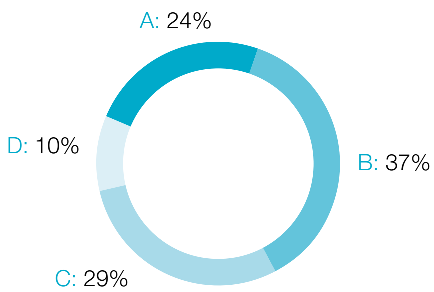
	Barcelona	Madrid	Paris
Number of assets per action	39	85	29
Performance A	5	18	10
Performance B	17	27	12
Performance C	14	27	7
Performance D	3	13	0

Breakdown by action

Market Value



Surface area



Cost-effectiveness of CAPEX decarbonisation

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

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

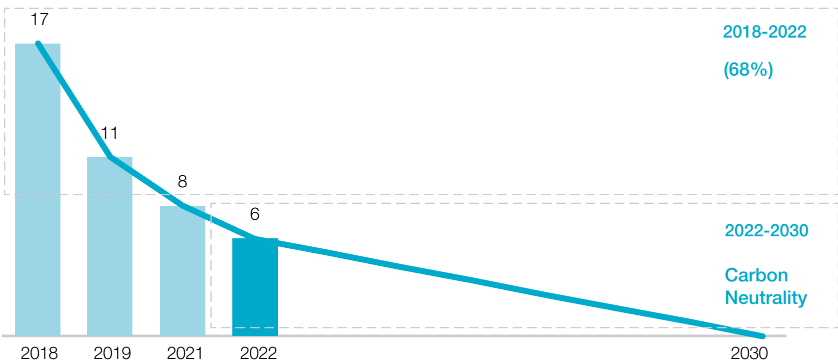
Objectives of the Decarbonisation Plan 2018-2030

The approved decarbonisation plan sets forth the road map to make the Colonial Group's entire office portfolio carbon neutral by 2030 and, therefore, to be able to contribute to meeting the objectives established in the Paris Agreement, signed in December 2015, achieving the maximum reductions in carbon footprint and reaching the lowest levels in the European sector. The Colonial Group aspires to achieve this carbon neutrality based on the specific actions indicated above.

In terms of the carbon intensity KPI Scopes 1 and 2 (KPI that allows comparison with other companies in the sector), the Colonial Group has achieved a substantial reduction in carbon intensity reaching a level of 6 $kgCO_2e$/sqm, one of the lowest ratios in the sector (equivalent to a 68% reduction since the new base year of 2018).

The long-term goal is to reach full carbon neutrality in eight years, i.e., by 2030.

Intensity Scopes 1 & 2 ($kgCO_2e$/sqm)



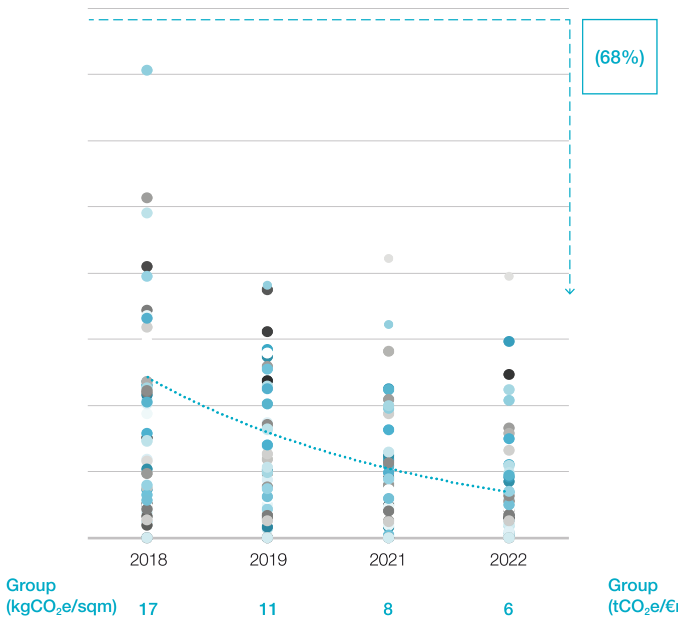
Intensity in $kgCO_2e$/sqm and intensity in tCO_2e/€m

Specific progress on the decarbonisation plan is shown in the graphs below.

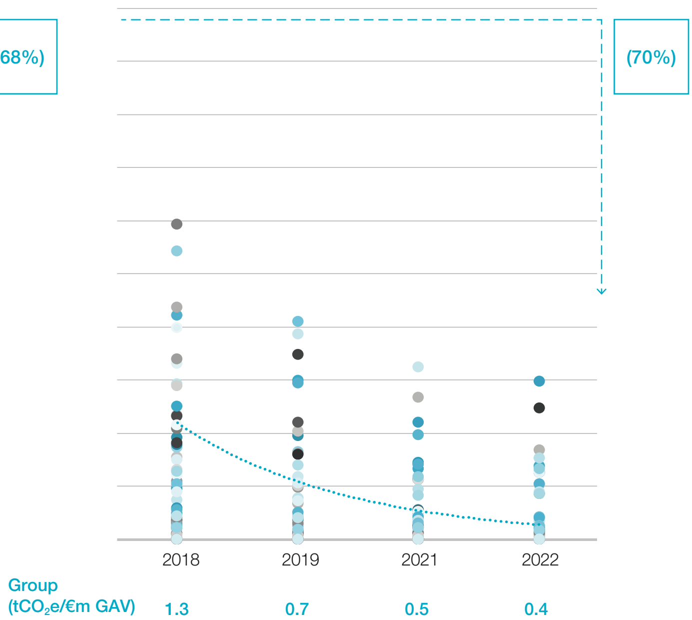
In order to measure the carbon emissions per euro value invested, the progression of this intensity is reported, measured in terms of tonnes of Scopes 1 and 2 emissions generated per million euros of the asset portfolio value.

In the base year of 2018, the carbon intensity of Scopes 1 and 2 was 1.3 tonnes per million euros invested. At 31 December 2022, this figure had been significantly reduced: for every million euros of asset value only $0.4tCO_2e$ were emitted, a reduction of 70% compared to 2018.

Intensity Scopes 1 & 2 ($kgCO_2e$/sqm)



Intensity Scopes 1 & 2 (tCO_2e/€m GAV)



Transition strategy beyond the decarbonisation plan

The Colonial Group is fully aware of the important role that the real estate sector plays both in the transition to a carbon-free economy and in preventing the consequences of climate change in its broadest sense. This means that action is not limited to the field of energy efficiency and carbon emissions, but goes beyond the specific objectives of the decarbonisation plan. Consequently, the Colonial Group has a strategic environmental sustainability plan with other important metrics analysed, which optimises the sustainable management of all our activity.

In this regard, the Colonial Group has a matrix for monitoring both long and short term sustainability objectives, with the following KPIs:

Business Plan Objective 2018-2030

	2030 Strategic Objective	Var. LFL 18/22	Business Plan Advances
1. Reduction of GHG emission intensity Scope 1&2 Reduction $kgCO_2e$ /sqm	carbon neutrality	(69%)	✓
2. Reduction of energy intensity Reduction kWh/sqm	> (10%)	(20%)	✓

Business Plan Objective 2018-2030

	2030 Strategic Objective	Start	2021	2022	Business Plan Advances
3. Energy Certificates/ Environmental Certificates Office portfolio					
> Energy Efficiency Certificates	100%	100%	100%	100%	✓
> BREEAM/LEED/HQE certifications	100%	90%	95%	95%	✓
4. Maximum Energy Certification in Office Projects	100%	0%	100%	100%	✓

Biome
- BREEAM Refurbishment: Excellent
- LEED Core and Shell: Gold
- HQE Rénovation: Exceptionnel
- BBC-Effinergie: Rénovation
- BBCA: Rénovation
- Biodivercity: Excellent
- Wired score: Gold

Louvre Saint-Honoré
- BREEAM Refurbishment: Very Good

Rives de Seine
- BREEAM Refurbishment: Excellent
- HQE Rénovation: Exceptionnel
- BBC-Effinergie: Rénovation
- BBCA: Rénovation
- Biodivercity: Excellent
- Wired score: Gold

5. Life Cycle Analysis for projects

> Identification of all phases of the cycle to introduce improvements

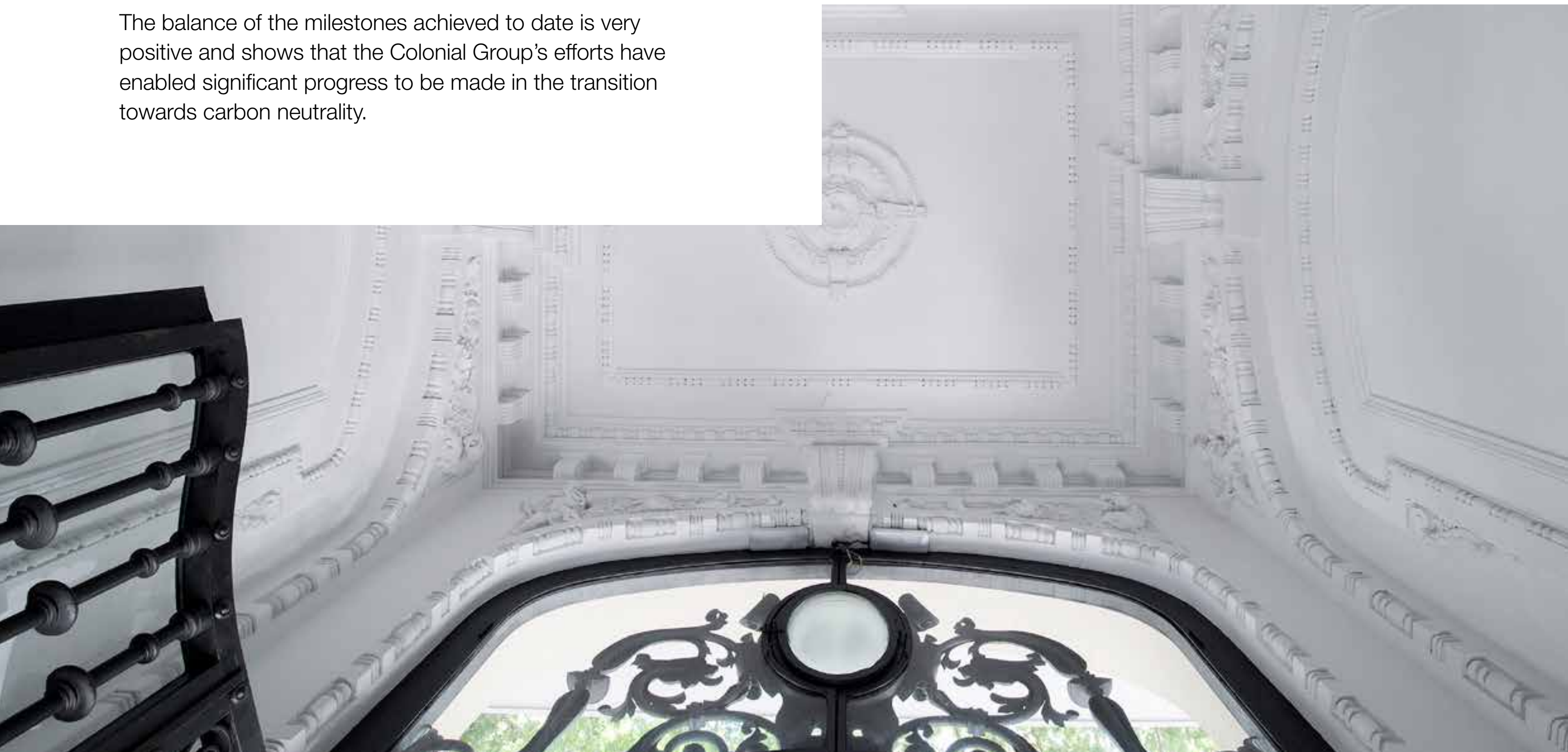
> It is already being applied to all of Colonial's assets with a sustainable approach

> Involvement of all suppliers in sustainability objectives: from design to demolition to construction and maintenance

Business Plan Objective 2018-2030

	2030 Strategic Objective	Start	2021	2022	Business Plan Advances
6. Green procurement / renewable energy procurement > Acquisition of 89% of renewable energy in 2021 in the Madrid & Barcelona portfolios > Acquisition of 46% renewable energy in the Paris portfolio	> 70%	0%	70%	73%	✓
7. Coverage of KPIs analysis for the entire portfolio of offices in operation					
> Energy	100%	74%	100%	100%	✓
> GH Scope 1&2	100%	75%	100%	100%	✓
> Water	100%	74%	96%	100%	✓
8. Waste management / Circular Economy > 99% of the non-hazardous and hazardous waste generated in Barcelona and Madrid has been recycled or recovered > 69% of non-hazardous and hazardous waste generated in Paris will be recycled or recovered	85%	N/A	99%	97%	✓
9. ESG clauses for all important suppliers > The 111 most significant suppliers in Barcelona and Madrid include ESG clauses > The 39 most significant suppliers in Paris include ESG clauses	100%	0%	100%	100%	✓
10. Green Clauses for all new clients > Green contracts included in all new contracts in Paris > Green Contracts included from the beginning of 2021 in all new contracts in Barcelona and Madrid	100% new clients	–	87%	100%	✓

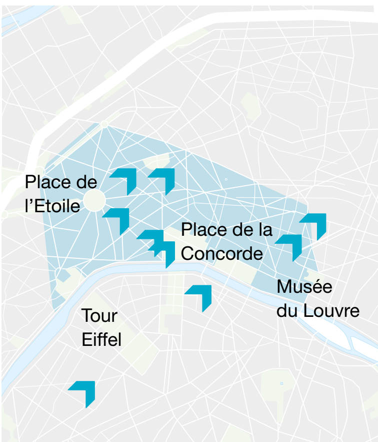
The balance of the milestones achieved to date is very positive and shows that the Colonial Group's efforts have enabled significant progress to be made in the transition towards carbon neutrality.



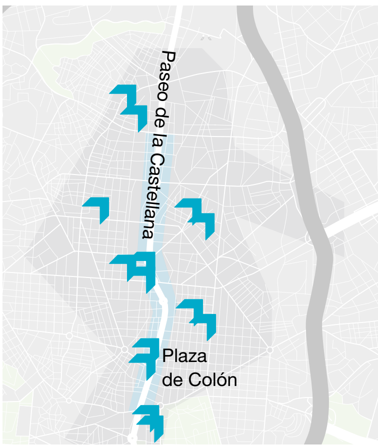
Strategic positioning and carbon emissions

One of the main pillars of the Colonial Group's strategy is to offer top quality offices in prime locations, which is why all of the Company's assets are located in the best areas of the cities in which it operates. This important feature of our portfolio not only allows employees and clients to benefit from city-centre services, but also optimises travel to the office and therefore reduces the carbon footprint.

Paris



Madrid



Barcelona

The Colonial Group has 78% of its portfolio located in central business districts (CBDs) and 99% in city centres. It also prioritises positioning around important transport hubs such as major train and metro stations. In particular, one of the main projects in Madrid is located next to Atocha station, and three major assets in Paris are located next to the *Gare de Lyon, Gare de Montparnasse* and *Gare du Nord stations*. This positioning optimises the commute time for all users of Colonial's assets.

The excellent accessibility of CBD areas reduces emissions related to commuting to and from work mainly due to two factors; firstly, it greatly influences the users' choice of transport, reducing the percentage of people who choose to use transport with a higher carbon footprint and, secondly, it reduces the distance from their homes to the Company's buildings.

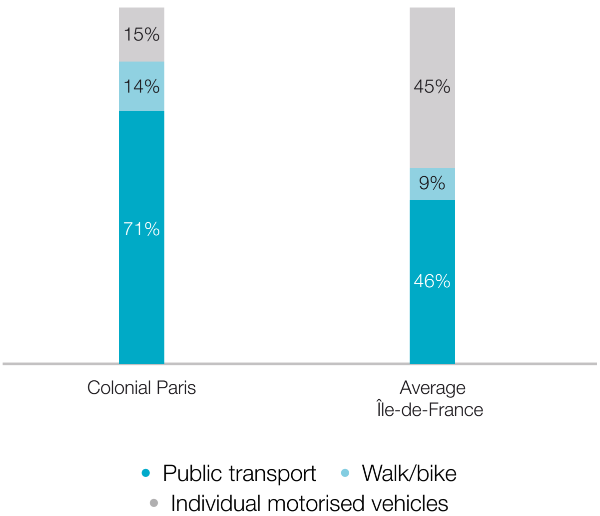
In our Paris portfolio, the assets are located less than seven minutes from a metro station, a fact that is directly reflected in the means of transport used by office users. As a consequence, this entails a shorter commute time and lower carbon emissions. According to the latest satisfaction survey, the average time taken by users to reach our offices is well below the average observed in Ile-de-France and, according to the Paris Workplace 2021 survey, well below the maximum duration.

Consequently, the breakdown of means of transport used by users shows a clear preference for sustainable mobility. In particular,71% use public transport compared to 46% on average in Ile-de-France, 25 percentage points higher.

15% use individual transport, which is significantly lower than the average. Finally, 14% of users walk or cycle to the office.

Given the centrality of the Colonial Group's portfolio, users of SFL offices have a lower carbon footprint corresponding to an annual intensity of 235 $kgCO_2e$[1] per user, which is six times lower than the average per worker in Ile-de-France and four times lower than the average for France.

Colonial Paris- Means of transport used by users[*]



(*) Île-de-France average from a 2021 INSEE study based on a census of 2017.

Comparison of the carbon impacts of commuting - France[1]

	Paris - Suburbs	Corona Île-de-France	France	Colonial Group - Portfolio France
Average distance to work in km	14	24	13	24
Carbon intensity in gCO_2e/km	105	143	155	22
Annual carbon intensity per user in $kgCO_2e/an$	662	1,478	906	235

(1) Approximate estimate based on statistical data from the city of Paris.

Analysing the results of the France portfolio case study, there is a direct link between the strategic positioning of assets and the use of sustainable transport, thereby reducing the amount of carbon emitted into the atmosphere by our clients.

Given this powerful impact, facilitating more sustainable commuting is an important factor to take into account in the development of the Group's decarbonisation strategy.

5.4.2 Science Based Targets initiative (SBTi) and Carbon Risk Real Estate Monitor (CRREM)

Science Based Targets initiative (SBTi)

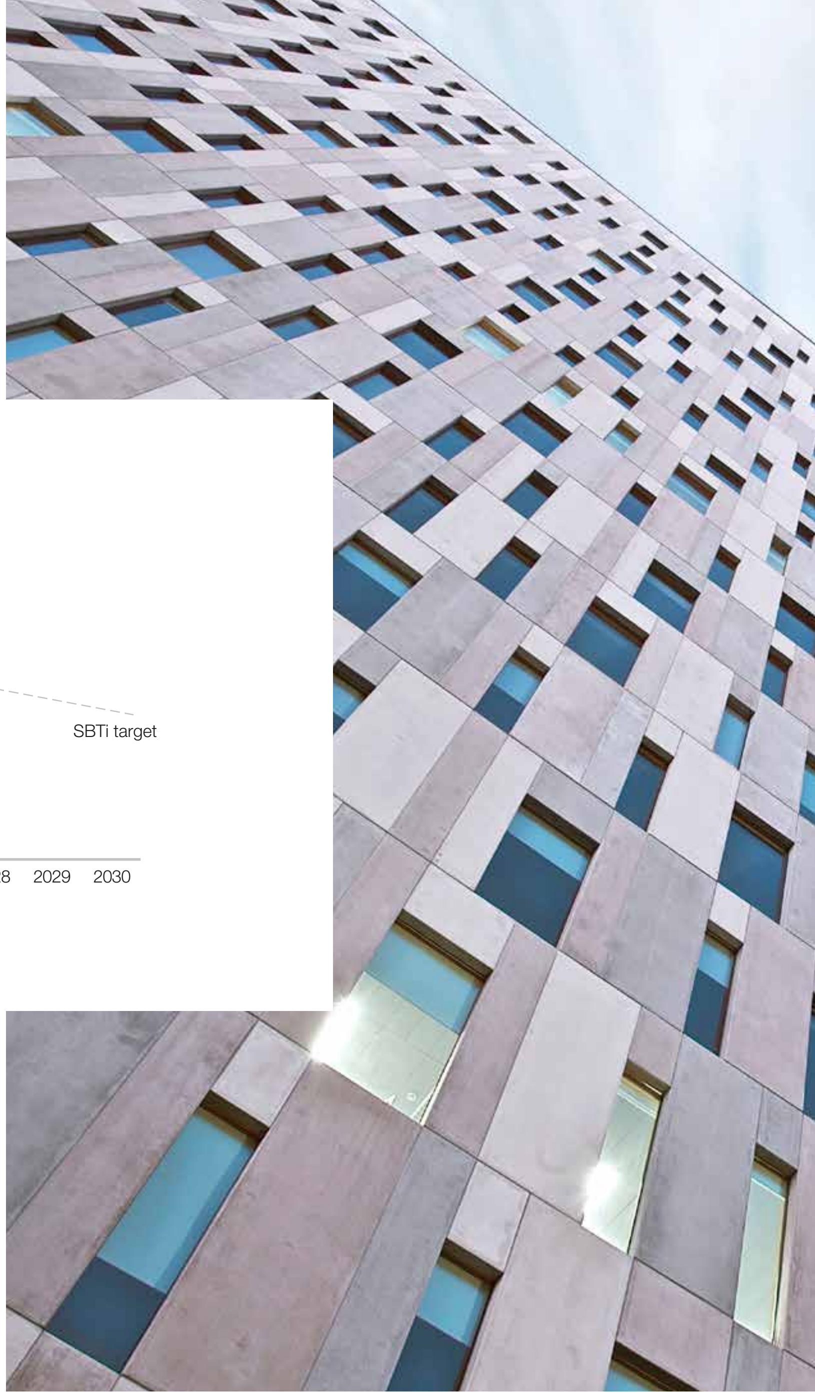
To strengthen the Group's commitment to the Paris Agreement, Colonial committed to the Science Based Targets initiative (SBTi) to establish emission reduction targets aligned with science and with limiting the increase in the Earth's average temperature to below 1.5°C, a very ambitious goal.

Our decarbonisation road map has been endorsed by SBTi, which underpins our stated commitment. Therefore, our target is compatible with a 50% reduction in Scopes 1 and 2 (market-based) emissions in absolute tonnes of CO_2e between 2018 and 2030, as set out in the SME approach developed by SBTi.

This means that the Colonial Group's targets are based on the guidelines deemed necessary by the latest climate science to meet the Paris Agreement targets, providing a clear road map to mitigate greenhouse gas emissions significantly and effectively.

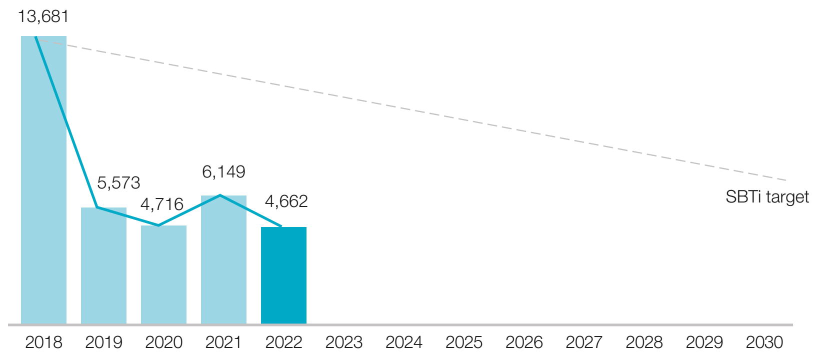
Given the expected progression and increased prominence of energy efficiency, formalising the commitment to SBTi provides other strategically important benefits, such as increased resilience to future regulations; stimulation of growth, innovation and competitiveness; and increased stakeholder confidence. It also offers support and validation by technical experts.

Therefore, adherence to SBTi not only corroborates that the actions Colonial is taking are the right ones to mitigate climate change, but also reveals the starting point required to optimise the development of our objectives. This allows us to take a step forward with regard to these strictly necessary measures and to draw up a more ambitious action plan built on this scientific basis.



CO$_2$e Scopes 1 and 2 (market-based) emissions

tCO$_2$e Market-Based



--- SBTi target: (50%) 2018-2030

Carbon Risk Real Estate Monitor (CRREM)

The Carbon Risk Real Estate Monitor (CRREM) initiative has been developed by the European Union together with different universities, supported by the EU innovation program Horizon 2020, to achieve the goal of decarbonising the real estate sector by 2050 in line with the targets set in the Paris Agreement to limit global warming to below 1.5°C, compared to pre-industrial levels.

CRREM consists of a tool to assess the energy performance of assets and calculate the carbon footprint generated, as well as to analyse the degree of alignment of the portfolio with respect to the following: compliance with the established objectives, greater regulatory requirements in terms of efficiency, and future market expectations, avoiding the obsolescence of assets and the potential depreciation that could result.

The tool provides specific decarbonisation trajectories for each type of use and according to the country where the asset is located. This distinction allows Colonial to accurately analyse its office assets, differentiating between the two countries in which the Company operates. Therefore, it allows a specific study of the risk of obsolescence for each asset, facilitating the detection of those buildings that are more carbon or energy intensive and pose a greater risk of transition, making it possible to optimally allocate the investment needed to reverse it.

CRREM is also aligned and collaborates with other international initiatives and organisations such as SBTi, GRESB and TCFD among others, resulting in greater harmonisation in the measures carried out by companies to mitigate the carbon footprint linked to real estate activity. It should be noted that as a result of the technical collaboration between SBTi and CRREM, the trajectories shown have been developed jointly between the two initiatives, thus ensuring consistency of the different global standards that are key to achieving the objectives.

During 2022, Colonial studied and started to apply the tool to its asset portfolio in order to reinforce the Group's decarbonisation strategy and thus facilitate meeting the carbon neutrality objective in 2030. The incorporation of CRREM allows a better perspective of the level of

preparedness of Colonial's assets as a whole in the face of the climate and energy demand forecasts that will affect our Company, thanks to the individual positioning of the assets that has been carried out. This analysis of each asset makes it possible to distinguish between the Group buildings that require greater investment and a more intensive effort to improve their energy efficiency, and those assets that are currently already aligned with the 1.5ºC target, allowing for a more effective distribution of investment and avoiding premature obsolescence of the portfolio. The integration of such a study as part of our strategy strengthens the completeness of our analysis, facilitating a better understanding of the degree of conditioning of each asset and, in turn, provides greater convergence with the methods that govern global standards. Therefore, this integration work enhances the resilience of Colonial's assets to future regulations and strengthens the existing decarbonisation plan.

5.4.3 Life cycle and embodied carbon analysis

Integration of our sustainability vision in every phase of the life cycle

The Group's objective to promote a circular economy is to develop and manage real estate assets by limiting the consumption of natural resources and the production of waste.

To reduce the carbon footprint, contributions are made through:

> The rational use of resources in the construction phase, through eco-design and reuse of materials.

> The recovery and recycling of waste related to building development and operations.

> The control of water consumption in the assets in operation.

These elements have a major impact on the strategy to reduce greenhouse gas emissions. Carbon emissions related to the new asset development activities and redevelopment projects accounted for 67% of the Group's total carbon footprint in 2022. This impact should be monitored as accurately as possible, and the results should guide investment decisions and construction processes.

As part of its sustainability strategy and with the aim of optimising the eco-efficiency of the entire value chain, for renovation projects and new asset developments, Colonial Group applies the integrated life-cycle analysis (LCA).

For all new building acquisitions and renovations or major refurbishments, the Colonial Group carries out an exhaustive analysis of each of the phases of the life cycle of the asset to be considered, (acquisition, construction and refurbishment, renovation and remodelling, management of properties in operation and repositioning or sale of the property), beyond the current situation.

In this context, the focus of the analysis is on the greenhouse gas emissions associated with the non-operational phase of an asset, i.e., emissions released through the extraction, manufacture, transport, assembly, maintenance, replacement, deconstruction, disposal and end-of-life of the materials and systems that make up a building. All these emissions form the **embodied carbon** and are present in all parts of the asset's life cycle.

The Group is committed to the following actions in all new projects:

1. Life cycle analysis for all renovation projects, new asset developments and major refurbishments

The Colonial Group has carried out life cycle analyses for all renovation projects, development of new assets and major refurbishments.

In Spain, life cycle analyses are carried out according to the "One Click LCA" approach, while in France they follow the BBCA (Bâtiment Bas CArbone) reference approach.

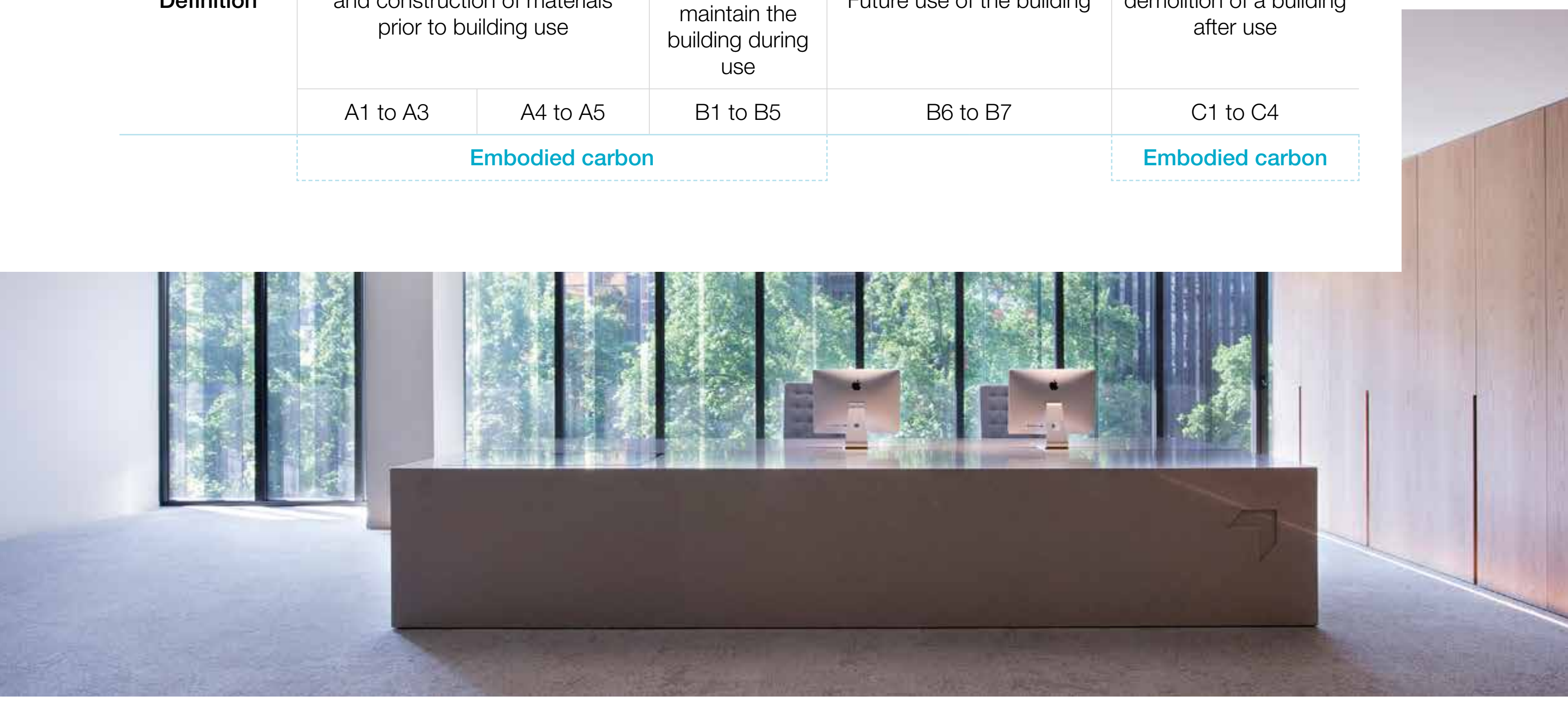
In both approaches, for all its phases the life cycle analysis considers the various processes of the value chain to assess the environmental impacts, as well as the role of the owner in the community and the future benefit for the clients' operations.

It is also important to highlight that the Colonial Group involves design teams, suppliers, contractors, maintenance providers and technical managers in the building's life cycle strategies. Their involvement in the strategic sustainability plan is key for a sustainable and integrated value chain.

In addition, the integrated life cycle analysis allows the Colonial Group to implement a broader vision of its decarbonisation strategy and thus have a holistic view of reducing the carbon footprint involved in developing a project from design to sale, or even obsolescence. Decisions made through the life cycle analysis enable operational sustainability benefits to be realised in both the short and long terms.

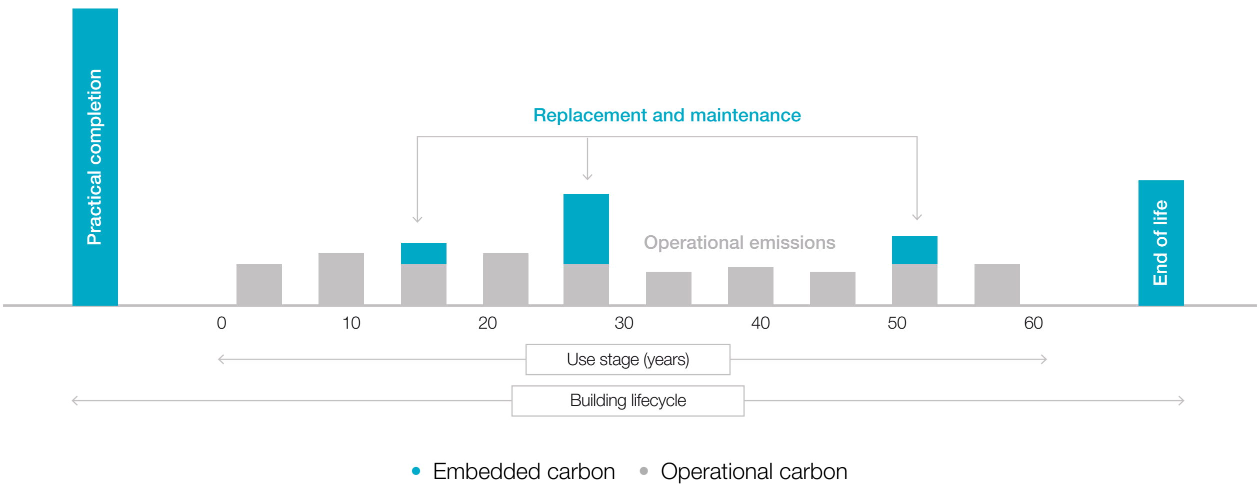
The following table shows the various stages of the life cycle of the Colonial Group's buildings:

Stages in the life cycle of buildings	Carbon at the beginning of the life cycle		Operations			Carbon at the end of the life cycle
			Embodied carbon	Operational carbon		
Cycle	Design	Building	Maintenance, repairs and renovations	Energy use	Water use	Demolition, transport and disposal of waste
Definition	Phases of production and construction of materials prior to building use		Materials and processes needed to maintain the building during use	Future use of the building		Demolition and demolition of a building after use
	A1 to A3	A4 to A5	B1 to B5	B6 to B7		C1 to C4
	Embodied carbon					**Embodied carbon**



Such an analysis allows for a more specific analysis and management of the dynamics of the different buildings in terms of carbon emissions into the atmosphere. As reflected in the graph below, emissions related to embodied carbon account for a high percentage of the carbon emitted in the operational phases of the asset's life cycle. Likewise, efforts in energy efficiency improvements have traditionally been focused on the operational phase of the life cycle, given the increased awareness of the sector and more restrictive regulation, so the impact of embodied carbon on total emissions is expected to become increasingly significant. This highlights the need to effectively address this share of emissions in order to achieve the established decarbonisation target.

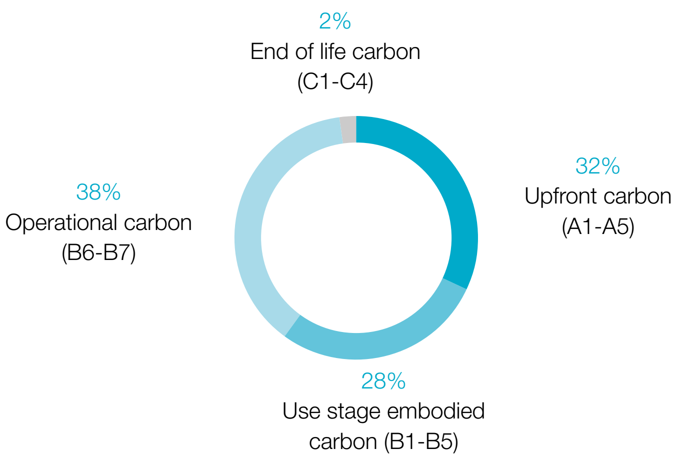
Carbon emissions (kgCO$_2$)



Note: Illustration by LETI Embodied Carbon Primer.

The life cycle analysis of an asset is essential to implement improvements at each stage of the value chain and reduce their environmental impact.

Breakdown of GHG emissions for the two main Spanish projects delivered in 2022



The LCAs carried out on the two major Spanish projects delivered in 2022 (Miguel Ángel 23 and Velázquez 88) show that around 62% of GHG emissions at all stages of the buildings' life cycle are due to embodied carbon, which has been or will be emitted during the design and product stages (32%), during the maintenance, repair and renovation stages during the future use of the building (28%), and at the end of its useful life.

2. Limiting embodied carbon by exploring a comprehensive range of reduction strategies

Embodied carbon mitigation is a major challenge for the real estate sector. The urgent need to limit global warming and reduce emissions makes it essential to look for the most effective reduction strategies to mitigate embodied carbon, given its importance in total emissions. This need is compounded by other factors such as the prospect of increasingly stringent regulations on building development and materials used, as well as the potential increase in natural resource scarcity and stress on market prices with rising material prices. Given these circumstances, the strategies proposed to reduce the embodied carbon of our activity are as follows:

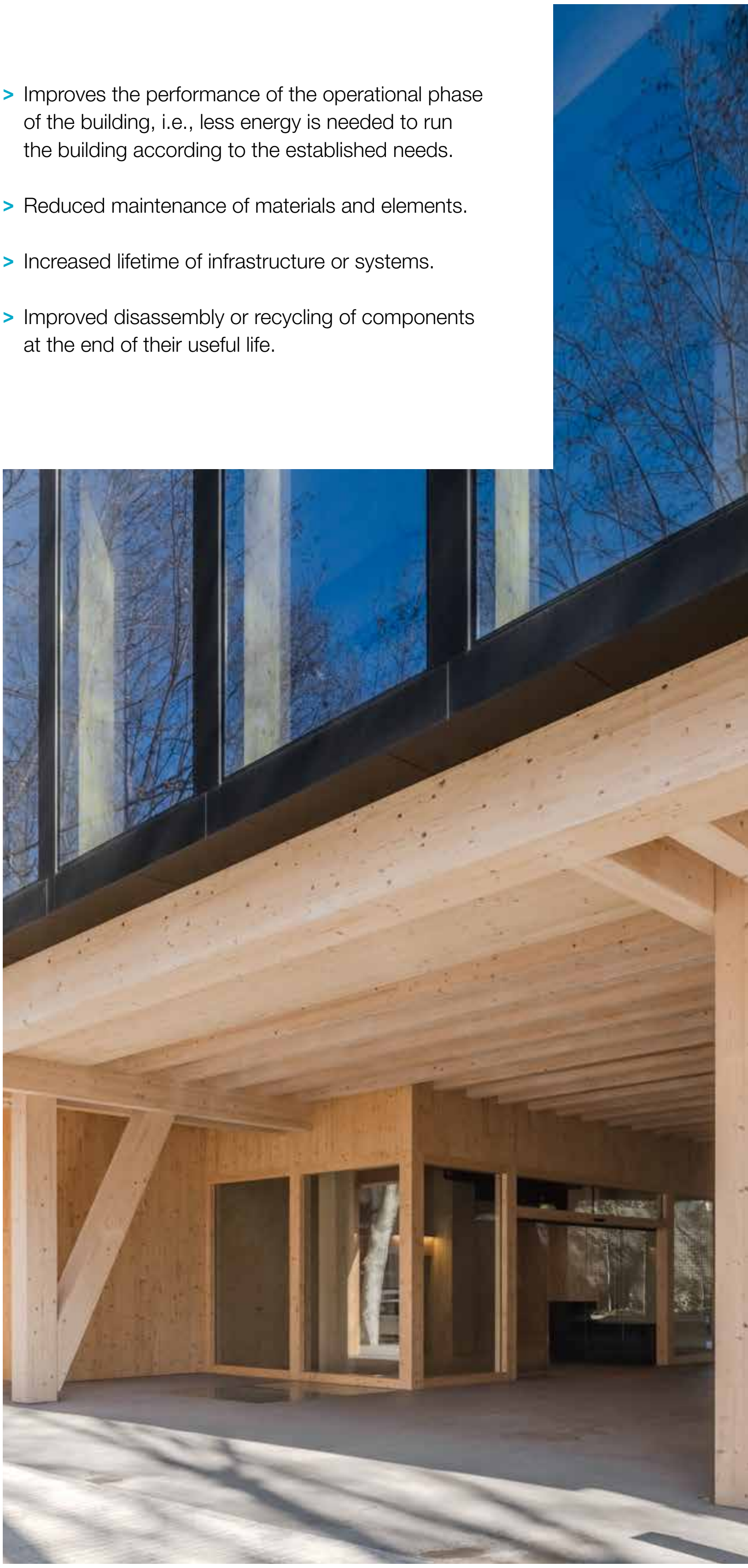
- Commitment to accurately monitor emissions throughout the entire value chain (relevant GHG protocol Scope 3 categories).
- Improving knowledge on the climate impacts of projects through the generalisation of life-cycle analysis.
- Widespread use of development certifications as a way to anticipate emerging building regulations.
- Strong partnership with construction companies to include higher standards in the use of materials.
- Preliminary studies to limit destruction in renovation and restructuring projects.
- Monitoring of construction materials used and their associated impacts.
- Re-use of materials on site or from other sites (materials markets).
- Increased use of bio-based alternatives (wood, low-carbon concrete, etc.).

After exploring such reduction strategies at the design stage, the teams continue to look for further potential improvements.

Life cycle analyses are updated between the design and completion stages of the project.

Once the results have been analysed, construction elements and life cycle phases with the greatest potential for improvement are observed. For these elements, improvements are proposed that have an impact on at least one of the following:

- Improves the performance of the operational phase of the building, i.e., less energy is needed to run the building according to the established needs.
- Reduced maintenance of materials and elements.
- Increased lifetime of infrastructure or systems.
- Improved disassembly or recycling of components at the end of their useful life.



Life Cycle Analysis Miguel Ángel 23

Colonial acquired the Miguel Ángel 23 asset at the beginning of 2018 as part of the acquisition of Axiare Socimi S.A. and its subsequent merger with Colonial.

The life cycle analysis has identified aspects to optimise the level of sustainability of the property and, consequently, maximise value creation.

The comprehensive refurbishment project developed by Colonial aims at material recovery, thus reducing pollution.

In terms of sustainability, the objectives have been set to reduce the building's CO_2 emissions to levels close to zero, making this project one of the first near-zero energy office buildings in Madrid. To achieve this, the entire development has been based on cost-optimal life cycle studies according to the method set out in the European Directive on Energy Performance of Buildings. A number of alternatives for the building envelope and air conditioning systems have been identified throughout the life cycle of the building to achieve a near-zero energy building with the highest energy rating and with the aim of achieving a "very good" BREEAM rating. Work has been done on an innovative façade, replacing the conventional all-glass curtain wall with a mixed solution of aluminium and wood with external lattices made of wooden slats, which reinforces the commitment to materials with lower embodied CO_2.

Development Phase: In terms of carbon footprint, the project and its design have met the requirements of Colonial's Responsible Product Procurement Guide, with a quantitative carbon footprint of 6,398 tCO_2e, which translates into a ratio of 602 $KgCO_2e$/sqm in accordance with the Carbon Heroes Benchmark (CHB) standard.

Construction Phase: During the construction phase, the embodied carbon was further optimised thanks to the coordinated work of the different work teams, and to having defined as a priority objective the reduction of this embodied footprint, so that it was reduced to 5,497 TCO_2e (537 $KgCO_2e$/sqm ref. CHB), which entails a saving of 901tCO_2e (65 $KgCO_2e$/sqm ref. CHB). This total improvement translates into an additional 14% of savings, i.e., the equivalent of planting about 577 feet of "narrow-leaved ash" plus about 1,440 feet of "resin pine" and maintaining the amount of both species for 35 years.

Nearly zero energy building design: Wood is one of the main factors of this refurbishment project. It becomes a sustainable product when it is actually managed and replaced responsibly, which is why this project has used blockchain technology to ensure transparency and traceability, as it is a tool that prevents the addition, removal, or manipulation of data in any way after the fact, at all stages of the process, both in the product itself and in the entire chain. It provides traceability from the source, as well as proximity, a negative carbon footprint, while being deforestation-free with sustainable forest management.

The glass used for the façades is triple glazed with low transmittance, which has resulted in a similar estimation of operation and maintenance costs, specifically of electrical power consumption, compared to buildings with unglazed façades with high insulation characteristics.

The building also has an extensive photovoltaic installation, solar thermal energy on the roof, as well as a wind turbine system for the generation of wind power (a novelty for a building of these characteristics), which will enable a high percentage of the building's energy consumption to be met from renewable sources. It is also be equipped with sustainable mobility solutions: electric vehicle charging points, bicycle parking spaces and showers and changing rooms to encourage the use of alternative means of transport.

On the other hand, a defining feature of the project is the focus on the health and well-being of its users thanks to the optimisation of ventilation flows, high-performance filters, the specification of materials with low volatile organic compound (VOC) emissions, lighting designed on the basis of strict health, comfort, and energy efficiency criteria, green outdoor areas on the roof for the occupants to rest, etc.

Life Cycle Analysis Biome

Biome, a building from the 1960s, was designed following a rational structure of concrete and metal resting on large, beamed poles. The building was the first congress centre in Paris, before becoming the headquarters of the SMA for fifty years, the historic mutual insurance company of construction workers created during the great works of Haussmann.

SFL acquired the building in 2017 with the ambition to transform it into an unparalleled iconic building in Paris, by carrying out an analysis of future economic and sustainability value creation and technical and environmental due diligence.

Given the importance of this heritage site and its unprecedented urban and landscape context, the restructuring operation goes beyond a simple transformation. The architect-designer teams considered the project using a participatory approach to urban renewal and a benevolent reinterpretation of the architectural and aesthetic history of the existing building. They committed to an ambitious, humane project, part of the future of tertiary architecture.

Utilisation of materials: The most distinctive aspect of this operation is its ability to make use of existing materials in all these aspects, while retaining 80% of the initial floor plans. More than 400 sqm of façade stones have been reused, and marble has been reused in the form of granite in the new sanitary facilities. More than 60% of the poured concrete comes from less carbon-intensive alternatives and 86% of the raised floor slabs (more than 11,000 sqm), has also been reused. These initiatives represent a reduction of approximately 2,500 tCO_2e.

Restructuring of the building: The restructuring is based on the structural design of the heritage building to free up the working floors and create new high-performance facades that are more transparent to the city. In the basement, the former parking level has restored the life of the building by means of topographical work on the floor, allowing for generous openings, and playing with the height differences in order to create valleys and thus bringing as much sunlight as possible into this enclave. On the ground floor, the architectural and landscaped base of the project, designed as a unitary device of the buildings, highlights the elegant chiselled concrete posts.

Revegetation: The central 1,300 sqm garden contains about thirty trees, including tall stems thanks to a 15m open space, visible from the entire building, lobby, club, offices, and lower floors. On each floor, the existing technical terraces have been transformed into accessible garden spaces, doubling the green surface area, giving the impression that employees are not working “next to”, but rather “in” nature.

Following the refurbishment work carried out on the building, bright and modular spaces have been created to adapt to clients’ needs, with well-being services such as a fitness room and a restaurant, in addition to large, landscaped terraces accessible on each floor of the building, as well as the installation of charging stations for electric vehicles.

Biome was delivered at the end of 2022 and is a clear example of a sustainable building with triple certification: HQE Exceptional, BREEAM Excellent Refurbishment and LEED Gold. It was also selected as one of the first buildings in Paris to obtain the BBCA Renovation (Low Carbon Building) label and will also be labelled as Biodiversity Excellent, highlighting the important revegetation efforts made.

Life Cycle Analysis Velázquez

The Velázquez 86 project in Madrid is an active space designed to be lived in by users as an experience, placing value on open, dynamic and flexible places, but above all on physical spaces that connect with people, generating engagement and strengthening the company culture. Within the red lines to carry it out, in the design phase, the life cycle analysis of the project was taken into account, with the clear objective of being able to have an impact and reduce pollution in the refurbishment phase.

All development has been underpinned by life-cycle cost-optimal studies. A number of building envelope and HVAC alternatives have been identified over the life of the building to achieve a near-zero energy building with the highest energy rating and LEED Platinum rating.

In terms of carbon footprint, the project and its design have met the requirements of Colonial's Responsible Product Procurement Guide, with a quantitative carbon footprint of 12,140 tCO_2e, which translates into a ratio of 495 $KgCO_2e$/sqm in accordance with the Carbon Heroes Benchmark (CHB) standard. To put it in scale, comparing this project with another "Business as Usual" project by the Royal Institute of British Architects (RIBA), the impact has been 7,286 tCO_2e, less, or the equivalent of, planting about 4,587 feet of the "narrow-leaved ash" species in addition to about 11,603 feet of "resin pine" and maintaining both amounts of species for 35 years.

In terms of operational carbon, the property has the highest energy rating, which attests to the low energy cost of the day-to-day running of the property. This has been achieved in part thanks to the low transmittance glazing of the facades.

The building has an extensive photovoltaic installation, sustainable mobility solutions, low impact on water footprint, etc. The health and well-being of the users is also achieved thanks to the optimisation of ventilation flows, high-performance filters, exhaustive control of environmental conditions, the specification of materials with low volatile organic compound (VOC) emissions, lighting designed based on strict health, comfort and energy efficiency criteria, smart lifts, a large amount of natural light in work spaces, green areas in natural outdoor environments and a strategic location within the urban public transport network that favours the use of public transport, etc.

Life cycle analysis results obtained

Assets	City	sqm LCA	Embodied Carbon ($TnCO_2e$)	Embodied Carbon ($kgCO_2e$/sqm)	Operating intensity(*) completed building ($kgCO_2e$/sqm/year)	End of project
#Cloud	Paris	34,650	29,730	858	7	2015
83 Marceau	Paris	10,145	8,938	881	9	2H 2021
Biome	Paris	18,204	12,816	704	7	2H 2022
Cézanne Saint-Honoré	Paris	9,725	5,229	538	9	1H 2022
Miguel Ángel, 23	Madrid	9,140	5,497	601	5	2H 2022
Velázquez, 88	Madrid	17,660	12,053	683	7	2H 2022
Plaza Europa, 34	Barcelona	15,869	14,312	902	11	1H 2023

Notes: In Spain the "One Click LCA" methodology is applied, in France it is applied according to the BBCA.
(*) Calculated on the basis of the average operational intensity of the whole life cycle and/or the post-delivery operational intensity of the project.

As a result of the Company's continuous efforts to improve its environmental performance throughout the life cycle of its assets and the improvement strategies explained above, the latest projects have been carried out following the best standards and methodologies, thus achieving an improvement both in the amount of embodied carbon generated by the project itself, reaching the lowest values in the sector, as well as in the subsequent carbon intensity that will be emitted during the future operational phase of the asset.

Among the seven projects analysed, of special mention is the Biome asset, which is the first to be classified as a BBCA Low Carbon Building asset.

Therefore, this excellence in project development made possible by LCA analysis increases the efficiency of the Group's assets as a whole, while achieving a reduction in the carbon footprint generated in the coming years, during the phase in which the asset is in use.

5.4.4 Digital transformation as an accelerator of eco-efficiency

The business plan for environmental sustainability is largely underpinned by digitisation. Accordingly, the Colonial Group maintains a strong commitment to innovation through the development and implementation of PROPNET technology, which is enabling the optimisation of the use of the spaces managed by the Company.

Within the Group there is an Innovation Committee that monitors those points that could be more cutting-edge in this area. Operationally, there are also multidisciplinary teams of professionals focused on the innovation and digitisation of assets, in order to monitor the results of those measures already implemented that allow for continuous improvement, as well as to set new developments, always focusing on the following optimisation objectives:

> Environmental.

> Occupant well-being.

> Cost control.

This has materialised thanks to the initiatives carried out in recent years, which are explained below.

PropTech Project - Portfolio digitisation

The properties operated by Colonial have a standardised Building Management System (BMS). This digitalisation allows both on-site and remote control of all installations that represent significant energy consumption in buildings, providing predictive alerts about possible anomalous behaviour in the operation of the installations, and facilitating automated decision making for their solution.

The systems integrate equipment for measuring energy and water consumption, accounting in real time for the general demand of each building, as well as the partial demands of each type of installation that are most representative. Currently 2,435 energy meters are monitored, providing 4,015 variables.

The energy consumption information is collected in a management system, known as the Energy Management System (EMS), allowing for the monitoring and remote management of consumption in real-time, both in general and in detail. This makes it possible to detect inefficiencies generated by deviations in the functioning of installations or inappropriate behaviour patterns of building maintenance operators and users.

All historical data since 2015 are kept in order to analyse in detail the improvement in energy and environmental performance.

Monitoring buildings in great detail provides a large amount of data which can be used to analyse the energy performance, and it is also used as a learning tool in order to make better design and planning decisions.

This project has also extensively reinforced the security systems of the assets (access control, surveillance and anti-intrusion systems, image recognition, license plate readers, etc.), thus improving the security of users and the building. Security professionals carry out remote and continuous monitoring 24 hours a day, 365 days a year.

It should be noted that Colonial, together with other leading companies in the real estate sector, has invested in Fifth Wall, the first European fund focused on technologies for the global real estate industry. Fifth Wall aims to accelerate the adoption of European Proptech innovation by investing in high-potential European startups and providing co-investment opportunities alongside the firm's leading North American real estate technology funds.

ED-I - Added value for the client with a strong focus on sustainability

In order to continue innovating and providing proactive value to manage clients, Colonial has brought the technologies mentioned in the previous section closer by making a series of services available to the client and end user, supported by all the digital transformation it has carried out in recent years. To this end, it has launched the ED-I service solution, created to meet the needs of this particular stakeholder group within buildings. ED-I is the name chosen to familiarise users with it in a user-friendly way, previously it was called PROPNET Project.

ED-I is an internal initiative of Colonial together with its service providers through which it directs its entire portfolio management strategy towards the client. By collecting and centralising data on a single platform, this use of technology enables Colonial to:

> Better understand and measure client needs.

> Improve its decision-making process in its value chain.

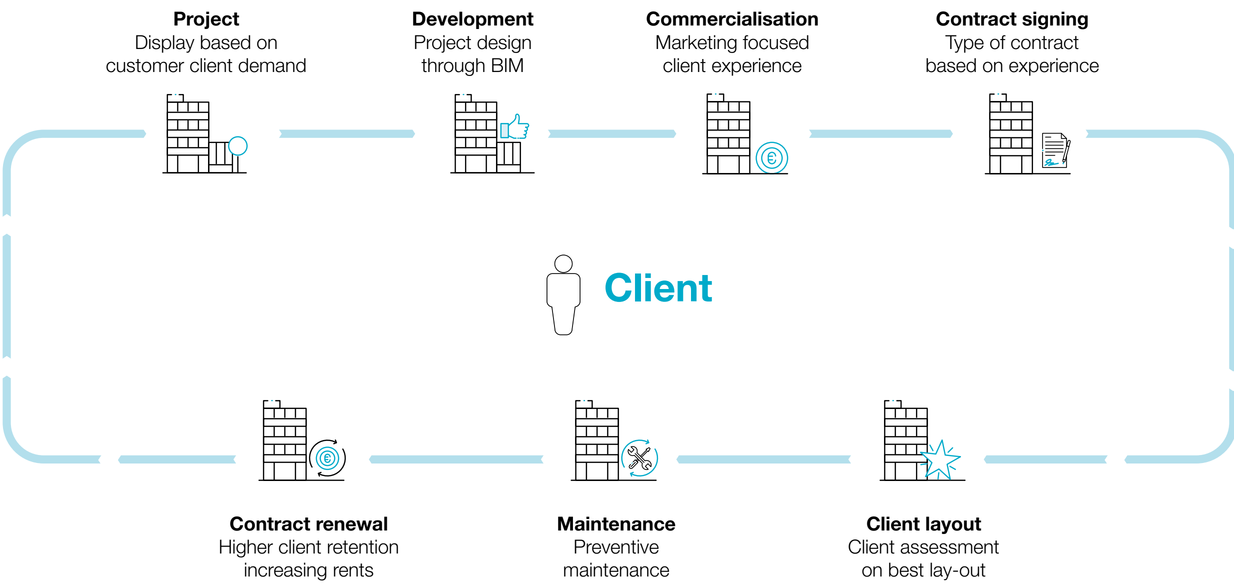
With ED-I, through artificial intelligence, Colonial manages to foresee clients' needs according to their behaviour patterns, as this solution makes it possible to measure the users' or clients' comfort in the space they occupy and to control all the installations that affect their comfort.

As an example, with environmental sensors distributed in various areas of the workspaces on a floor, different comfort variables (temperature, relative humidity and CO_2) can be monitored and analysed through algorithms and the installations can be automatically and precisely adjusted to keep them at the optimum level of comfort, therefore achieving maximum energy efficiency throughout the working day.

The implementation of this platform allows us to better understand our clients based on their current experience and thus meet their needs more efficiently and quickly.

ED-I also prioritises the sustainability of Colonial's buildings. This tool makes it possible to measure the building's carbon footprint, control the use of resources to reduce and optimise energy consumption, and continue learning in order to be able to design new assets and spaces as efficiently as possible. From the clients' point of view, the first direct consequence is their own improved ESG performance and rating.

This set of services, which are an accomplice of digitalisation, is a reality that is transversal to all those properties that the Company operates and manages directly, having gradually carried out this transformation counting on the complete coverage that is currently available. All of Colonial's new projects will be ready to offer ED-I from the outset.


Project
Display based on customer client demand
Development
Project design through BIM
Commercialisation
Marketing focused client experience
Contract signing
Type of contract based on experience
Client
Contract renewal
Higher client retention increasing rents
Maintenance
Preventive maintenance
Client layout
Client assessment on best lay-out


PropNet
by Colonial
CASTELLANA 52
23ºC
21%
27%
8%
CONSUMO ELECTRICIDAD
CONSUMO AGUA
CONSUMO GAS
THE WINDOW BUILDING
24ºC

Data management and monitoring platform - Deepki

With the aim of digitalising the management and monitoring of data relating to the main sustainability indicators, the digital tool Deepki, recommended by both EPRA and GRESB and specialised in the real estate sector, was implemented in 2022. This provides a number of operational advantages for the Company, including the following: An extensive database of the sector that makes it possible to develop various benchmarks, the ability to develop short-term estimates from the data collected by the platform itself, predictive models that allow the detection of anomalies and potential savings, centralisation of all the information in different dashboards adapted to our strategy as well as an analysis of the resilience of assets in the face of climate change, among others. In addition, it brings an international focus due to the widespread use of the tool in the European real estate sector. These functions enable the Group to optimise the implementation of its strategy and accelerate the achievement of the targets set by the Company and carbon neutrality.

Digitisation of the portfolio - Phase II

Innovation processes at Colonial are continuous, actively seeking new digitalisation and transformation solutions to improve processes, environmental performance and occupant experiences.

The second phase of the digitisation of Colonial's portfolio includes the following actions:

1. New environmental sensors:

The monitoring of a larger number of environmental parameters, in order to have a broader spectrum coverage of indoor air conditions in workspaces, thanks to the installation of new state-of-the-art probes that allow continuous monitoring of physical particles (PM2.5, PM1 and PM10), volatile organic compounds (VOCs) and noise levels.

This new measurement equipment complements the sensors already installed in all the buildings managed by Colonial and which were installed years ago, making it possible to record temperature, relative humidity and humidity conditions and CO_2 in real time. Thanks to the combination of both probes (the existing ones plus the latest generation), up to eight environmental variables of the workspaces will be controlled. The state-of-the-art probes were installed in seven buildings in 2022, and it is planned to continue to deploy them in the remaining assets where temperature, relative humidity and CO_2 monitoring are already in place.

These initiatives respond to the recommendations of recognised international organisations in the field of air conditioning, ventilation and well-being, such as ASHRAE and the International Well Building Institute (IWBI). It is worth noting that all these actions increase both the efficiency and productivity of our clients' activities and the resilience of the property portfolio in the face of possible climate risks.

2. Energy Management System 2.0 (EMS 2.0):

In 2022, the energy consumption monitoring system was updated, which increased the performance and application of the tool, thanks to the integration of new systems for measuring the main consumption of the buildings and the processing of information based on a programming algorithm that improves the quality of the data, making it comparable and verifiable.

3. Digital twin:

In three of the buildings in the Spanish portfolio (Discovery, Tucumán and Ciudad de Granada), an energy and environmental simulation model (temperature, relative humidity and CO_2) based on different variables (outdoor and indoor temperatures, occupancy and internal loads) has been developed, which runs on a program tested for more than 25 years in other sectors such as aeronautics and nuclear and thermal generation. This modelling is supported by more than 25,000 equations on average per building, of which a significant part are differential equations. This parameterisation, in turn, has been defined according to the characteristics of the façades and the main air-conditioning systems.

There is a roadmap to set up a simulation for the rest of the buildings in the coming years, in order to make known the most efficient building use guidelines from a theoretical and practical point of view, achieving the best energy and environmental performance.

4. Uninterruptible Power Supplies (UPS):

One of the main pillars of the PropTech project has been the improvement of asset security systems (access control, surveillance and anti-intrusion systems, image recognition, license plate readers, etc.). During 2022 and 2023, the integration of uninterruptible power supply systems has been implemented, which has significantly increased the coverage in the event of a power supply failure by the utility Company, enabling the associated risks to be managed in advance and thus increasing the resilience of the portfolio.

5. Intelligent engines:

Most of the energy consumption is used to power electric motors, which is a very important area for energy improvements.

In this regard, a revolutionary motor technology has been identified based on a revolutionary design that offers low magnetic reluctance, is controlled by customised software and dynamically manages the motor's operation, thereby achieving high efficiencies. In 2022, two pilot tests have been carried out on air processing units, with satisfactory results. Another pilot test is planned for a hydraulic pump motor, in collaboration with the motor manufacturer for this type of solution, which is currently in the testing phase.

In view of the good results, the focus will continue to be on the gradual replacement of conventional electric motors in the coming years.


A3E Eficiencia Energética y sostenibilidad CERTIFICA

Que la empresa:

INMOBILIARIA COLONIAL SOCIMI S.A.

ha obtenido el

1er PREMIO

En la

IX Edición de los Premios Eficiencia Energética y Sostenibilidad de A3E

CATEGORÍA A_EDIFICIOS: COMPROMISO CON LA EFICIENCIA ENERGÉTICA Y LA SOSTENIBILIDAD

Por la candidatura:

"DEL REAL ESTATE AL SMART ESTATE: LA APUESTA DE COLONIAL POR LA DESCARBONIZACIÓN INTELIGENTE"

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FIRMA

Asociación de Empresas de Eficiencia Energética

6. Energy Efficiency and Sustainability Awards:

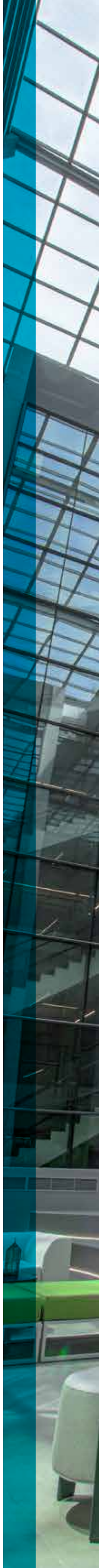
The 9th edition of the Energy Efficiency and Sustainability Awards granted by the Association of Energy Efficiency Companies (A3E) has recognised the innovative contribution in the efficient management of buildings for the initiative developed by Colonial with the collaboration of Future Motors. The award for *Commitment to Energy Efficiency and Sustainability* recognises the contributions of the project called *"From Real Estate to Smart Estate: Colonial's commitment to intelligent decarbonisation"*, to optimise energy consumption and reduce emissions from air conditioning and air processing systems using this brand's intelligent motors.

7. Industrialisation under construction:

The innovative process of industrialisation in construction provides competitive advantages in terms of deadlines, quality of execution and greater respect for the environment, as it considerably reduces the generation of waste and the use of resources.

As part of the Méndez Álvaro project (CMA I), 444 bathrooms have been industrialised and transported to the site for subsequent installation and connection, with results that are fully in line with the advantages mentioned above.

5.5. Eco-efficiency and decarbonisation results



5.5.1 Progress in eco-efficiency and decarbonisation

As rising greenhouse gas emissions are radically changing the climate, the latest study by the Intergovernmental Panel on Climate Change (IPCC) stresses more than ever the need to limit global warming to 1.5ºC. The risks associated with the consideration and effects of climate change are becoming higher for the Colonial Group's activity, whether they result in the multiplication of exceptional physical factors or in the strengthening of market expectations and the development of more ambitious environmental regulations.

The Colonial Group's sustainability strategy is fully aligned with the management scheme defined by TCFD, the reference framework for climate change, which is reflected in a very solid ESG governance scheme, an analysis of physical risks and advanced transition risks, an action strategy, as well as objectives that are supported by the management and monitoring of specific indicators.

In order to respond to the climate emergency and the ambition of a low-carbon future, the Colonial Group's strategy focuses on two aspects in particular: firstly, to reduce greenhouse gas emissions and, secondly, to improve the resilience of our assets.

1. Reducing greenhouse gas emissions:

   i. The construction sector is responsible for a large part of greenhouse gas emissions and therefore represents a major challenge in the fight against climate change.

   ii. Reference scenarios, such as the revised national low-carbon strategies, or the Science Based Targets initiative (SBTi), also foresee an almost complete decarbonisation of the real estate sector by 2050.

   iii. The Colonial Group assumes its responsibility and has developed a certified greenhouse gas emissions reduction target aligned with a 1.5ºC trajectory and validated by the SBTi.

   iv. This objective requires, first and foremost, a control of energy efficiency and a transition to carbon-intensive energies.

   v. The strategy to reduce emissions also involves a more rational use of resources, control of waste and water consumption and continuous engagement with architects, construction partners, operational partners and office users.

2. Improving the property resilience:

   i. The Colonial Group's strategy prioritises investment in sustainable buildings of the highest quality and is committed to sustainable transformation and improvement.

   ii. The useful life of buildings, their suitability to clients' needs and their coherence with the urban fabric, and the long-term challenges related in particular to accessibility, rational use of resources and adaptation to climate change.

   iii. This strategy is completed with an analysis of the physical, environmental and health risks of the portfolio with a focus on continuous monitoring and necessary prevention and adaptation measures.

   iv. It also encourages employees' efforts to cope with the effects of climate change, in particular the gradual rise in temperatures and the resulting increase in exceptional climate events.

Measuring the impact of carbon emissions throughout the Colonial Group's value chain is a crucial element in the emissions reduction strategy.

The monitoring and measurement of the properties aims at the maximum scope (as broad and detailed as possible) in order to highlight the impact of the Group's activities in the three scopes defined by the GHG protocol.

5.5.1.1 Energy

Energy efficiency is one of the key levers of the strategic plan for the asset portfolio by accelerating a progressive reduction in the consumption of the asset portfolio and, ultimately, its decarbonisation.

A key factor in reducing carbon emissions in the Group as a whole is the improvement in energy efficiency of the buildings that make up its portfolio, together with the increasing implementation and transformation of renewable energies, both "on-site" by installing renewable technologies in the buildings themselves, and "off-site" through the purchase of 100% renewable energy.

Another key factor in relation to the energy management of the asset portfolio is the governance of the energy management system which simultaneously combines top-down and bottom-up management approaches.

In terms of the top-down management approach, the ESG committee sets the strategy, objectives and guidelines for the energy management of the asset portfolio. In this regard, all members of the ESG committee coordinate the corporate areas under which the business units report that are responsible for implementing the guidelines and ensuring compliance with the energy management objectives.

Furthermore, a bottom-up management approach also coexists through the implementation of robust reporting systems that enable internal and external reporting as well as detecting any significant deviations from the asset portfolio's energy management strategy.

All energy and water consumption is collected and processed in accordance with the Non-Financial Information Internal Control System (NFIICS). In summary, the consultant specialising in environmental matters is responsible for collecting, aggregating and processing data, which is then thoroughly reviewed by the Group's various areas.

In 2022, the Colonial Group significantly increased the scope of monitoring the consumption of the entire portfolio and has managed to control the energy consumption of almost all of its assets.

Over the last few years, the Colonial Group has implemented a series of energy saving and energy efficiency measures, such as improvements in the automation and control of building management systems and changes in lighting and air conditioning systems, which have helped to reduce energy consumption.

Residential and tertiary buildings are one of the largest sources of energy consumption, so improving energy efficiency is an important issue. For this reason, very ambitious targets have been set to reduce energy consumption. Their achievement requires targeted investments and the continuous improvement of the technical management of assets. It also means taking into account new client needs that may impact the intensity of use of the buildings.

In France, important work of dialogue and analysis with tenants has thus been initiated to understand and reduce the total energy consumption of their buildings by integrating the energy consumed in private areas.

I. Transition to low-carbon energies

Controlling energy consumption and the associated carbon impact also means optimising the energy mix and choosing less carbon-intensive energy sources.

The Colonial Group aims to improve the energy mix, in particular through the following actions:

1. Gradual reduction in the use of the most carbon-intensive energies, in particular those related to heating.

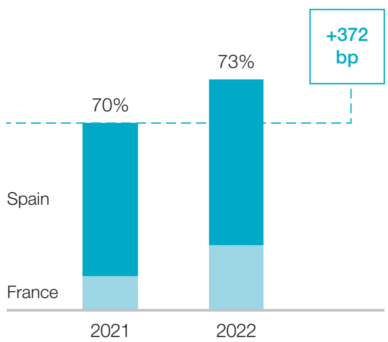
2. Favouring energies with low-emission factors, through a gradual extension of the choice of the district cooling network (network benefiting from a low emission factor) and through negotiations with suppliers to gradually increase the share of energy from renewable sources, in particular for electricity and district heating.

II. Renewable energy

As part of the Colonial Group's carbon neutrality objective, priority is given to gradually increasing the supply of renewable energy, which relies on two factors: purchasing green energy and renewable energy installations in the portfolio.

1. Purchase of green energy

The Colonial Group relies on energy with Renewable Guarantee of Origin (REGO) certificates. In 2021 the certificate was included in 70% of the Group's asset portfolio, and in 2022 it was included in 73%, representing an increase of 372 bp, and highlighting the increase in Spain of 671 bp.



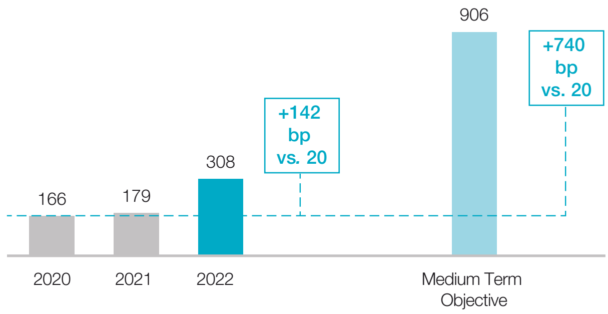
	2022	2021	Var.
Spain	96%	89%	+671 bp
France	30%	30%	+0 bp
Group	**73%**	**70%**	**+372** bp

2. Green on-site renewable energy installations

The Group currently has on-site solar photovoltaic installations on several assets with a cumulative installed capacity of approximately 308 kWp. Colonial is aware of the importance of decentralised production with renewable energy sources. For this reason, the implementation of this type of installation is expected in practically all of the buildings that are managed by the Company and where its installation is technically feasible, as well as in all of the large projects.

The following graph shows the evolution of the photovoltaic park installed in Colonial's portfolio of buildings in Spain. The variation with respect to 2021 is significant since it represents an advance of 72%. The implementation of this type of technology is expected to continue on this path up to 905.5 kWp in 2026.

Energy kWp generated on-site



III. Analysis of energy consumption 2022 in absolute terms

The Group's energy consumption in 2022 was 164,206 MWh, 101,639 MWh in Spain and 62,567 MWh in France.

This MWh consumption is below the 2021 consumption, a reduction of 3% at Group level. In Spain, there was a 6% reduction in energy consumption, with a 9% reduction in the Madrid market.

In Paris, there was an increase in energy consumption, mainly due to the entry of new buildings into operation, which has increased the perimeter of assets analysed.

The analysis of energy consumption is as follows:

Energy - Absolute

			Var.		Var. LFL	
MWh	2022	2021	MWh	%	MWh	%
Barcelona	41,006	41,629	–623	–1%	–1,584	–4%
Madrid	60,634	66,676	–6,042	–9%	–5,603	–9%
Paris	62,567	60,561	2,006	3%	–2,692	–4%
Total	**164,206**	**168,866**	**–4,659**	**–3%**	**–9,879**	**–6%**
Spain	101,639	108,305	–6,665	–6%	–7,187	–7%
France	62,567	60,561	2,006	3%	–2,692	–4%
Total	**164,206**	**168,866**	**–4,659**	**–3%**	**–9,879**	**–6%**

In like-for-like terms, energy consumption in MWh decreased by 9,879 MWh (–6%), driven by the –7% decrease in energy consumption in Spain.

The main aspects that have led to a reduction in energy consumption are as follows:

a) Further optimisation of the conductive maintenance of the building's installations, i.e., easy-to-make installation adjustments that help to improve energy savings, such as adjusting equipment switch-on times, reducing the building's air-conditioning hours, etc.

b) Better environmental performance due to the implementation of Royal Decree Law 14/2022 dated 1 August. This law measures mandatory energy saving measures aimed at a responsible use of energy by promoting energy saving and energy efficiency, such as limiting the cooling and heating temperature of a building to 19°C in heated rooms and 27°C in cooled rooms.

In Spain, 2022 was the year with the highest climate demand for heating and cooling since the beginning of EUROSTAT's historical series of degrees/day (starting in 2013). These external conditions, more atypical than in other reference years, were accentuated to meet the demand for cooling air-conditioning of the buildings, mean that energy savings could have been even more favourable.

IV. Analysis of energy consumption 2022 in terms of energy intensity

In order to allow comparability of the assets in our portfolio, regardless of their size, the Colonial Group monitors energy consumption intensity ratios.

The **energy performance or intensity indicator** for the Colonial Group for 2022 is 167 kWh/sqm, being 160 kWh/sqm in Spain and 182 kWh/sqm in France.

This indicator shows an improvement **compared to 2021, with a reduction of 8%**. In Spain, there was a reduction of 10% and in France, of 4%. Of note was the 13% reduction in the Madrid portfolio.

The analysis of the energy performance or energy intensity indicator is as follows:

Energy - Intensity

			Var..		Var. LFL	
kWh/sqm	2022	2021	kWh/sqm	%	kWh/sqm	%
Barcelona	163	172	–8	–5%	–7	–4%
Madrid	157	182	–24	–13%	–17	–9%
Paris	182	189	–7	–4%	–8	–4%
Total	**167**	**181**	**–14**	**–8%**	**–11**	**–6%**
Spain	160	178	–18	–10%	–13	–7%
France	182	189	–7	–4%	–8	–4%
Total	**167**	**181**	**–14**	**–8%**	**–11**	**–6%**

Note: 2021 intensities have been recalculated due to a change in the surfaces of the assets considered.

In **like-for-like** terms, if we compare the **2022 period with the previous year, the Colonial Group's energy intensity decreased by –6%**.

In Spain, there was a reduction of 7%, with the Madrid market standing out with a decrease of 9% and in France, of 4%.

LFL Intensity 2022 vs. 2021- Energy
kWh/sqm

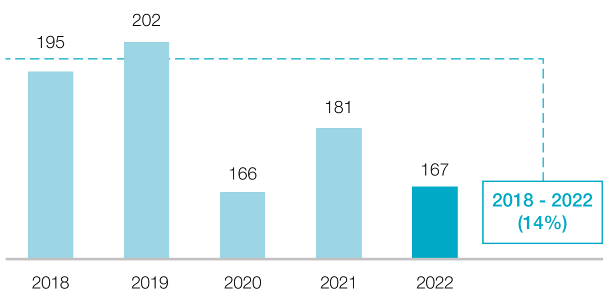
V. Continuous improvement of energy intensity since base year

The Colonial Group works continuously to improve energy intensity.

In the current scope, the reduction of energy intensity reached 14% between 2018 and 2022, from 195 kWh/sqm in 2018 to 167 kWh/sqm in 2022.

Energy Intensity

kWh/sqm



5.5.1.2 CO_2 emissions in the 2022 portfolio

I. Carbon emissions

From 2021, the Colonial Group reports the emissions of all categories based on the GHG Protocol standards, applicable to the Group's business, reporting Scope 1 (direct emissions), Scope 2 (indirect emissions) and within Scope 3 (other indirect emissions), the eight categories applicable to Colonial's business are also reported.

According to the *Global Status Report on Buildings and Construction 2022*, within the United Nations Environment Program (hereafter *UN*), a very high percentage of CO_2 emissions come from buildings and the construction sector. However, the environmental impacts and emissions associated with construction projects are very different.

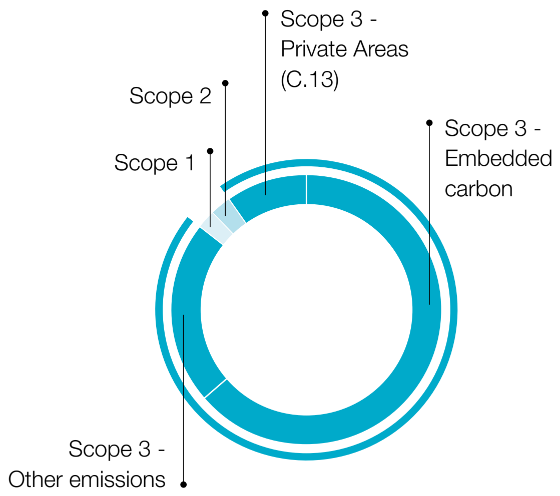
The 2022 GHG emissions of the Colonial Group, with a maximum measurement criterion, i.e., including **Scopes 1 and 2 and all applicable categories of Scope 3** for the Group, reached **94,654 tCO_2e**.

Of the total carbon emissions, 71% (67,509 tCO_2e) were generated in Spain and the rest (27,145 tCO_2e) in the Paris portfolio.

Scope 1, 2 and 3 Emissions

			2022	2021		Var.
$TnCO_2e$	Group	Spain	France	Group	($TnCO_2e$)	%
Scope 1	2,338	2,171	167	2,853	–515	–18%
Scope 2	2,325	436	1,888	3,312	–987	–30%
Scope 3 - private areas (cat.13)(*)	9,439	8,405	1,034	10,468	–1,029	–10%
Scope 3 - Other categories	80,553	56,498	24,055	97,089	–16,536	–17%
Total Colonial Group Emissions	**94,654**	**67,509**	**27,145**	**113,721**	**–19,067**	**–17%**

(*) Location-based methodology is considered.



On a year-on-year basis, the Group's carbon emissions have decreased by 19,067 tCO_2e, dropping from 113,721 tCO_2e in 2021 to 94,654 tCO_2e in 2022. In particular, there was a significant decrease in greenhouse gas emissions related to renovation and restructuring projects (62,233 tCO_2e), which in 2022 represented 66% of the Group's overall footprint. In France, the decrease was mainly due to the completion of the Marceau project and the delivery of the Biome project mid-year.

Three main areas of work to reduce the carbon impact are highlighted as follows:

> More efficient use of common and private areas of assets.

> The development of a circular economy and the reduction of embodied carbon in projects.

> Support for the deployment of new forms of mobility for employees and users of the Group's assets.

Measuring the carbon impact throughout the entire value chain is the first step in the emissions reduction strategy, allowing the main sources of greenhouse gas emissions to be identified and their impacts to be understood.

Along these lines, the Colonial Group distinguishes between:

1. emissions associated with the operational part of the assets in the portfolio and
2. emissions associated with the Group's construction and major refurbishment projects.

Below there is a breakdown of these aspects and the different categories of Scope 3 (based on GHG Protocol standards):

Scope 3 Categories

	2022			2021	Var.	
($TnCO_2e$)	Operating portfolio	Projects and refurb.	Total	Total	($TnCO_2e$)	%
1. Purchased goods and services	16,116	0	**16,116**	**15,952**	165	1%
2. Capital goods	0	58,418	**58,418**	**74,922**	–16,504	–22%
3. Fuel- and energy-related activities	1,353	0	**1,353**	**1,561**	–208	–13%
4. Upstream transportation and distribution	0	1,288	**1,288**	**1,026**	262	25%
5. Waste generated in operations	651	2,527	**3,178**	**3,466**	–288	–8%
6. Business travel	109	0	**109**	**49**	60	122%
7. Employee commuting	91	0	**91**	**113**	–22	–20%
13. Downstream leased assets(*)	9,439	0	**9,439**	**10,468**	–1,029	–10%
Total Scope 3	**27,759**	**62,233**	**89,992**	**107,557**	**–17,565**	**–16%**

(*) Location based methodology is taken in order to be homogeneous with the calculation method of the other categories.

The total of Scope 3 categories amount to 89,992 tCO_2e. This figure is –16% lower than in the previous year. This decrease has mainly occurred in category 2 (capital goods), which includes virtually all greenhouse gas emissions related to renovation and refurbishment projects. In particular, this decrease is related to the completion of the Marceau project and the delivery of the Biome project in the French portfolio.

II. Operational carbon emissions

II.a. Comparative analysis of Scopes 1, 2 and partial Scope 3 (market-based)

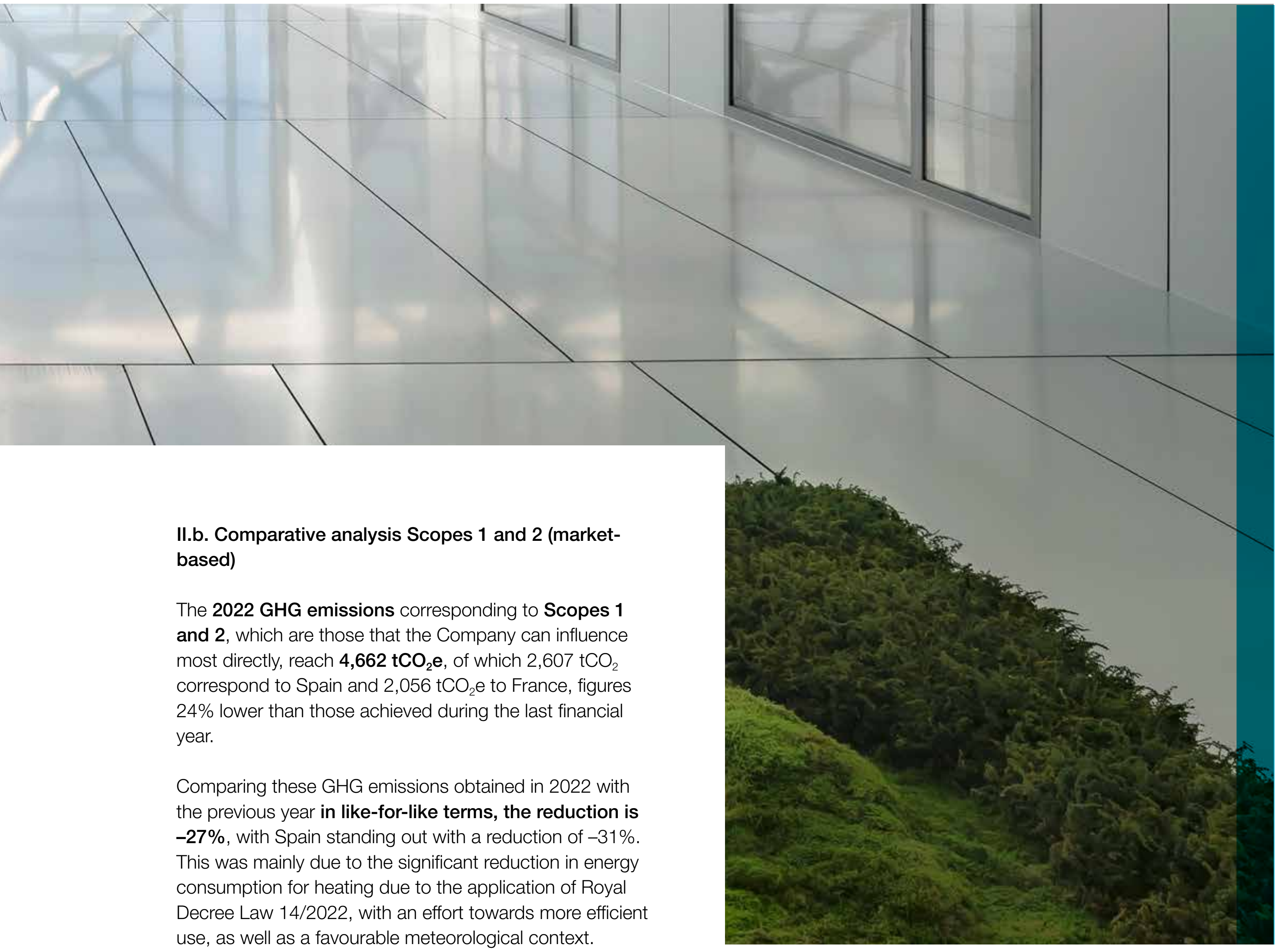
The **2022 GHG emissions** corresponding to Scopes 1, 2 and partially to Scope 3, i.e., including the energy consumption of private areas (category 13 of the GHG Protocol), amounted to **18,641 tCO_2e**, 1,617 tCO_2e lower than the emissions of the previous year **(–8% compared to 2021)**. In Spain there was a decrease of 8% and in France, of 6%. Worth highlighting is the reduction of carbon emissions in the Madrid portfolio, with a reduction of –14%.

In **like-for-like** terms, a **reduction of –10%** can be observed, with a reduction of –12% in Paris and –9% in Spain.

This reduction is mainly due to the increase in the contracting of renewable energy (electricity supply with guarantee of origin from a renewable source, REGO), as well as the significant decrease in energy consumption for heating due to the application of Royal Decree Law 14/2022, with an effort for a more efficient use, as well as a favourable meteorological context.

GHG Emissions - Absolute

	2022	2021	Variance		LFL Variance	
tCO_2e	Scopes 1, 2 & 3	Scopes 1, 2 & 3	Scopes 1, 2 & 3		Scopes 1, 2 & 3	
			tCO_2e	%	tCO_2e	%
Barcelona	5,822	5,636	186	3%	–246	–5%
Madrid	9,593	11,195	–1,602	–14%	–1,189	–12%
Paris	3,226	3,428	–201	–6%	–424	–12%
Total	**18,641**	**20,258**	**–1,617**	**–8%**	**–1,859**	**–10%**
Spain	15,414	16,830	–1,416	–8%	–1,435	–9%
France	3,226	3,428	–201	–6%	–424	–12%
Total	**18,641**	**20,258**	**–1,617**	**–8%**	**–1,859**	**–10%**



II.b. Comparative analysis Scopes 1 and 2 (market-based)

The **2022 GHG emissions** corresponding to **Scopes 1 and 2**, which are those that the Company can influence most directly, reach **4,662 tCO_2e**, of which 2,607 tCO_2 correspond to Spain and 2,056 tCO_2e to France, figures 24% lower than those achieved during the last financial year.

Comparing these GHG emissions obtained in 2022 with the previous year **in like-for-like terms, the reduction is –27%**, with Spain standing out with a reduction of –31%. This was mainly due to the significant reduction in energy consumption for heating due to the application of Royal Decree Law 14/2022, with an effort towards more efficient use, as well as a favourable meteorological context.

GHG Emissions - Absolute

	2022	2021	Variance		LFL Variance	
tCO_2e	Scopes 1& 2	Scopes 1& 2	Scopes 1& 2		Scopes 1& 2	
			tCO_2e	%	tCO_2e	%
Barcelona	906	1,175	–269	–23%	–247	–22%
Madrid	1,700	2,543	–843	–33%	–842	–35%
Paris	2,056	2,446	–390	–16%	–516	–21%
Total	**4,662**	**6,164**	**–1,502**	**–24%**	**–1,605**	**–27%**
Spain	2,607	3,719	–1,112	–30%	–1,088	–31%
France	2,056	2,446	–390	–16%	–516	–21%
Total	**4,662**	**6,164**	**–1,502**	**–24%**	**–1,605**	**–27%**

GHG Intensity. Scopes 1 and 2 (market-based)

The Colonial Group's 2022 carbon footprint performance indicator or GHG emissions intensity for **Scopes 1 and 2** is **6 kgCO_2e/sqm,** 5 kgCO_2e/sqm in Spain and 6 kgCO_2e/sqm in France, 27% lower than the figure achieved in the previous year (–31% in Spain and –22% in France).

In like-for-like terms, the ratio reaches 6 KgCO_2e, one CO_2eq, one of the lowest in the sector both in Europe and worldwide.

If we compare this ratio with the previous year, **2022 GHG intensity for Scopes 1 and 2 was reduced by –27%**. This decrease is mainly due to the reduced consumption in Spain (–31%) as a result of contracting electricity with a guarantee of renewable origin certificate (REGO). In France, the intensity was reduced by –21%.

Intensity GHG emissions

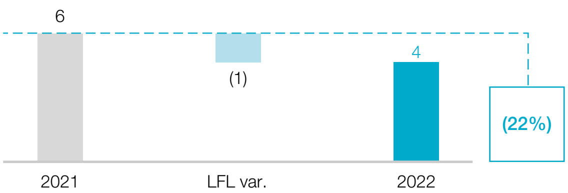
	2022	2021	Variance		LFL Variance	
kgCO_2e/sqm	Scopes 1& 2	Scopes 1& 2	Scopes 1& 2		Scopes 1& 2	
			kgCO_2e/sqm	%	kgCO_2e/sqm	%
Barcelona	4	6	–1	–21%	–1	–22%
Madrid	6	9	–3	–36%	–3	–35%
Paris	6	8	–2	–22%	–2	–21%
Total	**6**	**8**	**–2**	**–27%**	**–2**	**–27%**
Spain	5	7	–2	–31%	–2	–31%
France	6	8	–2	–22%	–2	–21%
Total	**6**	**8**	**–2**	**–27%**	**–2**	**–27%**

Note: 2021 intensities have been recalculated due to a change in the surfaces of the assets considered.

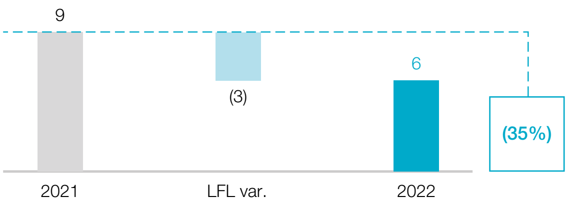
LFL Intensity 2022 vs. 2021- Scopes 1 & 2

kgCO$_2$e/sqm

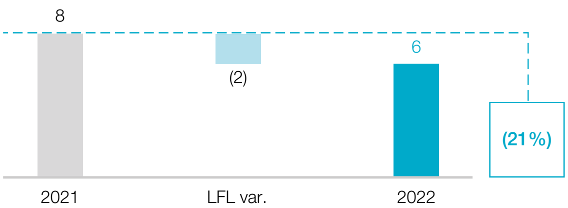
Barcelona



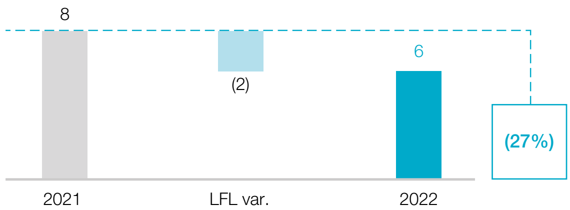
Madrid

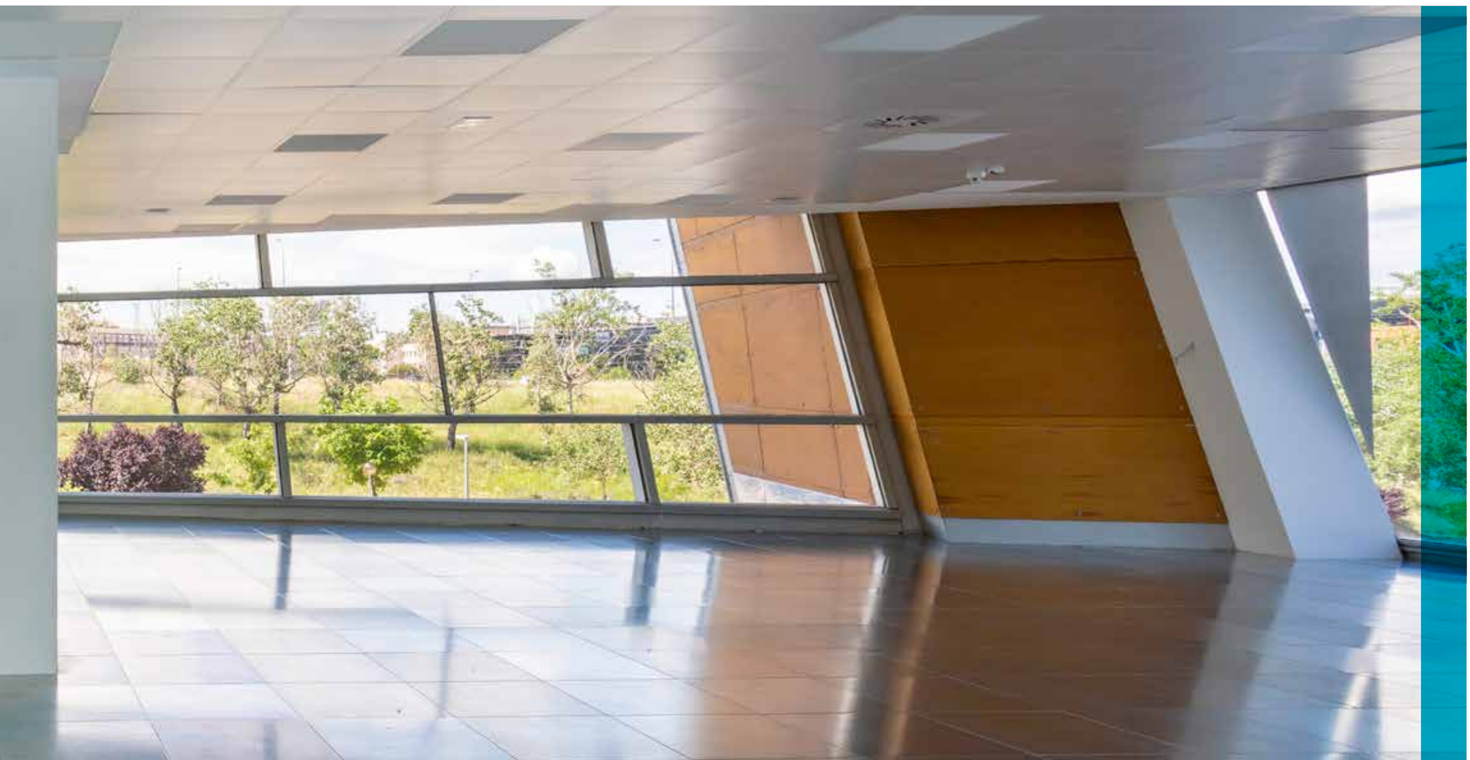


Paris



Group





5.5.1.3 Water

I. Water consumption management

The Colonial Group is committed to the responsible management of water, a scarce resource, especially in countries located in the South, such as Spain. Consequently, it designs the facilities in its asset portfolio to favour the optimisation of water use by tenants in its buildings.

In this regard, it should be noted that the Colonial Group only consumes water from the local supply company in each of the communities of its properties. The measures aimed at ensuring responsible water consumption in the Colonial Group buildings include installing efficient sanitary fittings, automatic leak detectors, rainwater storage tanks, grey water recovery in some buildings, efficient irrigation systems and green areas with low water requirements in many assets, and the management of the facilities by maintenance companies and users.

All of the above measures are designed to reduce the water stress on the planet. According to the *World Risk Atlas*, there are 17 countries, home to a quarter of the world's population, which are subject to very high water stress. It has thus been identified that, in the three cities in which the Colonial Group operates, Madrid (with 35 assets and €143m in rental income) is at high risk, whereas Barcelona (with 20 assets and €48m in rental income) and Paris (with 15 assets and €179m in rental income) are at low-medium risk.

In the new projects, more zoned water meters are installed to achieve a more detailed degree of water monitoring to identify by zones the most efficient and inefficient uses, as well as to raise client awareness of their water use. In any case, all assets in the portfolio will have smart water meters by 2023.

Consumption of recycled and reused water

The Colonial Group recycles and reuses water throughout the entire portfolio of assets through two actions:

1. **Reusing grey water** from sinks for flushing toilets and urinals.

2. **Collecting rainwater** for watering green spaces and cleaning terraces.

The table below shows the most significant water recycling and reuse actions in our portfolio:

Property	Total volume of recycled and reused water (m^3)	% of total consumption	Comments
Diagonal, 409	301	27%	Grey water from sinks reused for toilet flushing. There is a specific meter.
Sant Cugat Nord	19,668	79%	Rainwater collected for irrigation of green spaces. There is a meter for irrigation water, with a separate meter for rainwater and mains water.
Martínez Villergas	61	1%	Rainwater collected for irrigation of green spaces. There is a specific meter for rainwater consumption.
Travessera, 11	164	12%	Grey water from sinks for flushing toilets and urinals. There is a specific meter.
Washington Plaza	545	4%	Rainwater is collected and used for watering the planter wall.

II. Water consumption in 2022

In 2022, **the Colonial Group's water consumption was 336,111 m^3**, 211,756 m^3 in Spain and 124,355 m^3 in France, showing an increase of 16% compared to the previous year.

Water - Absolute

			Variance		LFL variance	
m^3	2022	2021	m^3	%	m^3	%
Barcelona	86,983	73,283	13,701	19%	6,452	9%
Madrid	124,772	116,645	8,128	7%	9,166	9%
Paris	124,355	98,714	25,641	26%	18,282	19%
Total	**336,111**	**288,641**	**47,470**	**16%**	**33,901**	**12%**
Spain	211,756	189,927	21,828	11%	15,618	9%
France	124,355	98,714	25,641	26%	18,282	19%
Total	**336,111**	**288,641**	**47,470**	**16%**	**33,901**	**12%**

Water consumption has increased compared to the previous year, mainly due to an increase in the scope of measurements and the biodiversity measures applied, which require water resources that did not exist before. Likewise, 2021 was a year with a reduced period of activity due to the COVID-19 pandemic, so water consumption was lower due to the lower level of use of the buildings during that period.

The Colonial Group is working to ensure that users of its assets have the option of consuming this resource responsibly. As in the case of energy, this variable is also included in the standardised system for monitoring consumption in real time for all buildings under the Colonial Group's management.

Colonial's buildings are supplied with water from the urban networks. This comes from groundwater and river water, and it is made potable and then transported to the supply points of the buildings.

Furthermore, recent droughts –and in particular the drought that started in the summer of 2022– are increasing vigilance in this regard, and Colonial is striving to develop rainwater harvesting where this solution is technically possible, environmentally relevant and economically profitable.

Studies on restructuring projects are systematically carried out and major projects recently delivered or under construction incorporate these recovery systems.

The Colonial Group continues to work to reduce the water needs of its buildings.

III. Intensity of water consumption

The intensity of water consumption in 2022 amounted to 355 litres/sqm, 338 litres/sqm in Spain and 388 litres/sqm in France, which was 10% higher than in 2021. This increase is mainly due to the higher occupancy of the properties during the year, as well as the refurbished buildings that have come into operation. The measurement perimeter has therefore been extended.

Water Intensity

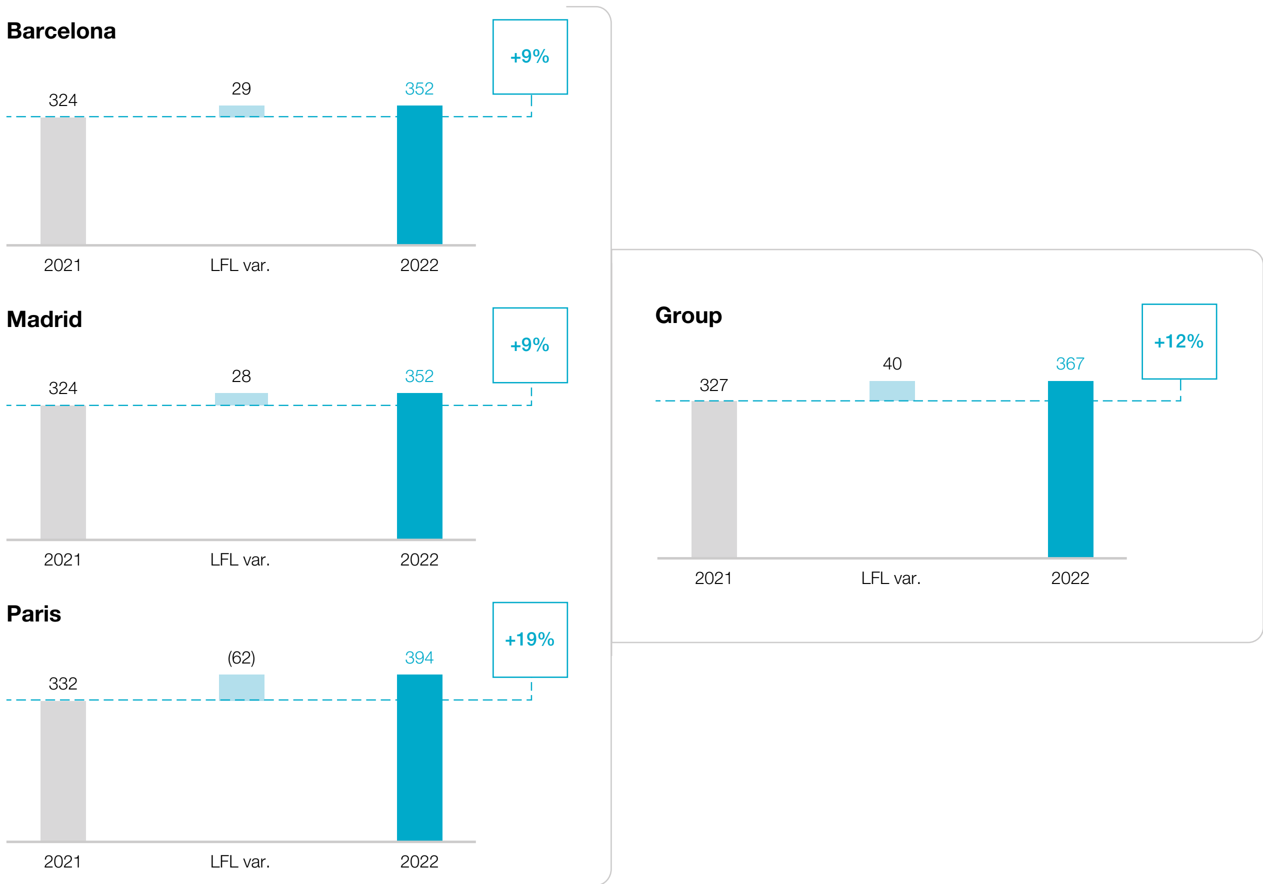
			Variance		LFL variance	
l/sqm	2022	2021	l/sqm	%	l/sqm	%
Barcelona	346	319	27	8%	29	9%
Madrid	332	318	15	5%	28	9%
Paris	388	332	56	17%	62	19%
Total	**355**	**323**	**32**	**10%**	**40**	**12%**
Spain	338	318	20	6%	28	9%
France	388	332	56	17%	62	19%
Total	**355**	**323**	**32**	**10%**	**40**	**12%**

Note: 2021 intensities have been recalculated due to a change in the surfaces of the assets considered.

In **like-for-like terms, water intensity increased by 12% compared to the previous year**.

LFL Intensity 2022 vs. 2021

litres/sqm



IV. Continuous improvement in responsible water consumption

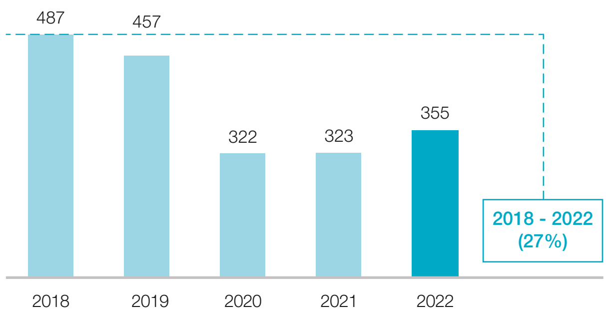
The Colonial Group works continuously with the responsible use of water.

In the current scope, the reduction in water intensity reached –27% between 2018 and 2022, from 487 l/sqm in 2018 to 355 l/sqm in 2022.

This figure is the result of the Group's efforts in the responsible use of water, which was also essentially affected in 2020 and 2021 due to the lower intensity of asset use in the context of the health crisis.

In 2022, the Colonial Group did not receive any notification of non-compliance from the public administration in relation to the standards and regulations set out in the water management licences.

Water intensity
l/sqm



5.5.2 Certifications - Eco-efficiency level of the portfolio

I. Energy efficiency/environmental certifications

The Colonial Group is firmly committed to obtaining sustainable certification for the assets in its portfolio. Over the last few years, the Group has promoted the certification of the buildings in its portfolio and has managed to maintain a sustained increase in the ratings obtained.

Currently, 95%[1] of the value of the Colonial Group's office portfolio in operation has LEED or BREEAM sustainable certification, in line with the level of certifications a year ago.

99% of the Group's rental income is BREEAM and/or LEED certified, and of the total number of buildings in the portfolio in operation, 96% are BREEAM and/or LEED certified, showing a clear majority of the portfolio in both ratios.

Certified portfolio[1]

Appraisal value

Income

 # Assets

The Colonial Group is committed to the highest standards of certification:

> At the end of 2022, the Colonial Group had 9,253 million euros of assets in value with **BREEAM certification**, an increase of 33% over the previous year. In this regard, the Group has introduced a guideline in the Paris portfolio to apply BREEAM-aligned design criteria in all refurbishments. At the end of 2022, fourteen of SFL's assets in operation were BREEAM certified. Colonial has analysed the measures required for each certified building to improve the ratings obtained in future certification renewals.

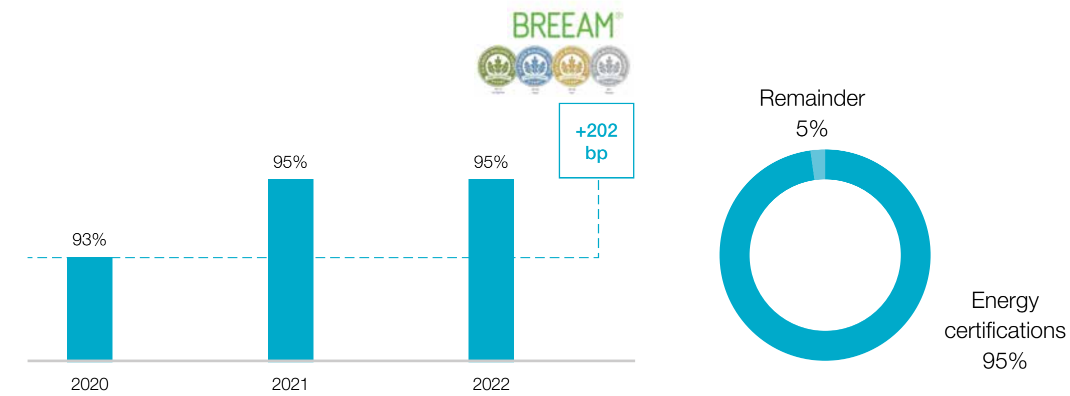
> In relation to **LEED certification**, 2,171 million euros of the properties in the portfolio have this certification, a figure that corresponds to an increase of 33% compared to the value of the previous year. At the end of 2022, five assets had Platinum status, twelve had Gold status and one had Silver status.

> **The *Haute Qualité Environnementale*** is a certificate awarded to real estate properties in France. This certification assesses buildings according to their energy, environmental and health, and user comfort performance. For more detailed information per asset, please refer to the appendices.

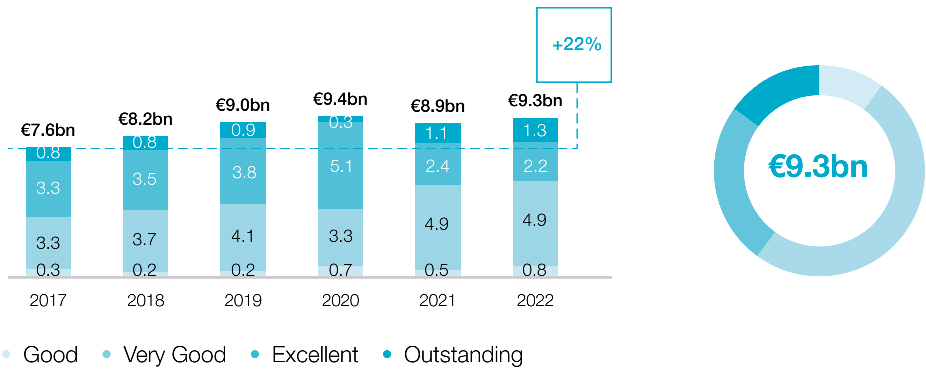
(1) Portfolio in operation.

Since 2017, the Group has increased the level of certifications in its portfolio, with a 22% increase in the value of BREEAM-certified assets and a 156% increase in LEED-certified assets.

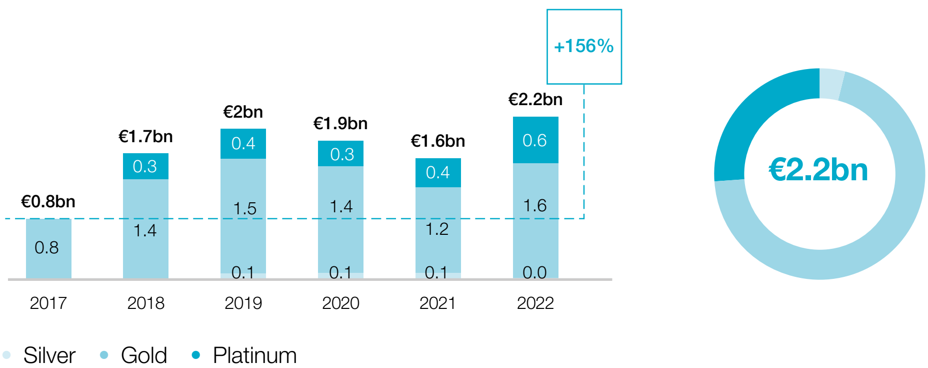
Portfolio with LEED/BREEAM(*) - Value



BREEAM Certifications - Value



LEED Certifications - Value



(*) Percentage in terms of appraised value 12/22, offices in operation.

This level of certification is clearly above the sector average. The progress made over the years shows the Company's clear commitment to improving the efficiency of its assets. The strategic sustainability plan is committed to continuous improvement asset by asset, implementing energy efficiency initiatives and biodiversity measures, including PropTech for digital transformation, water saving measures and greater control in waste management, among other actions, making it possible to obtain the best certifications for each asset.

The high quality of the Colonial Group's portfolio is reflected in this high level of asset certification. It should be noted that in 2019 BREEAM/GRESB recognised the Colonial Group as the sole European leader in responsible investment through the *Award for Responsible Real Estate Investment* in the large portfolios category.

Certificate details according to property value

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

	No. certified buildings		% certified value	
EPRA Cert-Tot	2021	2022	2021	2022
BREEAM				
≥ Excellent	25	26	25%	23%
Very Good	17	17	48%	45%
Good	6	5	4%	6%
Total BREEAM	**48**	**48**	**77%**	**74%**
LEED				
Platinum	0	1	0%	2%
Gold & Silver	1	2	1%	4%
Bronze	0	0	0%	0%
Total LEED	**1**	**3**	**1%**	**6%**
BREEAM & LEED (Double Certification)				
BREEAM Outstanding & ≥ LEED Gold	5	5	4%	4%
≤ BREEAM Excellent & ≥ LEED Gold	8	7	11%	10%
BREEAM Good & ≤ LEED Gold	2	3	1%	1%
TOTAL	**64**	**66**	**95%**	**95%**

II. Energy ratings (European Performance Certificate)

In France, all the Group's buildings hold energy certificates and in Spain all buildings must have an energy rating in accordance with Royal Decree 390/2021. In this sense, all assets in operation in the Colonial Group's office property portfolio hold energy efficiency certification.

The Colonial Group has implemented a system that allows it to manage the environmental aspects of its activity and the energy it consumes. It also guarantees continuous monitoring of the organisation's energy uses and the direct and indirect factors that affect environmental management.

The system covers maintenance activities associated with the proper technical operation of the building to ensure customer satisfaction and the comfort of the Company's employees at its corporate headquarters.

The benchmarks used for the implementation of the integrated environmental and energy management system are the international standards ISO 50001 and ISO 14001. These provide a suitable framework to develop its integrated environmental policy and organise both energy and environmental aspects (including the analysis of the energy and environmental planning process, energy and environmental reviews, energy, environmental and legal aspects, objectives, targets and action plans, risks and opportunities).

The environmental management system (EMS) is integrated into the Energy Management System (EMS) in the Avenida Diagonal, 532 building in Barcelona as well as in the Paseo de la Castellana, 52 building in Madrid, and every three years the certification is renewed through the mandatory External Audit performed by a certification body of renowned prestige and accredited by the National Accreditation Entity (ENAC).

III. BBC-Effinergie Rénovation and BBCA Rénovation

The BBC-Effinergie label® aims to identify new buildings or new parts of buildings with very low energy needs that contribute to achieving the 2050 targets set by the French SNBC (National Low-Carbon Strategy): to reduce greenhouse gas emissions from buildings by up to four-fold. Last year, the Biome and 83 Marceau assets obtained the renewal of this certification.

SFL received the BBCA Rénovation label for the Biome (low-carbon building) project, which is an exemplary project given its reduced carbon footprint throughout the life cycle of the asset, with exemplary embodied carbon.

BBC effinergie

IV. Welllness

The Colonial Group's well-being policy aims to optimize user comfort and health by recognising the relationship between buildings and their occupants, as user well-being is directly related to factors such as natural light, green spaces and social areas, among others.

The Colonial Group has a set of measures implemented in its buildings for clients to certify their office spaces with the WELL certification, either because they are located in an environment that is already adapted to the requirements of this certification or one that facilitates its application.

For example, Francisca Delgado, 11, obtained the *International WELL Building* certification in 2022.

Furthermore, health and well-being are an integral part of a broader vision of sustainability and, as such, are also present in the requirements of the sustainable certifications, such as BREEAM and LEED, held by the buildings in the portfolio.

INTERNATIONAL WELL BUILDING INSTITUTE™

5.5.3 Circular economy and materials management

I. The Colonial Group's circular economy model

The Group has implemented a circular economy model to reduce the input of primary materials and the production of waste by closing economic and ecological resource flows.

The Colonial Group's circular economy model is based on the following three principles:

1. Reducing waste

Waste is reduced by promoting the sustainable procurement of materials and equipment, such as reusable packaging and materials, by establishing indicators for their control.

The Group monitors the amount of waste generated in its buildings, and the responsible procurement of materials with a high content of pre- and post-consumer recycled and recyclable materials is encouraged and monitored. This requirement applies, inter alia, to the environmental compliance of 70% of the contract execution price for sustainable procurement in new construction, refurbishment, minor corrective actions and waste generated by maintenance activities as well as activities in common areas of the buildings.

2. Reusing items that cannot be recycled

Items are reused to reduce the purchase of new materials by giving used products a purpose – either the same or different use. In France, SFL is also committed to:

> On-site reuse of existing building materials.

> Reuse of materials resulting from renovations through digital marketplace platforms (when reuse is not possible on-site).

> Recovery of demolition waste.

> Use of natural or alternative materials with lower carbon content.

The impact of the circular economy model at Colonial is finally translated into an efficient embodied carbon ratio, as explained in detail in section 5.4.3 Life cycle and embodied carbon analysis.

3. Recycling as much waste as possible

The Group facilitates the correct entry of waste into the recycling chain by providing containers in all its buildings for recycling cardboard and paper, plastics, glass and other waste, as well as hazardous waste such as batteries and fluorescent bulbs.

These initiatives have led to a considerable improvement in the monitoring of generated waste and its management in the portfolio, which explains the significant increase in the amount of waste managed in recent years.

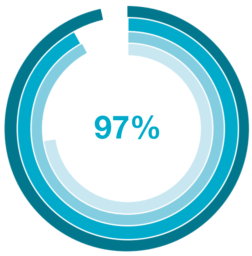
However, the Colonial Group is aware that it must continue contributing, insofar as possible, to the transition towards a model based on a circular economy. To this end, the Colonial Group has extended the scope of environmental monitoring, promoting the acquisition of sustainable materials, as well as the sustainable management of generated waste for maximum use.

The 2019-2022 reporting and compliance indicators for new construction, refurbishment or major renovation works are presented below:

Responsible sourcing

Report

Fulfilment
> 70%

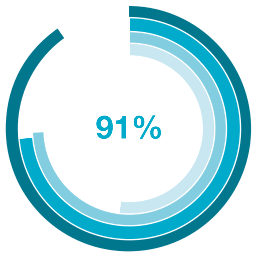


Year	Report	Fulfilment
2019	75.00%	73.00%
2020	100.00%	92.42%
2021	100.00%	92.18%
2022	**100.00%**	**96.73%**

Hazardous waste management

Report

Fulfilment
> 80%



Year	Report	Fulfilment
2019	45.00%	52.00%
2020	58.00%	74.47%
2021	100.00%	73.75%
2022	**100.00%**	**90.41%**

Non-hazardous waste management

Report

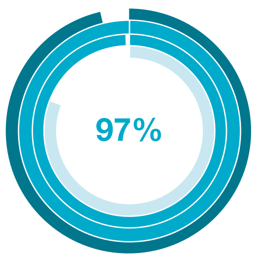
Fulfilment
> 80%

Year	Report	Fulfilment
2019	88.00%	84.00%
2020	100.00%	96.31%
2021	100.00%	93.95%
2022	**100.00%**	**80.06%**

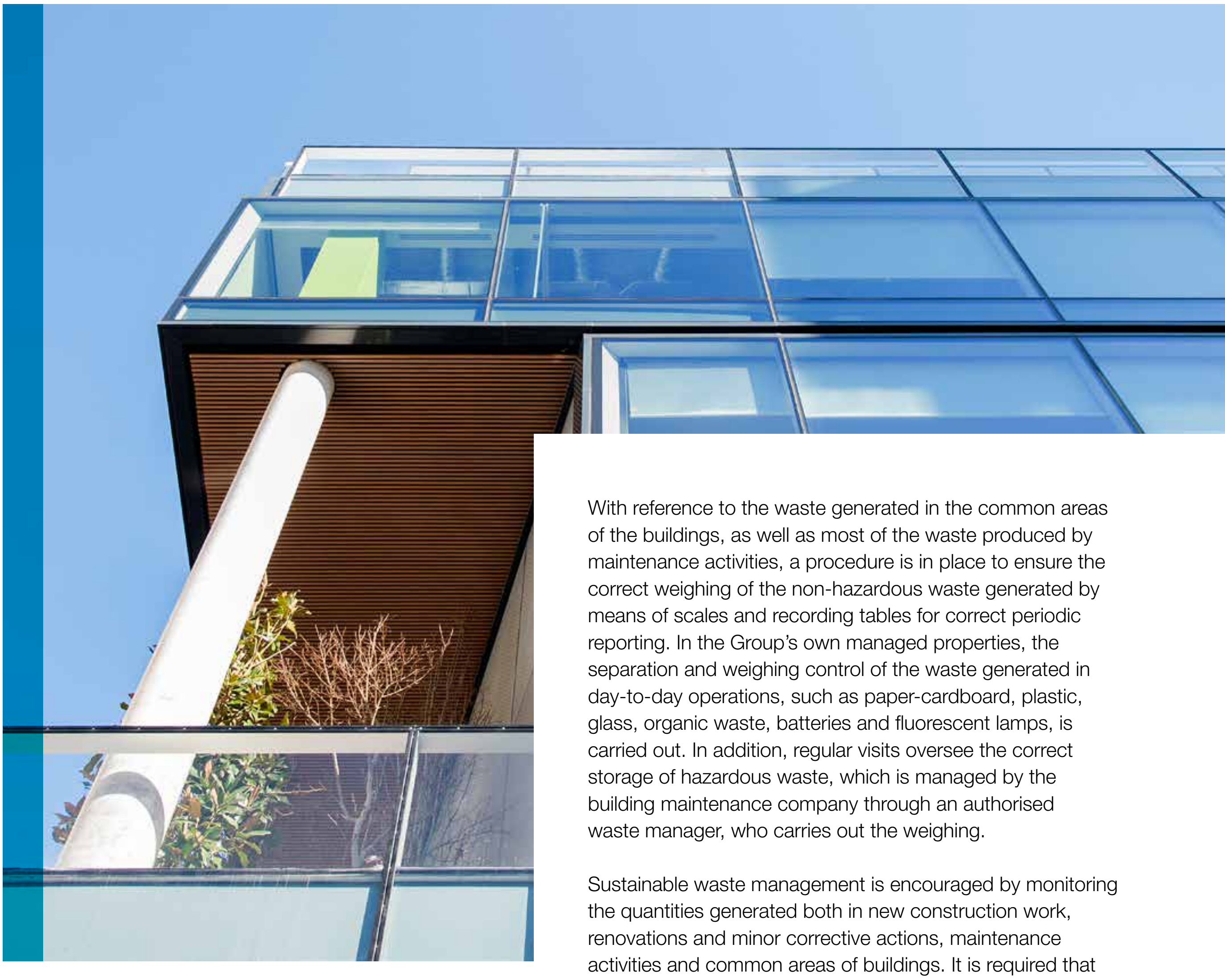
Land Management

Report

Fulfilment
> 80%



Year	Report	Fulfilment
2019	88.00%	81.00%
2020	100.00%	99.97%
2021	100.00%	100.00%
2022	**100.00%**	**96.40%**



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

II. Sustainable waste management

The Colonial Group is committed to ensuring sustainable waste management with the aim of improving procurement, management and processing, involving construction companies and other stakeholders to achieve this objective, in line with the environmental policy.

The Company monitors and manages the quantities of hazardous and non-hazardous waste generated, and requests from those involved the supporting documentation that justifies both the quantity of each type of waste collected by the authorised waste manager (collection and delivery notes to the treatment centre), and the type of processing applied in each case (recycling, reuse or recovery certificates) to this waste.

With reference to the waste generated in the common areas of the buildings, as well as most of the waste produced by maintenance activities, a procedure is in place to ensure the correct weighing of the non-hazardous waste generated by means of scales and recording tables for correct periodic reporting. In the Group's own managed properties, the separation and weighing control of the waste generated in day-to-day operations, such as paper-cardboard, plastic, glass, organic waste, batteries and fluorescent lamps, is carried out. In addition, regular visits oversee the correct storage of hazardous waste, which is managed by the building maintenance company through an authorised waste manager, who carries out the weighing.

Sustainable waste management is encouraged by monitoring the quantities generated both in new construction work, renovations and minor corrective actions, maintenance activities and common areas of buildings. It is required that 80% of the usable, non-hazardous and hazardous waste that is generated be managed by recycling plants so it can be revalued. In addition, environmentally-friendly management of non-usable hazardous waste in accordance with current regulations and best environmental practices is required and controlled.

III. Waste generation in 2022

In 2022, more than 80% of the waste was used. Recycling was the most widely used disposal method at 83%, followed by energy recovery at more than 9%, thus meeting the target set for 2022 of 80% waste recovery. In addition, the amount of waste going to landfill was less than 1%.

A decrease in waste generation was achieved in 2022 compared to 2021, due to the fact that no land waste was managed in 2022. The waste corresponding to the "Soil" category represented 85.3% of the total last year and corresponds to the projects of Méndez Álvaro 61, Plaza Europa 34, Ramírez de Arellano 37 and Velázquez 80. In addition, a process of continuous improvement and awareness-raising among contractors in terms of reporting and justification of information should also be highlighted.

Type of waste(*)	2021 Waste generated (kg)	2021 % valued	2022 Waste generated (kg)	2022 % valued
Non-hazardous waste				
Construction and demolition	5,686,933	77.67%	7,790,586	77.96%
Wood	257,748	91.70%	359,467	95.16%
Metal	168,724	83.80%	117,193	94.76%
Concrete	17,653,373	98.77%	1,831,533	93.91%
Glass	76,648	91.16%	39,175	98.01%
Paper/cardboard	132,772	94.20%	274,814	97.16%
Organic/compost	15,599	91.78%	62,017	98.91%
Plastic	21,953	85.22%	89,825	89.00%
Textile	303	94.24%	0	n. a.
Pruning and gardening	0	n. a.	0	n. a.
Other non-hazardous waste	3,500,705	92.42%	1,901,943	64.51%
Total Non-hazardous waste	**27,514,757**	**93.38%**	**12,466,553**	**79.57%**
Hazardous waste				
WEEE	1,677	72.46%	739	70.39%
Luminaires	3,245	59.85%	2,495	71.77%
Coolants	220	8.97%	840	3.93%
Contaminated metal and plastic packaging	2,413	44.35%	1,376	72.67%
Batteries	524	36.21%	1,903	19.23%
Fuel and oils	3,007	45.68%	0	n. a.
Other hazardous waste	2,450	21.41%	4,289	31.64%
Non-reusable hazardous waste	34,161	0.10%	4,597	0.00%
Total hazardous waste	**47,695**	**13.35%**	**16,239**	**31.20%**
Soil				
Uncontaminated soil	159,583,273	100.00%	21,652	96.21%
Contaminated soil	12	0.00%	0	n. a.
Total soil	**159,583,285**	**100.00%**	**21,652**	**96.21%**
TOTAL WASTE	**187,145,737**	**99.00%**	**12,504,444**	**79.54%**

(*) Waste generated in new construction work, refurbishments, minor corrective actions and waste generated both by maintenance activities and in the communal areas of buildings. Waste generated by tenants is not included because the organisation has no control over it, except for buildings in France where it is jointly managed.
The list of waste may be amended in the event that other representative wastes are reported.
Only very unusual and unrepresentative waste types will be included in the "Other" category.

5.5.4 Biodiversity and impact in urban areas

5.5.4.1 Biodiversity

I. Biodiversity Policy and Good Practice Manual

The Sustainability Master Plan includes actions aimed at protecting and enhancing biodiversity. These actions focus on two aspects: 1) to minimise the Group's negative impact on biodiversity and 2) to promote biodiversity in urban spaces to the greatest extent possible.

Biodiversity policy

The Group's biodiversity policy sets out the framework for action, priorities and commitments in this regard. This policy includes the commitment to:

> Preserve existing habitats on the sites of its buildings (urban and peri-urban environments).

> Create new habitats and mitigate the risk of species reduction.

> Reduce the heat island effect.

> Reduce the consumption of water for irrigation by selecting local plant species with very low water requirements.

Biodiversity good practices manual

The *Biodiversity Good Practices Manual* was developed as a tool to complement the policy. It is a design and maintenance guide on biodiversity for planners, builders and maintenance companies, applicable to new construction, refurbishment and minor corrective actions. The manual includes concrete measures to minimise the negative impact on biodiversity as much as possible by protecting it and favouring new habitats. This is achieved by using, insofar as possible, indigenous species that have edible fruit for birds as well as species of interest to pollinators. The reason behind this is that providing sustenance in the urban environment is one of the most urgent measures identified to support the survival of local fauna in the urban environment, the area of which is becoming increasingly large.

In line with the Sustainability Master Plan and continuing with the efforts made in 2019, 2020 and 2021, efforts also continued in 2022. One of the Group's priorities is to continue working in the coming years to increase the percentage of green areas in buildings, focusing on designing gardens and green roofs, as well as promoting new habitats for native flora and fauna.

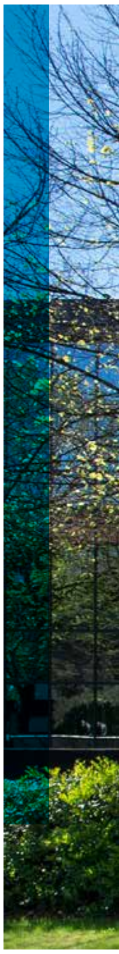
II. Recurrent monitoring of biodiversity impacts

Quantification of the effects of biodiversity measures

The Colonial Group has analysed and quantified the negative impacts on local biodiversity caused by the implementation and operation of buildings in an urban space, and the positive impacts produced by the biodiversity support measures implemented by Colonial in its buildings based on the recommendations of the ecological reports carried out.

In each of the reports, the Colonial Group explains the measurement methodology (or mitigation hierarchy) adopted in most corporate environments. The explanation is accompanied by quantitative data for each individual building. These measurements take into account the current plantations on the property and distinguish between the impacts attributable to the initial situation of the property before the measures were implemented and those attributable to the measures themselves. It also analyses the effects these measures are having on the Company, the assets, users and the community.

Providing a residual space with personality - Sagasta, 31.



The conclusions highlight the achievements, which vary widely due to technical, urban, spatial, operational or design difficulties, in order to achieve the objectives set out in the ecological reports for each building. They include reflections on how collateral benefits and synergies have arisen with other building uses and functions, such as the improvement of rest areas, the creation of visual value or providing an identity to building spaces that were previously residual. The collateral effect of the biodiversity measures have significant and valuable benefits for users. These benefits include better psychophysical health, as well as improved well-being indicators and productivity due to the stimulation of biophilia. Other benefits result from enhancing a sense of community, providing areas for users to rest and share and the fact that these biodiversity measures are a point of interest in themselves.

Identification of risks and opportunities for biodiversity measures

In the identification of risks and opportunities of biodiversity measures, special attention is paid to the implementation procedure of the measures and the starting situation of the properties, two circumstances from which most of the identified risks originate.

It is important to note how the complexity of the procedure varies from one implementation phase to another. 1) Phase I - the procedure is based on a linear approach in which the ecologists propose the measures based on Colonial's policy and they are executed literally, 2) Phase II - accumulated experience allows us to find potential and synergies in the implementation of biodiversity measures with multiple approaches from different areas of the Company, adding value to the projects.

Firstly, in Phase I the procedure was simpler and more rigid, and a number of risks were identified that could be mitigated in Phase II. These risks were mitigated by a more complex procedure, involving more actors and providing greater flexibility and adaptability to the particular circumstances of each building, leading to more ambitious results.

Although the current procedure is less agile, the results are more resilient, as it has sought to involve the participation and consensus of more agents, as shown in the conclusions of these reports.

III. Implementation of biodiversity measures

Colonial has defined strategies and objectives to reduce the impact generated by the occupation of the land and the materials used in construction, and to extend its environmental commitment.

At the start of the project, a group of ecologists drew up the reports for the enhancement of biodiversity, which set out a series of measures tailored to the reality of each building in the portfolio.

New ecological reports are currently being drafted in parallel with the completion of the new construction or major refurbishment of 1,699 sqm of green roofs and vertical walls, and 458 planters.

Pollinator habitat - Torre Marenostrum.

Fruit-bearing species optimal for pollinators - Ramirez de Arellano 15.

The impact and risk management reports are making it possible to review procedures and learn from success stories and best practices and include what has been learned from other buildings in the portfolio in each new intervention.

The Group has made a major effort by implementing over seven types of measures, including the following: (1) the installation of landscaping elements such as drainage and sustainable irrigation systems, (2) the planting of species in flowerbeds, outdoor areas and interior courtyards, (3) indoor and outdoor planters, (4) green roofs, (5) green walls, (6) the promotion of habitats for native flora, (7) the promotion of native fauna with the installation of bird nesting boxes, insect hotels, (8) the installation of dry stone habitats and other measures tailored to the reality of the buildings following the visits by environmental consultants and ecologists.

The Colonial Group, as a leader in the office markets of Paris, Madrid and Barcelona, intends to take advantage of the capacity of numerous locations in each of the three cities to generate synergies that will allow it to have a deeper impact on their biodiversity and, in this way, turn the Colonial Group into a promoter of biodiversity in the urban environment.

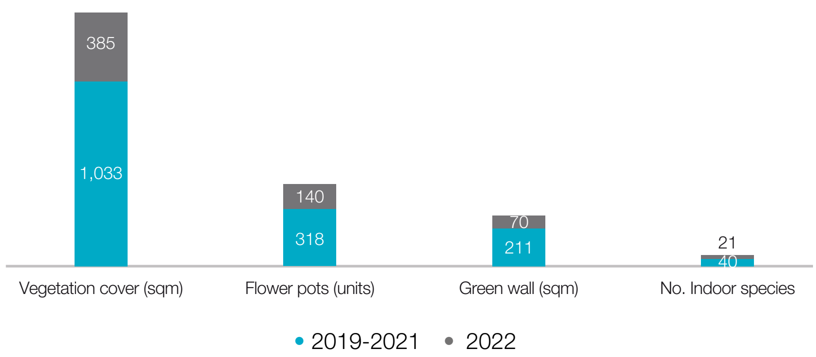
Complementary measures have been designed between nearby buildings to have an exponential effect on flora and fauna species (pollinators, birds, chiroptera and reptiles such as geckos in particular), as well as to establish relationships with the natural spaces in and around the city. The ecological corridors defined by regional organisations through cities have also been analysed with the aim of designing measures to support this essential ecological infrastructure.

These actions positioned Colonial's buildings as footholds for wildlife species and acted as nodes to promote biodiversity in the cities. Thus, birds will ensure the transportation of the propagules of flora species planted on buildings, thereby enriching the natural spaces around cities with species of high ecological value.

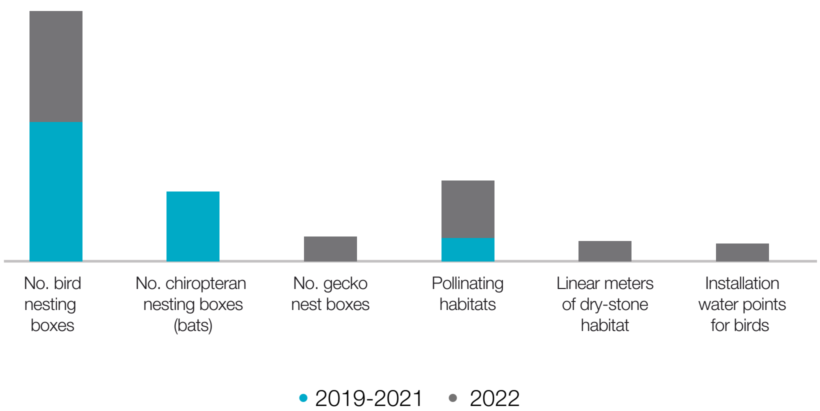
In 2021, clients were sent information on the biodiversity measures implemented in the buildings, and for this purpose a marketing data sheet was designed to explain the benefits of having implemented them in an appealing way. These data sheets are being expanded as new projects are launched.

The quantitative performance indicators of the biodiversity measures implemented in the portfolio are shown in the following graphs, for a total of 47 buildings:

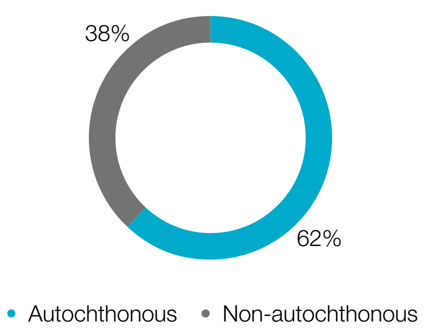
Biodiversity measures implemented



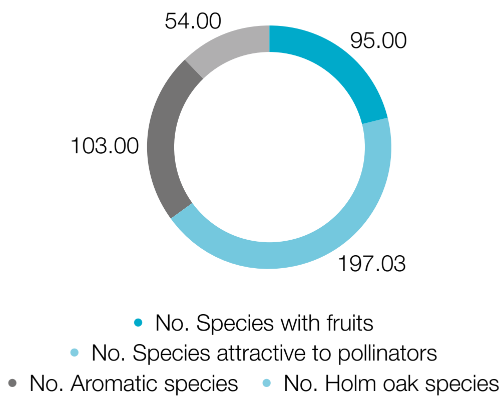
Wildlife measures in place



Percentage of native species planted in Colonial buildings



Native species planted between 2019-2022



IV. Significant biodiversity protection actions in 2022

In order to protect and enhance biodiversity at risk, due to the high level of soil artificialisation, different measures have been implemented. In France, to limit this artificialisation, a specific framework has been established for the location of assets in a dense urban environment, uses and services have been concentrated on previously built-up areas and the restoration of open land surfaces has been encouraged. Also noteworthy is the increased revegetation of the assets. Overall, in the Paris portfolio, at the end of 2022, the vegetated areas (both flat and vertical) have accounted for almost 9,800 sqm, equivalent to 10% of the total area owned.

Likewise, all biodiversity measures are implemented on an ad hoc basis for each asset in the portfolio, taking into account the risks and opportunities it presents. In this respect, although they do not establish specific objectives at asset level, the actions seek to meet the commitments and priorities set out in the Colonial Group's biodiversity policy.

Listed below are the most relevant recent biodiversity actions carried out in 2022 in Colonial's portfolio:

Velázquez, 86 (Madrid)

Biodiversity promotion measures have been implemented in the ground floor courtyard, on the 7th floor terrace and on the roof of the building. A total of 191 plants of ten different species have been planted, with five species being particularly interesting for pollinators and three species producing fruits that form part of the birds' diet. 98% of the species planted are autochthonous flora from the Madrid region. In terms of fauna protection measures, two butterfly shelters and four nesting boxes for geckos (*Tarentola mauritanica*) have been installed, as well as two water sources for birds. Inside the building, a large number of what are considered air-purifying species have been planted to improve the well-being of users through the feeling of proximity to nature and by removing impurities from the air. In total, 110 specimens of 15 species have been planted, with a distribution that generates different environments with plants with low water requirements as they are mostly succulents and cacti.

Méndez Álvaro I Campus (Madrid)

One of Colonial's major commitments to promote the connectivity of natural habitats and to conserve and even increase biodiversity in cities will soon materialise at the Méndez Álvaro I Campus in Madrid. The project envisages the transformation of a plot of land of low ecological value into a green space representative of natural ecosystems through a unique and innovative design of the exterior spaces and the roofs of the buildings. This project is in line with the Habitats Directive 92/43/EEC for the conservation of natural habitats and of wild fauna and flora, through the construction of green infrastructures that contribute to the promotion of biodiversity.

In this case, the buildings of this project have been planned along the perimeter of the plot, leaving in the central area 2,000 sqm of common space accessible to users and visible from the buildings, and in which more than 120 trees and 15,000 shrubs are to be planted, of which more than 60% are native species from the holm oak groves and pastures around Madrid, which make it a project with a great impact on the conservation of biodiversity. Through the creation of a green infrastructure, the Méndez Álvaro I Campus will be positioned as an enclave of high ecological value and with multiple functions, including reversing the loss of biodiversity, reducing the fragmentation of natural habitats for wild flora and fauna, reducing the heat island effect of cities, so pressing in a context of climate change like the one we are experiencing, without neglecting the benefit for the health of citizens that comes with being in naturalised environments. This phase of the project is scheduled for completion in 2024.

Francisca Delgado, 11 (Madrid)

An 80 sqm green roof has been installed in this building, with a total of 199 specimens of eight different species. The species selected were in accordance with the indications of the ecological report and were particularly interesting species for pollinators and fruit producers. This building has a very significant landscaped area and the biodiversity promotion measures implemented in 2022 help to complete the supply of resources for wildlife while giving continuity to natural ecosystems through the planting of native species.

Diagonal, 530 (Barcelona)

A 25 sqm green roof has been installed on this building, which includes plants for pollinators, aromatic plants, plants with fruit for fruit-eating birds and key species of Barcelona's flora. The roof has been established on a terrace halfway up the building, applying drip irrigation systems for the periods of greatest water stress, although the selection of species has been designed so that the plants' water requirements are kept to a minimum. It is a clear example of getting closer to nature and creating natural ecosystems in urban environments, as they are visible from inside the building and can be enjoyed through interaction when users access the terrace, which also contributes to their well-being.

Biome

In the Biome project, major restoration of the green surfaces has been carried out. The planted area has almost doubled to 2,500 sqm, with more than thirty trees in the green areas and 25 lawns. As proof of the project's firm commitment to biodiversity restoration, Biome has obtained Biodiversity Excellent certification thanks to the revegetation.

Cézanne Saint-Honoré and Rives de Seine

Cézanne Saint-Honoré and Rives de Seine have also obtained this level of certification. In the case of Cézanne Saint-Honoré, two green walls had previously been installed in the interior courtyards and the latest renovation allowed for the creation of new green terraces. In Rives de Seine, 2,600 sqm of revegetation has been carried out.

This increased commitment to biodiversity and revegetation of the Paris assets surface area, in addition to being undertaken as climate change mitigation measures, also responds to a strong expectation from tenants, who can benefit from new, more pleasant outdoor spaces that improve the well-being of users.

5.5.4.2 Revitalisation of Urban Areas - Social Impact on the Environment

The Group prioritises projects in the prime areas of Madrid, Barcelona and Paris, i.e., in areas with a consolidated urban fabric. This model therefore deprioritises Greenfield projects, which would also have much greater environmental impacts. In fact, the Group has not carried out any projects of this type in the last ten years.

Colonial's projects also contribute to urban revitalisation. They boost the transformation of areas previously dedicated to industrial use and redefine them as dynamic office space areas that are also home to residential buildings and significant commercial activity. In recent years, four projects have been developed in these locations. Two examples of how Colonial contributes to changes of use in cities are the Méndez Álvaro Campus in Madrid and 22@ in Barcelona.

Furthermore, given SFL's strategic positioning in Paris and in particular in the first ring, the company seeks to reinvent its heritage or develop new operations while ensuring that the history of the buildings and their original architecture are maintained and the highest standards of sustainability are applied. To this end, internal teams liaise with architects and stakeholders to define work plans that preserve existing structures and avoid demolition and consequent new construction.

Méndez Álvaro Campus

The Méndez Álvaro Campus represents a commitment to the regeneration and renewal of the urban fabric in a former industrial area of Madrid once occupied by large industrial warehouses. This Colonial project will offer mixed uses (housing, offices and commercial use) and facilitate low-impact mobility on foot or by bicycle for users, neighbours and businesses in the area. When completed, the project will have a surface area of approximately 169,500 sqm, occupied by over 7,000 office users, some 1,600 residents, about 190 shops and another 1,300 items of public use. It will also respond to the growing concern for the environment and ecology by creating an ecosystem consisting of buildings with a low carbon footprint, near-zero energy consumption, high digitalisation and extensive green areas. There will be two public areas and landscaped interior areas (covering a surface area of 6,400 sqm), the design of which includes green roofs and planters in both the residential and office areas. The plant species have been selected with the support of ecologists to ensure that they are not invasive. These will be predominantly native, with low water requirements, aromatic for pollination species, and fruit bearing for birds. Nest boxes and insect hotels have also been included. This will meet BREEAM and LEED requirements. In addition, rainwater will be used in the residential area by installing a cistern in the basement.

Area of 22@

Barcelona's 22@ neighbourhood is located in what used to be the most industrial area of Poblenou. Innovation, creativity, design and technology are the driving force that has replaced the old factories with a new model to propel Barcelona towards balanced and sustainable renovation. Colonial has contributed to this urban development with an iconic building in the most prime area of 22@. The building, designed by Batlle & Roig, is destined to become an emblem of the city, with a surface area of more than 24,000 sqm distributed over 17 floors. The property stands out for its 1,800 sqm of open-plan floors and for being located in the heart of the city's newest and most modern business district. It has also been awarded the highest LEED sustainability certification (Platinum) and the highest energy rating.

Clara Campoamor Gardens - Barcelona

The Clara Campoamor gardens, next to Diagonal in Les Corts de Barcelona, will be completely remodelled in an initiative that will be mainly carried out by a public-private partnership with the collaboration of Colonial, an innovative formula in Barcelona's public space.

The space to be remodelled is between Avenida Diagonal, from where it has the main access, and the streets Joan Güell, Gandesa and Europa. Two of its sides are flanked by office buildings and shops. The Colonial building is Diagonal, 609-115 (known as DAU-PRISMA). This boost will make the site more attractive on many levels for the people who work in and use it. The initiative will generate a great event for the citizens, who will see how the quality of life in the neighbourhood will increase, while at the same time generating an economic return and creating jobs.

This green area, with a surface area of around half a hectare, was inaugurated in 1994. At the entrance and surrounded by a small pond with water jets, the sculpture Citerea, by the artist María Luisa Sierra Catalán, stands out. The aspects taken into account in the remodelling include improving the space with criteria of sustainability and optimal maintenance and mobility, providing the gardens with better accessibility from the various entrances, reinforcing the existing sides and eliminating the current architectural barriers and the differences in height from the Diagonal. The idea is to promote the use of the area by the public and to create areas for people to stay, rest and socialise, as well as to improve the children's play area and the furniture, manage the trees and the new landscaping, and adapt the lighting. The aim is also to highlight the sculpture's surroundings as a tribute to Clara Campoamor and to better integrate it into the whole.

5.6. Green financing and sustainable investment

Colonial leads the real estate sector in terms of eco-efficiency and decarbonisation. Its portfolio of high quality offices is among the most sustainable in Europe with more than 95% of the portfolio in operation with maximum energy efficiency certificates and a carbon footprint of 6 $kgCO_2$/sqm, leading the industry in Europe.

The Group is a clear leader in various ESG ratings in the European real estate industry, with top ratings in the GRESB (Global Real Estate Sustainability Benchmark) index, the main ESG benchmark in the real estate industry, as well as in CDP, and it is ranked among the top six best-rated real estate companies in Europe.

Over the last few years, Colonial's ESG strategy has obtained the recognition of the main entities in this field in Europe, making the Colonial Group a European leader in the real estate industry.

With one of the most eco-efficient and green portfolios in the industry, Colonial and SFL have aligned their financing strategy with their corporate mission and in particular with their sustainability objectives and decarbonisation strategy. The Group has taken a major step forward by transforming all its conventional bonds into green bonds under a Green Bond Framework.

The Group's commitment is that all future issuances of the Group will be qualified as "Green" to the extent that there are allocable assets eligible to these issuances.

In 2022, the Colonial Group successfully completed the conversion of all its outstanding bonds into green bonds, making it the first Spanish issuer with 100% of its issuances rated as green.

> All the Colonial and SFL bondholders' meetings, which took place in February 2022, have approved the conversion of the current bonds to "green" bonds, maintaining their terms and conditions, interest and maturities.

> The Colonial Group reached this milestone thanks to its portfolio of environmentally sustainable investments with a value equal to or greater than €4,602m of its bond financing.

Green bonds are an alternative to Group financing in an environment where sustainability is becoming more and more important and increasingly more demanding. This is why Colonial proposes a dynamic approach to its eligibility criteria, in line with this ambitious perspective, allowing it to align this Framework with its objective of decarbonising the portfolio by 2030.

Green Bond Framework

In order to implement the conversion into Green Bonds, the Group defined a Green Bond Framework, which establishes certain Key Performance Indicators (KPIs) linked to the energy certificates and CO_2 emissions of the Group's asset portfolio. This Framework was developed in alignment with the International Capital Markets Association Green Bond Principles (ICMA Green Bond Principles), which promote transparency, accuracy and integrity of the information disclosed and reported by issuers and has been validated in a Second Party Opinion by Vigeo Eiris

This general Framework therefore means that the Group allocates an equivalent amount of its outstanding green bonds to Eligible Green Assets booked on its own balance sheet (Eligible Green Portfolio).

Basis for the Green Bond Framework

The Green Bond Framework complies with the four Green Bond principles:

a. Use of funds

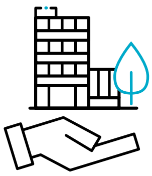
The use of funds from any green bonds under this Framework will be subject to the eligibility criteria set out below, which will apply to new or existing assets (the **"Eligible Green Assets"**).

Eligible green assets aim to address the EU's environmental objective of climate change mitigation through the following economic activities:

> Acquisition and ownership of buildings.

> Construction and renovation of buildings.

The emission thresholds presented below as eligibility criteria should be interpreted as GHG emission intensity factors, expressed in $kgCO_2$ per sqm per year, covering Scopes 1 and 2 controlled by the owner, according to the market-based methodology of the GHG protocol.(1)

Eligible green assets	Eligibility criteria
Green buildings 	**Buildings that have received at least one (or more) of the following certificates:** > LEED “Gold” or higher > BREEAM in use “Very good” or higher > HQE “Excelente” or higher Or: **Buildings that do not exceed the following emission thresholds:** > 2020-2023 < or = 20 kg CO_2/sqm per year > 2024-2025 < or = 15 kg CO_2/sqm per year > 2025 and onwards < or = 10 kg CO_2/sqm per year

b. Project evaluation and selection process

This function will be carried out by Colonial’s ESG Committee, which will verify compliance of the selected set of eligible assets with the eligibility criteria defined by this Framework. It will also be responsible for approving the allocations of such assets with the outstanding bonds.

In addition, it will monitor the Eligible Green Portfolio of each Issuing Entity over the life of the bonds and manage potential ESG risks identified as potentially associated with the eligible assets. If appropriate, the ESG Committee shall also replace an asset that is removed from the Eligible Green Portfolio with another appropriate eligible green asset.

This Framework will be in line with EU taxonomy at all times and could be updated by the ESG Committee. This dynamism in the eligibility criteria is a sign of the Group’s constant intention to improve its ESG performance.

c. Fund management

The Eligible Green Portfolio will be allocated an amount equal to all outstanding green bond issues of the Group, in line with the section entitled “Use of funds”. The Eligible Green Portfolio will be verified each year by an independent external auditor to assess the number of Eligible Green Assets that meet the defined criteria.

Any future green bonds will be submitted primarily by the relevant Issuer to the ESG Committee, which will verify the alignment of the shortlisted Eligible Green Portfolio with the total amount of green bonds issued.

d. Reports

The Group will provide investors with an annual Green Bond Allocation and Impact Report linked to the Green Bond Framework, specifying the relevant measurement methodologies.

External verification

In terms of external verification, the Group appointed Vigeo Eiris to provide a Second Party Opinion on the Framework, its transparency, governance and alignment with the Green Bond Principles. Should this Framework be updated in the future, the Group undertakes to update the Independent Opinion. This document is available to the public on the Group’s website.

In addition, on 31 December each year (until full allocation and thereafter in case of material changes), an independent auditor will verify that each Eligible Green Portfolio has at least a value equal to the current value of the outstanding green bonds and meets the criteria established.

(1) GHG Protocol, World Resources Institute.

5.7. Responsible supply chain

I. Responsible supply chain management

The Colonial Group is aware that its social responsibility goes beyond its business activities and that it must require an exemplary attitude from the suppliers it works with. The Company therefore extends the commitments and basic principles of its Code of Ethics to suppliers and ensures that they are applied at every stage of its activity. Specifically, the organisation strives to ensure that both its employees and suppliers respect the conventions established by the International Labour Organization (ILO) regarding:

> Freedom of association and collective bargaining.

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

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

> Elimination of any form of child exploitation.

The Colonial Group extends its ethical, sustainable and social commitment to its entire supply chain, with the aim of ensuring that all its operations are carried out in accordance with the social responsibility criteria set.

Therefore, the Group extends the following points to its entire supply chain:

> Inclusion of ESG criteria in the supplier selection process.

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

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

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

In this respect, our French subsidiary SFL encourages local employment in agreements with contractors for new projects, for which, as part of the contract, the contractor undertakes to carry out actions to integrate unemployed people from the local community into the workforce.

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

> Compliance with Colonial's Code of Ethics in all stages of the collaboration.

> Payment period of around 33 days.

> Our French subsidiary SFL sets a maximum of two subcontracting levels to avoid abusive subcontracting.

> Compliance with conventions established by the International Labour Organisation (ILO).

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

With regard to the inclusion of ESG criteria in the selection of its suppliers and the adherence of suppliers to its social responsibility policy, and within the framework of the ESG strategic plan, the Colonial Group has developed the ESG criteria policy for the selection of suppliers and a questionnaire that adds further requirements in this regard. It is worth highlighting the importance given from 2020 onwards to the distance between the main contractor's and subcontractors' headquarters and Colonial's headquarters in order to reduce the Scope 3 carbon footprint, as well as to the organisations' own or external ESG resources.

To avoid any illegal employment situation and fulfil its document compilation duties, as in previous years, our French subsidiary SFL has outsourced this process by using a collaborative platform (E-attestation). This platform manages all administrative documents submitted by suppliers, checks that they are complete and, if necessary, issues reminders. In the case of Spain, the SGS Portal is used to control these aspects.

From an organisational point of view, technical proposals are issued to encourage responsible behaviour, particularly in the following areas:

> Optimisation of energy and liquid consumption.

> Use of ecological cleaning products.

> Reduction in packaging and waste volume.

> Enhanced occupant comfort.

> Increased certification of building operations (BREEAM In-Use).

Likewise, the Colonial Group has adopted special measures with construction service providers during the remodelling, refurbishment and improvement works of the properties with a dual objective: to guarantee the good progress of the works and the safety of the people who participate in these processes. Therefore, the health and safety procedure includes:

> Environmental training and information.

> Identification of personnel by means of badges.

> Preventive measures to ensure collective protection.

> Presence of first aid teams on site.

> An incident log book.

> Instructions on personal protective equipment and break times in accordance with the regulations.

> During the pandemic this procedure was updated with an annex to the risk assessments, to include an annex to the self-protection plans related COVID-19.

The Group's suppliers are divided into three main categories based on the type of goods and services provided:

> Maintenance and service providers.

> Different types of consultancy firms (architectural, engineering, regulatory agencies, etc.).

> Construction companies in new construction, remodelling, refurbishment, renovation and property improvement.

Colonial is committed to local suppliers in order to be able to help generate value in the community in which it operates. Therefore, of the 883 suppliers that Colonial worked with in Spain in 2022, 90.94% were local, with 98.7% of the volume of purchases made by Colonial coming from this group of suppliers. As for France, in 2022, 84% of the suppliers (96% of the volume of purchases made) are local, as their headquarters are located in Paris or in Ile-de-France region, within a radius of approximately 100 kilometres.

In 2022, the average supplier payment period was 41 days, below the legal maximum of 60 days established in Law 31/2014 of 3 December, which establishes measures to prevent late payment in commercial transactions.

II. Supplier approval survey

In line with the ESG criteria policy, in 2019 the Colonial Group approved a certified supplier approval survey with ESG criteria that was sent in 2020 to both regular and sporadic suppliers from different areas, such as construction companies, maintenance companies, manufacturers, service companies and consultants of different types (architects, engineering firms, control bodies, etc.). As it is embedded in the selection process of any supplier for the Company, it is part of a supplier ESG scoring system. The aim of this mechanism is to comply with the ESG criteria policy for the selection of suppliers, ensuring that the companies that make up the supply chain share the same values and apply them in each phase of the activity linked to Colonial, while seeking to maximise the positive impact on the entire value chain. Therefore, the survey includes environmental, social and governance aspects:

> Evaluation criteria for choosing suppliers from an environmental perspective and for determining their stance on issues such as the environment, climate change, energy, water, biodiversity, pollution, waste, responsible procurement and sourcing, among others.

> Evaluation criteria for the selection of suppliers from a social perspective, analysing their commitment to their employees, health and safety, diversity, work-life balance, human rights, subcontracting, etc. With regard to subcontracting and as a general criterion, the work teams in the various areas (maintenance, construction, consultancy, etc.) are made up of the companies' own personnel, and any type of subcontracting is subject to Colonial's authorisation.

> Evaluation criteria for selecting suppliers from a governance perspective, taking into account key aspects such as ethics, corruption prevention, risk management and corporate social responsibility, etc.

After conducting this supplier survey exercise, it should be noted that 85% of the surveys sent out were received and analysed with ESG criteria, and the average score of the companies surveyed was 65.6 out of 100 points, with only 21.6% of the companies below 50 points.

All contracts from 2021 onwards include specific clauses in work and service contracts to ensure ESG performance, including the possibility of audits by Colonial to verify the veracity of the information provided. Formulas will also be studied to strengthen the audit strategies of these suppliers and help them to make positive changes to address any weaknesses found.

With regard to human rights risks in the supply chain, the risk is considered to be low or very low, given that most of the suppliers are national and, furthermore, construction equipment, materials, and installations are purchased from leading brands from companies of recognised prestige, as corroborated in the supplier approval surveys with ESG criteria and in the environmental monitoring carried out in the construction and maintenance works. Furthermore, in relation to the human employment rights of its employees, established by the International Labour Organisation (ILO), no risks were detected through the surveys conducted or through Colonial's other communication channels.

III. Sustainable procurement of materials

The consumption of materials and consumables is one of the most relevant indicators for the Group. Therefore, since 2018 the Group has worked on obtaining a better performance in this area, consolidating its performance in 2020 and continuing this trend during 2022.

Similarly, thanks to the implementation of the environmental policy, since 2018, extensive work has been carried out to monitor the data on the supply of materials in collaboration with the different business partners of the organisation through the environmental monitoring procedure: (1) new construction work, refurbishments and large renovation projects; (2) small renovation projects and (3) maintenance work in existing buildings.

As a result of these efforts, good purchasing practice requirements have been established to ensure that materials and products have environmental certificates, such as environmental labels type III, DAP or ECV, FSC and/or PEFC certified wood, local sourcing and supply (<800 km from the point of distribution), high recycled and recyclable content, and/or low emissions of volatile organic compounds.

In 2019, the List of approved manufacturers was drafted and implemented in order to promote the selection of materials, products and equipment in compliance with environmental criteria.

To date, the list of products includes at least 2,048 (83%) materials, products and equipment that meet the environmental requirements defined in Colonial's environmental policy, as well as another 419 that do not meet these requirements.

The list of approved manufacturers has proved to be effective and has greatly facilitated compliance with the responsible procurement of the different works and services for designers, and especially for contractors and maintainers.

This list is updated periodically with the aim of increasing the alternatives of materials, goods and equipment that meet the established requirements, as well as to continuously add new categories to the assessment.

The relevant indicators on material consumption during 2022 are listed below:

Purchase of materials

	2022						2021					
	Total	Responsible sourcing	Recycled material	Recyclable material	Renewable material	Regional material	Total	Responsible sourcing	Recycled material	Recyclable material	Renewable material	Regional material
Type of material	kg	% of each mat.	% of each mat.	% of each mat.	% of each mat.	% of each mat.	kg	% of each mat.	% of each mat.	% of each mat.	% of each mat.	% of each mat.
Stone and ceramics	5,738,984	87.29%	1.66%	75.53%	0.00%	98.82%	1,704,596	97.25%	12.71%	83.63%	0.00%	99.58%
Concrete and mortar	57,535,078	97.87%	3.96%	16.88%	0.00%	99.97%	264,288,715	98.97%	0.16%	51.07%	0.00%	99.99%
Glass	1,204,949	99.54%	11.84%	24.85%	0.00%	99.81%	413,333	99.61%	3.35%	83.53%	0.00%	93.12%
Plastics and rubbers	16,037	92.38%	0.04%	3.05%	0.00%	92.94%	10,592	74.07%	8.83%	41.01%	0.00%	84.69%
Metal	3,657,803	97.68%	34.34%	53.37%	0.00%	99.73%	43,595,954	99.63%	78.91%	99.24%	0.00%	99.86%
Wood	1,260,493	99.69%	21.86%	62.36%	99.8%	99.37%	341,457	71.28%	49.40%	74.29%	99.97%	98.35%
Plaster	618,514	98.39%	1.55%	76.85%	0.00%	98.58%	283,400	96.05%	2.43%	78.01%	0.00%	95.46%
Insulation/waterproof	1,098,061	82.97%	18.89%	13.87%	0.00%	97.94%	145,964	81.11%	11.00%	34.17%	0.00%	94.72%
Paints and varnishes	64,452	94.66%	0.03%	0.03%	0.00%	83.51%	31,068	70.24%	0.06%	0.00%	0.00%	91.78%
Installations-light fixtures	28,387	89.86%	0.00%	25.65%	0.00%	92.68%	60,744	83.85%	0.00%	0.06%	0.00%	93.83%
Installations-toilets	23,530	97.68%	0.00%	0.00%	0.00%	73.02%	20,951	71.53%	0.04%	0.07%	0.00%	97.52%
AC/ventilation installations	175,551	96.81%	0.00%	0.02%	0.00%	98.47%	93,992	76.62%	0.03%	0.42%	0.00%	95.41%
Coolants	20.2	100.00%	0.00%	0.00%	0.00%	0.00%	10	100.00%	0.00%	0.00%	0.00%	100.00%
Adhesives and sealants	77,871	99.65%	0.00%	0.13%	0.00%	98.76%	10,016	97.93%	0.00%	0.07%	0.00%	80.60%
Oils and lubricants	4.20	26.19%	0.00%	0.00%	0.00%	100.00%	38	96.31%	0.00%	0.00%	0.00%	100.00%
Cleaning products	6,554	57.29%	1.13%	1.63%	0.39%	58.55%	5,222	50.70%	0.00%	0.04%	0.00%	76.64%
Gardening products	6,691	98.43%	0.90%	0.00%	0.00%	98.49%	2,933	30.58%	46.90%	27.00%	0.00%	76.84%
Soil and gravel	1,249,697	81.59%	81.30%	96.18%	0.00%	99.50%	27,492,962	0.03%	0.02%	90.75%	0.00%	100.00%
Textiles and papers	5,897	97.44%	28.50%	82.31%	0.00%	99.61%	8,624	92.26%	1.17%	2.11%	0.00%	98.72%
Vegetation species	12,153	87.62%	1.90%	0.01%	0.00%	73.36%	NR(*)					
Furniture	16,125	48.37%	0.38%	5.21%	0.00%	85.62%	NR(*)					
Other	528,474	95.37%	3.88%	0.12%	0.00%	99.62%	142,959	78.75%	20.29%	5.33%	0.00%	93.92%
Total	**73,325,326**	**96.56%**	**7.23%**	**25.81%**	**1.72%**	**99.76%**	**338,653,529**	**0.00%**	**0%**	**0.00%**	**0**	**0.00%**

Note: Includes materials for new constructions, large and small renovations and the maintenance of common areas. Materials purchased by tenants are not included because the organisation has no control over them. In the case of France, information on materials supplied is not included as the works and renovations for which this information is collected, and which have been carried out in 2022 have not yet been completed.
The materials list may be modified if any other relevant material is reported.
The category “Other” includes rarely used and non-representative materials.
(*) In 2021 this category was included under “Other”.

It is worth highlighting Colonial's efforts to acquire materials in the region where they are going to be used, obtaining **a result of close to 100% of the total materials used that met this criterion, which considerably reduces the carbon footprint linked to transport and distribution**.

With regard to responsible sourcing, Colonial strives to ensure that the majority of materials **purchased are sourced responsibly through the Guide to Sourcing Products, Materials and Equipment, which is why 96% of the materials complied with this guideline in 2022**. Wood is one of the most significant materials, as Colonial carries out exhaustive monitoring of its origin with the aim of ensuring that most of the wood purchased has a certificate of sustainability or good practices. In 2022, out of a total of 1,260 t of wood purchased, 99.41% was certified.

Furthermore, in line with the provisions of this guide, it should be noted that 97.87% of the concrete and mortar poured in the different works carried out in Spain during 2022 comes from alternatives with a lower carbon impact, as they comply with the ANEFHOP Expert concrete certificate and/or ISO 14001 of the manufacturing process, in addition to other requirements in terms of recycled and recyclable material.

Percentage of wood certified by standards

Certification system/standard	Quantity (kg)	Percentage (%)
FSC (Forest Stewardship Council)	485,305	39%
PEFC (Program for the Endorsement of Forest Certification schemes)	767,781	61%
SFI (Sustainable Forestry Initiative)	0.00	0%
CSA (Canadian Standards Association)	0.00	0%
Other (specify)	0.00	0%
Total certified wood	**1,253,086**	**100%**

IV. Integrated supply management model

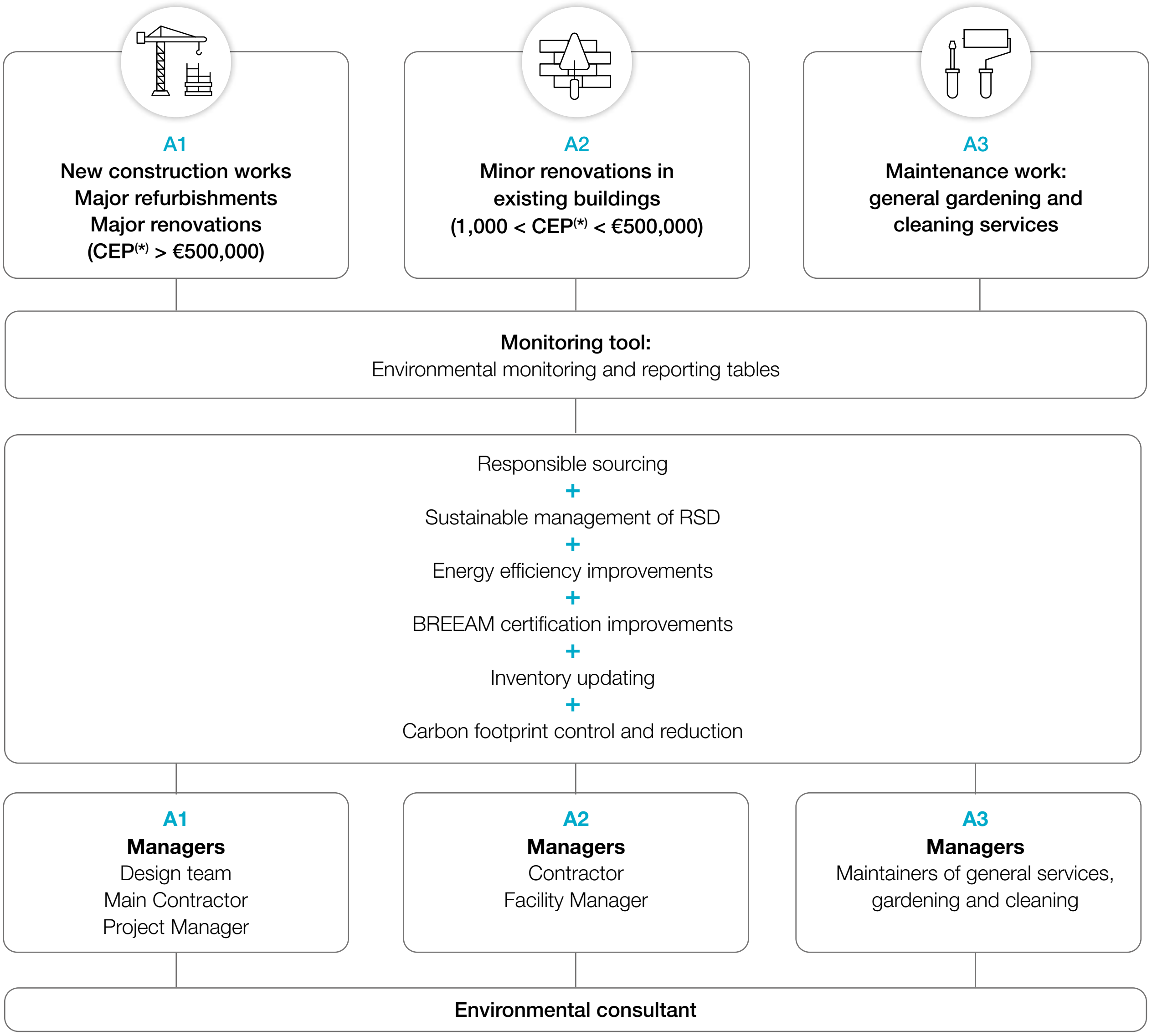
Colonial's environmental policy establishes the following commitments:

> Responsible procurement of materials.

> Sustainable waste management.

> Reduction of its carbon footprint through the two activities above.

The environmental monitoring procedure discussed above is explained below:



(*) CEP = contract execution price.

In order to manage, oversee and report on environmental issues according to the procedures described, the Group regularly monitors the following aspects:

> Advice to contractors and maintenance providers on the use of sustainable products and in the sustainable management of waste.

> Updates of the list of approved products.

> Review of projects and budgets for actions and works.

> Recommendations to improve eco-efficiency and for BREEAM In-Use.

> The data/documentation of the environmental monitoring tables of all actions carried out in Colonial's buildings are verified.

> Environmental monitoring visits are carried out to oversee new constructions, renovations and major refurbishment projects (1).

> Regular environmental monitoring visits are made to existing buildings to oversee minor renovations (2) and maintenance tasks (3).

> Inventories of the facilities are updated and cross-checked with the actions.

> A comprehensive monthly follow-up is carried out to ensure that the circular economy model implemented by Colonial is being followed by the subcontractors and maintainers for all the actions underway.

> All of Colonial's environmental information is collected and reported for the Integrated Annual Report and sustainability indices.

In order to approve compliance with responsible sourcing, environmental requirements must be proven for materials, products and equipment amounting to 70% of the contract execution price (CEP) of the works (in the case of maintenance, 70% of the total).

In addition, with regard to sustainable waste management, it must be proven that at least 80% of the waste generated, including hazardous and non-hazardous waste that can be re-used, is managed for its use, and therefore a maximum of 20% is processed without recovery.

These objectives are achieved through the environmental monitoring procedure established according to the scale of the actions:

A1: New construction, complete renovation and major refurbishment projects (refurbishments of floors of office modules, lobbies, and/or rest rooms, or other refurbishments of a similar scope, with a CEP > €500,000 or a lower price but of this type)

The subcontractor must justify the environmental requirements for responsible procurement of materials and sustainable waste management on the construction site.

A2: Any minor action/refurbishment project (CEP > €1,000 and < €500,000)

The subcontractor or industrial contractor must justify the environmental requirements for responsible procurement of materials and sustainable waste management in each of the actions they carry out in the buildings.

A3: Any actions derived from the continuous maintenance of general services, gardening and cleaning

The general services, gardening and cleaning maintainer must justify the environmental requirements for the responsible procurement of materials and sustainable waste management on a quarterly basis.

The parties responsible for the actions must verify all the environmental aspects established in the Guide to contracting products, materials and equipment, which establishes the requirements for the final review of compliance with the requirements by the environmental consultant.

CO_2 emissions from the transport of supplies and waste to and from the building are also considered, along with the ones derived from coolant gas leaks, trips by the maintenance services personnel and consumption in the head offices of the maintenance companies.

In 2022, information and awareness sessions continued to be held with the different agents involved: project designers, project managers, facility managers, contractors and maintenance personnel, to establish the environmental criteria to be met and to inform them of the Group's objectives.

The Colonial Group continues to be committed to the environmental monitoring of all the actions carried out in the buildings in its portfolio. This year has seen an increase in the number of large-scale construction works and complete refurbishment projects, as well as minor actions, where an environmental monitoring control has been carried out, together with eco-efficiency consultancy and the updating of inventories.

5.8. Team of professionals

This chapter describes the Group's efforts to enhance the skills, motivation and health of its people. **Excellence and professionalism** are key pillars of the Group's people strategy, which also guarantee long-term sustainable growth with value creation for shareholders and all its stakeholders.

> **Colonial's employees want to continue to grow as people, as citizens, as employees, as a team, and as and Group united by our values of transparency, excellence, professionalism, rigour, leadership and commitment.**

Human Resources Strategic Plan

The Colonial Group is clearly committed to creating a corporate culture of well-being for its employees. In this respect, our main areas of focus and dedication of resources are focused on achieving excellent results in the coming years with a continued contribution of value to the corporation and its activity.

Our greatest asset is the people who make up the team, which is why our strategy focuses on nurturing our people, developing and growing their skills and rewarding their achievements. For this reason, the Human Resources Strategic Plan is focused on driving sustainable value creation through the social component. To support the strategic plan, we have equality plans and different policies in place that ensure the creation of diverse and multidisciplinary work teams, while promoting a culture of customer-focused high added value.

The policies, projects and actions of the People and Culture Area are structured in these five areas:

1. **Organisational System**: This includes all the organisational policies and processes that ensure we have a human organisation capable of responding to the Company's present and future strategy. This covers all recruitment and selection policies, on-boarding, career plans, succession plans, and contingency plans, as well as the processes and tools around which we organise work.

2. **Total reward**: Colonial understands total reward as all the value that Colonial's employees receive for their contribution and input. This involves both financial remuneration and emotional compensation. The principles of fairness govern our policies tailored to each of our companies.

3. **Human capital and talent development**: Understanding the value contribution of each employee is key for the organisation and the employee. Our corporate culture establishes a leadership model based on continuous and honest feedback through annual conversations about each employee's performance and value contribution, as well as career plans and professional and personal development. In order to do this, we have a tool and process called the **Colonial Career Conversations**.

4. **Human rights and equality, equity and diversity policies**: These policies ensure that our values are consolidated in an equal, social environment, which is supports and ensures diversity, equal opportunities, and inclusion, which are values included in our equality plans.

5. **Culture, socialisation and communication**: Colonial understands work as a system that integrates and enhances individual capacities, allowing us to grow, to be inspired, to continue to learn and to contribute value to our community. Colonial ensures that the culture of work and contribution occurs in a collaborative and rewarding environment, where individuals achieve fulfilment and satisfaction. We have developed some tools that allow us to channel the interests of employees, teams and the entire organisation:

   Colonial Takes Care of You groups together policies and measures to protect the physical and emotional health of our staff.

   Colonial Counts on You brings together internal communication and corporate culture policies to anchor our values, focus our efforts, drive our ambitions and enjoy our successes in a shared framework of knowledge, information and enjoyment.

All of the above is complemented and fed by the actions implemented by our French subsidiary SFL. The Colonial Group has the capacity to adapt its business and people policies to the place in which it operates and to place greater emphasis on those practices which, for cultural and social reasons, may be of greater value. In this regard, the SFL commitments for 2020-2030 are as follows:

Competence development, talent attraction and retention, as well as promoting professional equality, are real challenges for SFL, given its size and the structure of its workforce (less than 100 employees and mainly composed of managers), but also given its internal organisation (based on integrated teams that interact with each other and are present throughout the value chain). In this context, SFL's objective is to devote more than 2.5% of its wage bill to its training policy, and to ensure that its remuneration package is competitive and respects the principles and commitments made in terms of professional equality.

In addition, SFL also has a strong commitment to strengthening internal cohesion and the working environment. For this reason, as it does every year, it has conducted the annual Quality of Working Life survey to measure employee job satisfaction. Based on this, SFL can focus its strategy on improving the quality of life at work, which favours a better work-life balance, while preserving the organisation of work, as well as promoting a social link with the company.

In parallel, SFL is committed to having all its employees and suppliers sign its code of ethics. Its action plans include identifying the suppliers with the highest risk and implementing tools to oversee their compliance. SFL will also seek to source from local suppliers.

SFL 2020-2030 Commitments

> 2.5% of the wage bill spent on training.

Annual consultation on the quality of working life.

100% of employees, suppliers and service providers covered by the code of ethics.

5.8.1 Key results and initiatives of the 2022 Human Resources Strategic Plan

5.8.1.1 Organisational system

a. Changes in the workforce

The Colonial Group's workforce has continued to grow in 2022 and has increased from 225 employees in 2021 to the current 241. This growth is based on providing the organisation with the necessary human resources to address its strategic plan. This process of increasing human capital takes into account our commitment to diversity and gender equality as expressed in our equality plan. Of the total number of new hires in 2022, 59% were women, representing 63% of the total workforce. In 2022, five people with functional diversity were part of the Colonial Group team (two in 2021).

Diversity of the Colonial Group

152 women

89 men

241 employees

Colonial Group's workforce

69% Spain

31% France

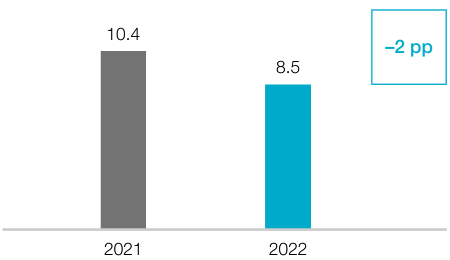
96% permanent contracts

99% full-time contracts

7,828 hours of training in 2022

21% more than in 2021

Average seniority



Below is the data on the new hires in Colonial's workforce, as well as the breakdown of employees by age, gender and professional category in 2022 as of 31 December 2022.

New employees by age, gender and country

	2022		2021	
New hires	Total	Percentage of new hires	Total	Percentage of new hires
Gender				
Female	30	19.7%	27	18.1%
Male	21	23.6%	8	10.5%
Age				
Under 30	33	75.0%	17	47.2%
30-50	17	13.1%	18	13.7%
Over 50	1	1.5%	0	0%
Country				
Spain	41	24.6%	29	18.5%
France	10	13.5%	6	8.8%
Total	**51**	**21.2%**	**35**	**15.6%**

Number of employees by age, gender and professional category

	2022					2021					Variance	
	Total	Male	Female	% Male	% Female	Total	Male	Female	% Male	% Female	Male	Female
Colonial Steering Committee(*)	**8**	**4**	**4**	**50%**	**50%**	**8**	**4**	**4**	**50%**	**50%**	**0%**	**0%**
Job category												
CEO, General Managers and Area Managers	18	10	8	56%	44%	18	10	8	56%	44%	0%	0%
Technical Graduates and Middle Managers	82	37	45	45%	55%	80	32	48	40%	60%	16%	–6%
Administrative Staff	141	42	99	30%	70%	127	34	93	27%	73%	24%	6%
Total Group	**241**	**89**	**152**	**37%**	**63%**	**225**	**76**	**149**	**34%**	**66%**	**17%**	**2%**
Age												
Under 30	44	11	33	25%	75%	36	5	31	14%	86%	120%	6%
30-50	130	53	77	41%	59%	131	51	80	39%	61%	4%	–4%
Over 50	67	25	42	37%	63%	58	20	38	34%	66%	25%	11%
Total	**241**	**89**	**152**	**37%**	**63%**	**225**	**76**	**149**	**34%**	**66%**	**17%**	**2%**

(*) Executive directors excluded.

The Colonial Group is committed to generating quality employment. 96% of the Group's workforce has a permanent employment contract, with temporary contracts only being made on an ad hoc and circumstantial basis (10 in 2022), which provides stability in the employment created by the business. For further details on the abovementioned, see the tables in Appendix 8.2. GRI & EPRA BPR'S Key Sustainability Indicators.

In terms of working hours, 99% of the workforce has a full-time, with only 3 employees in 2022 working part-time. For more details, see tables in Appendix 8.2. GRI & EPRA BPR'S Key Sustainability Indicators.

In relation to employee turnover (employees leaving), 40 leavers were registered in 2021, which is a turnover rate of 17% for the Group as a whole. However, the turnover of the Group's property management business (comprising Colonial Spain, and SFL which represents 76% of employees), can be distinguished from the flex business, comprising Utopicus (which represents 24% of employees). In this respect, the turnover rate of our property management business was 6%, much lower than that of the flex business. This is because the latter is still in the process of consolidation. For this reason, the turnover of the property management business is a more accurate representation of the Group's actual situation. The 300 bp decrease in the turnover rate of the property management business in 2021 brings the Group closer to its goal of empowering and retaining professionals who share the Company's current and future values and aspirations.

Turnover and turnover rate by age, gender and occupational category for Colonial Spain and SFL

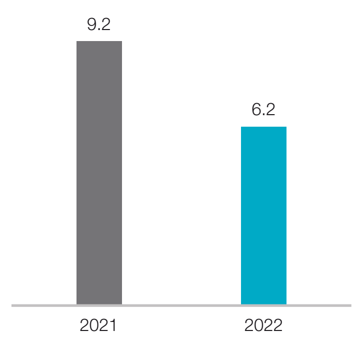
	2022		2021	
Turnover	Total	Turnover rate	Total	Turnover rate
Gender				
Female	5	5%	7	7%
Male	6	8%	9	13%
Age				
Under 30	2	12%	2	12%
30-50	6	6%	9	9%
Over 50	3	5%	5	8%
Country				
Spain	6	6%	7	7%
France	5	7%	9	13%
Total	**11**	**6%**	**16**	**9%**

Terminations

	2022	2021	Variance
Job category			
CEO, General and Area Managers	0	2	–100%
Qualified Technicians and Middle Managers	1	3	–67%
Administrative Staff and Others	0	3	–100%
Age			
Under 30	0	1	–100%
30-50	1	4	–75%
Over 50	0	3	–100%
Gender			
Female	0	2	–100%
Male	1	6	–83%
Total	**1**	**8**	**–88%**

Turnover rate of Property Management Business

%



In addition, there has only been one termination this year.

b. Career opportunities

In accordance with the actions published in our equality plan and giving visibility to any career opportunity, all vacancies that have arisen have been communicated in each division following the principles of transparency and confidentiality. Any employee can apply and be part of the selection process for each available job.

This measure has been key to our internal talent management, which has made it possible for employees to take a step forward in their development, complementing their current role or profile with new skills specific to other functions. This results in employee growth and is a key measure for the Company, which generates development opportunities and retains its talent. Furthermore, it allows us to develop and complete the employees' skills by acquiring transversal knowledge.

At Colonial, 20% of the vacancies for 2022 have been filled internally in the Financial and Business Operations area. 13% of vacancies in 2022 at Utopicus were filled internally in sales, operations, and marketing.

c. Strategic organisational strengthening

Our ESG team continues to consolidate and gain weight in our human capital. More than ever, we continue to ensure our environmental impact, a social strategy focused on employees, suppliers and the community, as well as good governance practices.

Always customer-focused and ensuring the best service, the teams have professionals whose mission is to support Utopicus. The aim is to be able to adapt to the client's pace, to offer the best service based on excellence and to manage processes efficiently.

At Colonial we maintain a database that contains all employees of pre-retirement age. Thus, each year, after preparing and presenting the relevant information, the pre-retirement opportunity is offered to the employees who, by age, this option corresponds to. Ultimately, it is the person who decides what they want to do. The aim is to give our employees the possibility of early retirement, thus contributing to the end of their career.

d. Human Resources digitalisation analysis

As a priority project this year, Colonial is working on the digitalisation of people management processes in most human resources areas. This project is based on the implementation of an employee portal. Its main objective is to improve processes by taking advantage of digital technologies and saving time in administrative management.

This application will make it easier for employees to access their contractual data, consult their pay slips, tax data relating to their withholdings, work calendars, and timetables, etc. It will also facilitate two-way communication through a suggestion box for employees. The employee portal will communicate news, internal procedures, and all kinds of documentation that may be of interest to employees will be available to them. It will also carry out the automation of the performance evaluation tool, among others.

e. Development of the Performance & Potential Picture tool for succession and contingency planning

Human Resources is updating its tool for internal use to identify organisational talent, development capabilities and key business positions. The aim is to have a single interactive organisation chart showing the current situation of the Company in terms of positions and profiles according to different criteria: performance, potential, retention, succession and talent. This tool is the basis for implementing action plans; it also serves to manage the organisation's capacities, as well as to be strategic in managing people and preventing risks and emergencies.

f. Industrial relations and works councils

The Colonial Group is committed to complying with the provisions of the International Labour Organisation (ILO) conventions, including respect for freedom of association and the right to collective bargaining.

As required by law, there is an employee representative body in each of the Group's subsidiaries ready to assist in circumstances where the needs and concerns of the employees of each company so require.

Colonial's Works Council is made up of five members, four of whom belong to the Barcelona offices and one to the Madrid offices. In Spain, Colonial's employees are covered by the provincial collective bargaining agreements for the construction sector. This agreement was valid until 31 December 2021; throughout 2022 it was subject to negotiation.

In 2022, Utopicus continued with its works council formed the previous year. On a quarterly basis, the employees' delegation, together with the company's representatives, meet to address issues of common interest. The agreement governing the activity at Utopicus is the advertising agreement for staff in Madrid and Barcelona.

As far as SFL is concerned, firstly it has the CES, the *Comité Economique et Social* (Social Economic Committee), and secondly it has a Unified Employees' Delegation. The CES is the employees' representative body, with responsibilities for health, safety and working conditions and also manages social and cultural activities. The Unified Employee Delegation is a representative body with a total of eight members representing the company's various departments. The delegation sets out to address staff's employment priorities, such as the establishment of an optimum working environment, making proposals for changes in this area and formally communicating them to be included in the collective bargaining agreement. These works councils are the employees' representative bodies. The relationship with these bodies is daily, regardless of the quarterly meetings and the duty of information provided to them by the company.

Over the course of 2022, a number of successful agreements have been reached: the implementation of remote working, post-pandemic return-to-office formula, empowerment of collaborative activities, dress code policies and flexible working hours.

The applicable agreement in France is IDCC 1527. In addition to the agreements signed within the Company, the collective status of SFL is governed by two collective agreements: the National Collective Bargaining Agreement (NCA) for the real estate sector and the NCA for caretakers, security guards and building employees.

99% of the Group's employees are covered by the collective bargaining agreement. The table below shows the percentage of employees covered by collective bargaining agreements by country:

% of employees covered by collective agreement

	2022	2021
Spain	99%	98%
France	100%	100%
Group	**99%**	**99%**

g. Restructuring management

In the event the Company is restructured, by acquisition or merger with another company, these are the measures that are considered at the various levels:

- Early retirement.
- Reduction of working hours.
- Internal mobility program.
- Outplacement services.

5.8.2 Human capital and talent development

Performance assessment tools: Colonial Career Conversations and Performance & Potential Picture

The performance appraisal process has been professionalised using two main tools:

Colonial Career Conversations (CCC), which is based on the conversational coaching method. It aims to empower each individual by providing them with the freedom to manage their personal and professional development and growth in a constructive way. On the basis of the CCC, objectives and projects are determined and distributed for all Company employees, unifying the criteria and ensuring professional challenges for all employees. Training needs are also identified, which are prioritised in terms of both technical and skills training for employees. This tool also enables the performance appraisal process to be carried out.

While 2021 was the year at Colonial to implement and achieve the objective of digitally evaluating 100% of the employees, 2022 served to consolidate the process, include some identified improvements and digitise the check point. The check point is carried out mid-year and its objective is for the evaluator and the evaluated person to discuss the progress of the achievement of objectives and possible obstacles that there may be.

Utopicus, taking Colonial as an example, has successfully implemented the performance evaluation tool and process for its employees.

Every year, both at Colonial and Utopicus, all employees are trained in what the performance evaluation is, how it is carried out thanks to the CCC tool and some basic aspects such as feedback or the SMART methodology for setting objectives. The annual repetition of this process since its implementation is allowing employees to increasingly internalise the performance appraisal policy and the use of the tool. Employees work to achieve targets, so they have a benchmark of the value they bring to the Company during the financial year.

Furthermore, the Performance & Potential Picture (PPP) tool allows us to determine the performance and potential of each employee in the Company, and thus be able to easily identify the high potentials and high performers within the Company. It allows us to cross-reference an individual's potential and performance, so that we can establish programs and actions that lead our employees to reach their maximum performance.

In 2022, the internal redesign of the tool was completed and translated into the different languages, making it part of the Group's talent process schedule.

Each year at SFL, as part of the Company's policy for developing the skills of its employees, individual interviews are organised to assess the achievements and skills of each employee and to determine their training needs. Every two years, they are supplemented by professional interviews that allow an individualised approach to the employee's planned career development and are subject to a review every six years. The digitisation of this process facilitates the conduct of these interviews and ensures the traceability of these exchanges and their follow-up.

Coaching and mentoring support programs

In 2022 we maintained the coaching and mentoring support programs, which are designed to support our employees at key moments in their careers.

In addition, the initiative started in 2021 in collaboration with EPRA has been completed. This female mentoring action has allowed Colonial's managers to carry out their role as mentors and for female employees to be mentored by managers from other companies in the sector. It is undoubtedly a very enriching program for both roles and one on which, from Human Resources, we will give feedback and commit ourselves to analyse its next implementation.

Summer program & commitment to young talent: Integrating University and Business

Utopicus is committed to the new generations of professionals and has designed a program in which, during the summer months, it allows young talent from different universities in Madrid and Barcelona to have their first work experience.

The program focuses on offering a holistic and complete vision of the Company so that these young people can choose and direct their professional career towards the area in which they are most motivated to develop.

In this way, the program participants carry out various tasks, predominantly direct customer service and space management, both under the supervision of the space managers. In addition, each participant is given the opportunity to collaborate individually with any other department on their own projects (e.g., Marketing, Finance, Human Resources, etc.) if these are of interest for their future career.

In addition, as a group, they are given a business challenge to research and develop proposals and solutions to present at the end of the program. For this challenge, they are continuously trained in project management.

Finally, to complete the experience and make it 360º, each student has a tutor who accompanies them during the program in the development of competences and skills. These tutors are voluntary employees with whom we have previously worked to identify and define competences in order to be able to act as guides. Thus, our summer program includes the development of both hard skills and soft skills in an integrated manner, which allows us to give these young people a competitive advantage in terms of experience and personal and professional growth in the market. This program also extends to the well-being of our teams, as it provides a balanced rest for our professionals during the summer season. For Utopicus, a good work-life balance is essential as well as our desire and social commitment to generate value in the communities and localities in which we are established.

The Group's social commitment to young talent is not limited to one time of the year; both Colonial and Utopicus participate in various job fairs with universities in Madrid and Barcelona. For one or more days, the talent team attends to students interested in the sector and, specifically, in our Company with the aim of providing them with career guidance and an opportunity that generates value for their professional future.

Training

The Colonial Group fosters a culture of continuous learning and individual responsibility for careers. In this way, employees are encouraged to become aware of their strengths and areas for improvement, and empowered to create an action plan that enables them to be resilient to their professional goals.

Training Plan

The Group adapts its training plans to the needs and circumstances of each of its affiliates, thus adapting resources to the strategic plans.

The Colonial and Utopicus Training Plan is built from:

1. An inward analysis with the Colonial Career Conversations (CCC): a performance evaluation tool in which the manager and the employee discuss the different areas that can provide the employee with professional growth and at the same time contribute value to the Company.

2. An outward analysis to explore market trends in the acquisition of new skills and competences.

3. Individuals sharing knowledge to learn from each other.

> **Learning requires certain skills. Unlearning requires a certain attitude.**

The mission of the Training Plan is to **enable employees to carry out their current and future jobs** so that they can add value and meet strategic challenges.

For this reason, the training needs that will make up the Training Plan are collected each year. These needs are approved by the area managers and the CEO, to be subsequently implemented by each manager or director according to priorities and always in line with the Company's current strategy.

Human Resources monitors the progress of training actions and provides support.

The Training Plan has a two-fold approach:

1. **Group training of employees**: This is complementary to the functions of each position and aims to align knowledge between the different working groups within the organisation. It enables individuals to acquire additional knowledge and skills necessary or advisable to perform the function well.

2. **Individualised training**: This need is determined through each employee's CCC and is closely related to the technical know-how of the position. It is mostly taught on a one-to-one basis or in teams that share a mission. During group training sessions, each participant takes on a role, allowing them to specialise in each role that is presented to them.

In this context, SFL aims to devote more than 2.5% of its wage bill to training each year, and to ensure that its remuneration system is competitive and incentive-based, while respecting its principles and commitments to professional equality.

SFL's annual training policy aims to:

- Create and ensure access to continuous training for all employees.
- Anticipate technical, legal and environmental changes in the sector to improve the professionalism of employees and enable them to perform their duties as effectively as possible.

In this context, the sessions held in 2022 focused mainly on the fields of asset management, financial management, law, management, office automation, and the reinforcement of foreign language skills (English and Spanish).

In order to promote the acquisition and development of employees' skills, SFL has set itself the objective of devoting 2.5% of its payroll to vocational training. In this context, more than 1,493 hours of training were given to 57 employees, with an average duration of 26 hours per trainee.

Total participation in training in 2022

SDG 4: Quality Education

	2022	2021	Var.
With the goal of empowering its employees, Colonial invests heavily in the development of its human capital with training and evaluation plans. Ensuring that all employees have professional growth objectives is vital to having teams motivated and ambitious.	7,828 hours of training	6,461 hours of training	21%
	32.5 hours of training per employee	28.7 hours of training per employee	13%
Strategies / lines of action > Training Plan	96% of employees trained	93% of employees trained	3 pp

Colonial is distinguished by its people, a knowledgeable and experienced team within an organisation that is sensitive to the technical development of professions and the technological progress of tools. Our social commitment invites us to raise our teams' awareness of the environment and generate value in the environment in which we operate. This translates into a commitment to continuous, innovative and responsive learning. With a medium and long-term vision, we strive to adapt technically and intellectually to new challenges. The whole organisation is involved in identifying learning needs: the employee, using the CCC tool, the manager, in the performance appraisal process and professional development conversations, and the works council, with whom we share annual training plans. This has meant a 21% increase in our training hours and an 13% increase per employee.

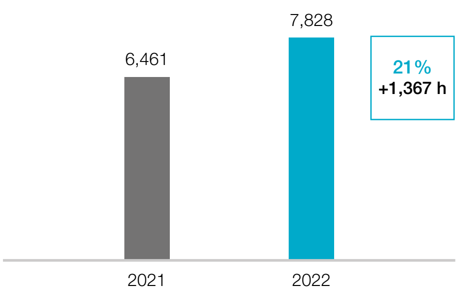
Each year, the Group is committed to training and strives to find new solutions to strengthen the development of its people. This firm commitment to training has resulted in a total of 7,828 training hours in 2022, of which 5,882 hours correspond to Colonial Spain, 453 hours correspond to Utopicus, and 1,493 hours correspond to SFL. This translates into an average of 32.5 hours of training per employee, equivalent to 4.06 working days. The data demonstrates the Group's commitment to the training and professional development of its workforce, as well as the continued success of the Group's Human Resources Strategic Plan.

Hours of training by professional category, gender and country

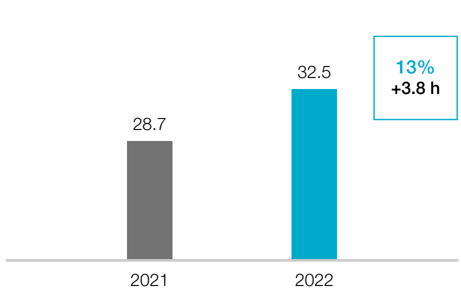
	2022			2021			Variance		
	Spain	France	Group	Spain	France	Group	Spain	France	Group
Job category									
General and Area Managers	290	183	473	170	247	417	71%	–26%	13%
Qualified technicians and middle managers	961	1,017	1,977	1,110	702	1,812	–13%	45%	9%
Administrative staff	5,085	294	5,378	3,866	367	4,233	32%	–19.9%	27%
Total	**6,335**	**1,493**	**7,828**	**5,145**	**1,316**	**6,461**	**23%**	**13%**	**21%**
Gender									
Male	2,329	577	2,906	2,000	409	2,408	16%	41%	21%
Female	4,006	916	4,922	3,146	907	4,053	27%	1%	21%
Total	**6,335**	**1,493**	**7,828**	**5,145**	**1,316**	**6,461**	**23%**	**13%**	**21%**

Hours of training

Provided



Per employee



The hours of training by subject, country, and gender in 2021 and 2022 are shown below.

Hours of training by subject, country and gender - 2022

	Spain			France			Group		
2022	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total general training	**1,930**	**2,986**	**4,915**	**479**	**663**	**1,142**	**2,409**	**3,649**	**6,057**
Environmental sustainability	12	0	12	14	7	21	26	7	33
Ethics and compliance	70	186	255	0	0	0	70	186	255
Languages	1,784	2,655	4,439	270	495	765	2,054	3,150	5,204
Occupational Health and Safety	64	145	209	56	70	126	120	215	335
Social Skills	0	0	0	98	56	154	98	56	154
Technology, Data and IT	0	0	0	14	28	42	14	28	42
Other	0	0	0	27	7	34	27	7	34
Total technical training of the position	**323**	**901**	**1,224**	**98**	**253**	**351**	**421**	**1,154**	**1,575**
Total	**2,253**	**3,887**	**6,139**	**577**	**916**	**1,493**	**2,830**	**4,803**	**7,632**

Hours of training by subject, country and gender, 2021

	Spain			France			Group		
2021	Men	Women	Total	Men	Women	Total	Men	Women	Total
Total general training	**1,649**	**2,683**	**4,332**	**218**	**697**	**915**	**1,867**	**3,380**	**5,247**
Environmental sustainability	145	348	493	0	0	0	145	348	493
Ethics and compliance	29	83	112	40	28	68	69	111	179
Languages	1,398	1,936	3,334	60	294	354	1,458	2,230	3,688
Occupational health and safety	11	67	78	61	146	206	72	213	284
Social skills	40	130	170	0	0	0	40	130	170
Technology, data and IT	26	119	145	49	70	119	75	189	264
Other	0	0	0	9	160	169	9	160	169
Total technical training of the position	**351**	**463**	**814**	**191**	**210**	**401**	**541**	**673**	**1,214**
Total	**2,000**	**3,146**	**5,145**	**409**	**907**	**1,316**	**2,408**	**4,053**	**6,461**

As a result of the focus and drive on the professional development of the Group's employees, investment in training increased by 58% in 2022 compared to 2021. Specifically, €319,688 was invested in training actions. In addition, 96% of the Group's employees received training in 2022. Investment in training as a proportion of total remuneration expenditure also increased compared to 2021; in 2022 it represented 3% in Spain and 2.9% in France.

A large number of the Colonial Group's service professionals are trained every year. In 2022, 231 employees were trained, representing 96% of the Group's workforce, 3% more than in 2021. This demonstrates the effectiveness of the Group's strategic approach, focused on fostering a culture of continuous learning through its Training Plan.

Number of employees trained by the Group by gender and country

	2022			2021			Variance		
	Spain	France	Total	Spain	France	Total	Spain	France	Total
Gender									
Male	61	20	81	52	18	70	17%	11%	16%
Female	113	37	150	108	32	140	5%	16%	7.1%
Total	**174**	**57**	**231**	**160**	**50**	**210**	**9%**	**14%**	**10%**
% employees trained	**104%**	**77%**	**96%**	**102%**	**74%**	**93%**	**2%**	**4%**	**3%**

Collective and general training

About equality policies

Following the actions of the Equality Plan published in both Colonial and Utopicus, which will be discussed in later chapters, training sessions have been held on equality, focused on the following topics:

> **Inclusive language**: Training is aimed at ensuring that it meets the criteria for inclusive communication and does not promote gender discrimination. The Management Committee has been trained, including the heads of the different areas and other key roles that are part of the Works Council and the Equality Committee, etc.

At Utopicus, this training has been designed following the same criteria as at Colonial, and all the Company's employees have been invited to ensure that the whole team communicates in an inclusive way.

Additionally, within the actions to be implemented, and in order to ensure inclusive communication, an infographic has been defined with the most important points to be taken into account on inclusive communication, which will serve as a guide for all staff in their internal and external communication.

> **Co-responsibility and work-life balance**: On this occasion, the aim was to raise awareness among the entire workforce about the importance of a work-life balance, co-responsibility, and the impact it has on the organisation. Through face-to-face sessions, it has been possible to enjoy a time of interaction, debate and enrichment at the hands of experts in the field.

> **Sexual and moral harassment**: The prevention and detection of possible sexual and moral harassment was another one of the subjects in which the Utopicus team was trained in an online session organised on solid legal and psychological bases, in terms of current legislation as well as the detection of profiles and behaviours linked to different types of harassment. Tools were provided to increase knowledge on how to proceed in such situations.

Disability and raising awareness

A disability awareness workshop was also organised with the company KIALATOK. Around fifteen employees participated in a "cooking and disability" workshop during which they faced different disability situations.

Office skills

Word, Excel and Power Point are everyday tools for most employees. This year we focused on the role of personal assistant to accompany their development in the use of these office tools. A course was given in October where staff were able to further develop their knowledge in order to carry out their day-to-day duties more efficiently.

Language skills

Continuing the work of previous years, Colonial continues to support and promote the linguistic development of all employees, moving in an essential direction to equip all employees with the communication skills to overcome borders, cultures, language barriers and ways of working.

For this reason, Colonial's entire workforce has the possibility of receiving English and French language training, 100% financed by Colonial.

In addition, high potential or high performers will have access to private language lessons based on the co-payment method: 80% financed by Colonial.

Sustainability training plan: Eco Talks

In 2021, Colonial carried out an internal initiative thanks to which all Colonial employees were able to attend ESG Eco Talks training sessions. Eco Talks are a series of talks spread over several fortnightly sessions led by the Technical Department.

Thanks to these talks, we reinforce one of our fundamental pillars, sustainability, focusing our efforts on ensuring that all employees are aware of key aspects, while at the same time aligning the Training Plan with the Company's strategy. Colonial's commitment to sustainability is one of the Company's main vectors of development. It is becoming more relevant every day, both in current business management and in future strategies.

In 2022, a number of the Group's employees continued their ESG training with the aim of integrating sustainability into the management of the main areas.

Health, safety and well-being

In 2022, we continued to focus on the health and safety of all employees and put it at the centre of our work. For this reason, all of Colonial's new hires received training in occupational risk prevention. At Utopicus, we continue to provide comprehensive information on safety measures with each new employee and have specific training on the use and handling of fire extinguishers planned for the 2023 financial year.

Moreover in 2022, a new survey on quality of life at work was launched, as mentioned in the agreement on professional equality and quality of life at work, signed on 1 December 2021.

Initiated as part of a new approach, the agreement aims to engage and support teams in a collective effort to improve quality of life and working conditions (QWL). It regularly measures the working environment through a survey on quality of life and working conditions, which characterises SFL's objective of fulfilling its obligation to regularly assess occupational risks and lay the foundation for continuous improvement of quality of life at work.

This approach will continue in 2023 with the creation of working groups to identify key work-related issues and protective factors, and to formulate proposals for action plans to promote employee engagement and well-being. At the end of these discussions within the working groups and on the basis of the resulting proposals, the Management Committee will determine a final action plan to be deployed in the Company.

In 2021, Colonial and Utopicus had already implemented remote working, thus enhancing our work-life balance culture and moving towards a more flexible and hybrid working model through this tool. From 1 January 2022 it became easier to work remotely four days a month.

Cybersecurity Training

Cybersecurity is very high on the list of training priorities each year. We create a security culture in the Company so that employees are responsible for information security and take proactive measures to minimise risks. A well-informed company is a safe company.

The main objective of cyber security training is to help employees quickly identify and respond to potential security threats, which can minimise the impact of an attack and reduce downtime.

This training is a continuous process and is updated to the latest security systems and attack techniques. In addition, it is created on a virtual platform, which makes it possible to extend the knowledge to all new hires during 2022. The annual cost of this training tool is €4,817.

Colonial and Utopicus employees are regularly trained in cyber security practices, from creating secure passwords to identifying suspicious emails and messages. They are also trained in the Company's information security policies and procedures, and how to report potential security incidents.

How do we do it? The IT Department carries out two types of actions on a monthly basis:

- An information pill: A newsletter with specific content and a final question.

  The newsletters sent in 2022 covered the following topics:

  - Tips to protect the privacy of our data.
  - What is social engineering?
  - Secure passwords.
  - What phishing is and how our private information is stolen on a daily basis.
  - Do you know what a security incident is and how to manage it if it occurs?

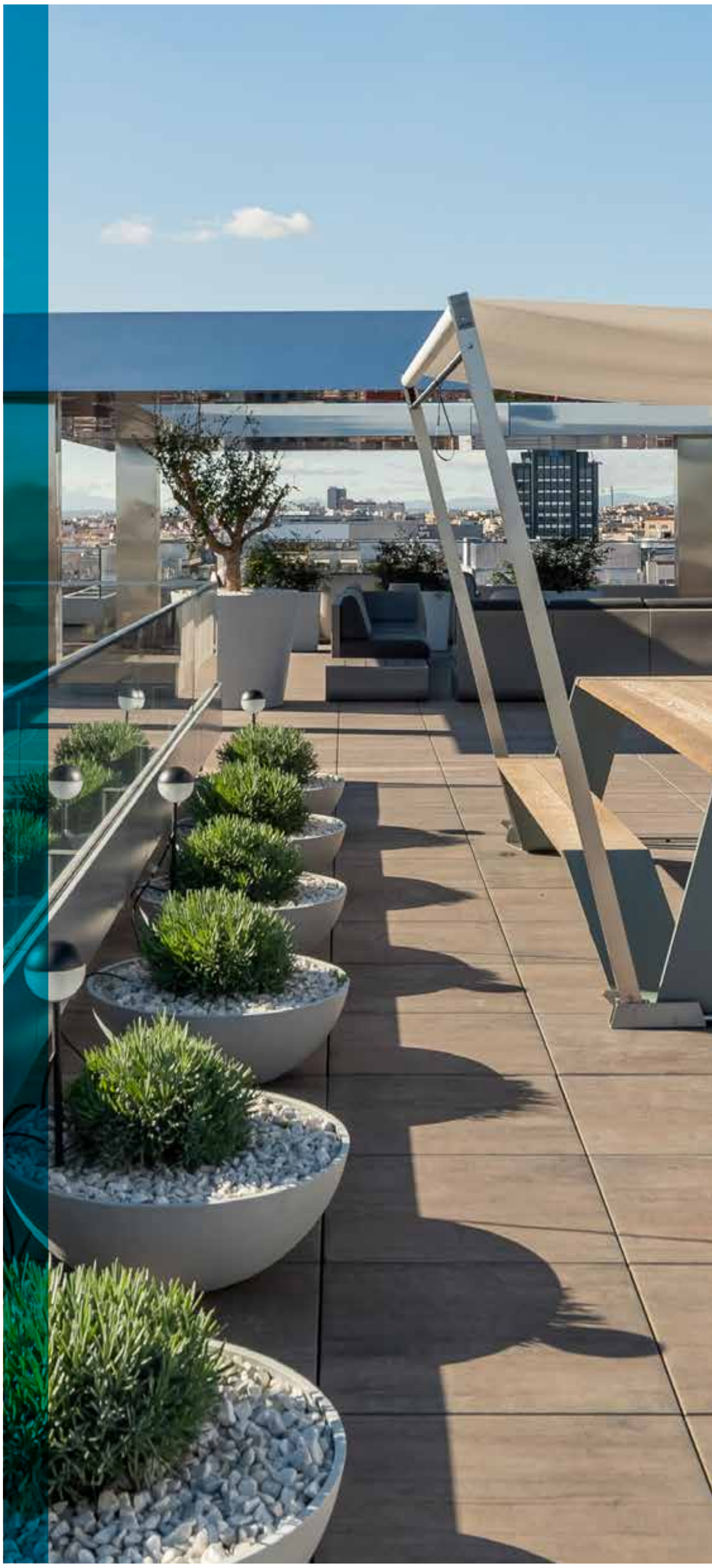
  - Public Wi-Fi: They can spy on our information!
  - Protecting confidential information.
  - Tips for everyday Internet use.
  - Stop for a minute to think before you click; it could be phishing!
  - Christmas is coming, Christmas scams are coming online.

- Phishing mail and ransomware: 33% of randomly selected employees receive a phishing email (email trying to obtain private information) and a ransomware email (simulation of the installation of a malicious file to steal and encrypt information).

  Some examples of the campaign carried out in 2022 are:

  - Office 365 - Blocked account.
  - We have translated your public LinkedIn profile!
  - Amazon Prime Video - Complete the survey and get an unmissable discount.
  - Google - Drive: Shared document.
  - Booking.com - Confirm your booking.
  - Amazon: Special Christmas gift.

Furthermore, Utopicus has prioritised the empowerment of the team in order to provide them with technical tools that make them more autonomous when it comes to managing the spaces, such as training in **audiovisuals** for all the spaces and the **use and management of the fire detection system** (alarms). The latter refers to spaces that are not owned by Colonial and where Utopicus operates individually. In this respect, safety is reinforced, not only for their employees but also for their clients, by a trained team that manages the Utopicus centres in the **use of defibrillators**.



Individualised and role-specific training

This year in Colonial, with the help of experts in the field, numerous technical training courses have been given, among which we highlight the following disciplines: circular economy, sustainable financing, compliance, company valuation and real estate strategy, among others.

Outplacement services

We are committed to supporting employees throughout their entire employment cycle. Colonial therefore partners with external providers to ensure that its employees receive professional advice to protect their careers. The program includes the following benefits to assist in their transition to a new project:

- Increased knowledge of the labour market and the most viable career alternatives.
- Specialised, individual support.
- Implementation of job search methodologies.
- Increased networking with respect to recruitment agencies and headhunters.
- Organisation of training sessions: The candidate will be able to attend individual and team training sessions. Examples include:
  - Personal branding.
  - Networking.
  - Interim management.
  - Competency-based interviews.
  - LinkedIn Advanced.
- Online training: The person will have thirty hours of training based on the following concepts:
  - Interpersonal skills.
  - Leadership and management skills.
  - Sales skills.
  - Business skills.

To support people who wish to move from Colonial to a new project, we offer the following benefits:

- **Emotional support**: To overcome disassociation with a positive attitude.
- **Orientation**: Defining personal objectives and designing strategies to achieve them, always bearing in mind the reality of the employment market.
- **Optimizing the value of each individual**: Empowering and valuing people, selecting the right market channels.
- **Self-awareness**: A self-assessment exercise to identify strengths and establish opportunities and areas for improvement.

5.8.3 Total Reward

Total Reward refers to all the aspects that comprise the Colonial Group's employee remuneration package: fixed salary, variable salary, social benefits, recognition, development and well-being. In 2022, we conducted an in-depth analysis of our remuneration model, market remuneration practices and remuneration equity criteria in accordance with the principles of fairness and equality.

Supported by external advisors, all business units have been examined in depth in order to understand our competitiveness in increasingly sophisticated talent attraction and retention markets. As a whole, fixed remuneration, variable remuneration, long-term retention plans, social benefits and recognition, development and well-being policies are designed to provide Colonial with competitive policies to attract, retain, engage and motivate our employees. The fixed part of the salary is reviewed annually to ensure that it is in line with the pillars of the Total Reward Policy, the market and the Equality Plan.

The analysis and creation of a competitive total rewards package is a key aspect that is worked on every year from a gender equality perspective, taking into account internal and external equality along with the following aspects:

- For each employee: contribution, value contribution and impact on results.
- Principle of equal remuneration for men and women.
- Market salary data, from national surveys or the industry.

Moreover, the Colonial Group's Total Reward policy is structured around the following pillars:

Suitable remuneration for each position. Tools are used to assess the contribution (CCC), supported by market surveys for the sake of objectivity.

Equal opportunities. The remuneration policy is based on the recommendation of external experts who are continuously advising the Group on market practices.

Competitiveness with respect to the market. Colonial looks outwards and wants its offer of employment, development, compensation, professional and personal growth to be competitive in the market.

Colonial has a wage review process in place from December to March this year. This process, for the two companies in Spain, involves the CCC employee assessment tool, meetings with each of the managers of the different areas, as well as with the CEO. Each year, in this process, pay equity is worked on and refined, as well as the management of any gender or diversity gaps.

In terms of remuneration, 2022 was a year of reflection, understanding the market and questioning whether our variable remuneration models meet the best standards in terms of salary guarantees, employee satisfaction, adaptation of costs to market increases, and contribution of value.

This was a year in which we focused mainly on the variable remuneration of the Group and of each business unit with the main objective of guaranteeing its alignment with our remuneration principles of fairness, market fit, business fit, contribution of value and commitment to the organisation and the project.

a. Aligning value and contribution in our property management business

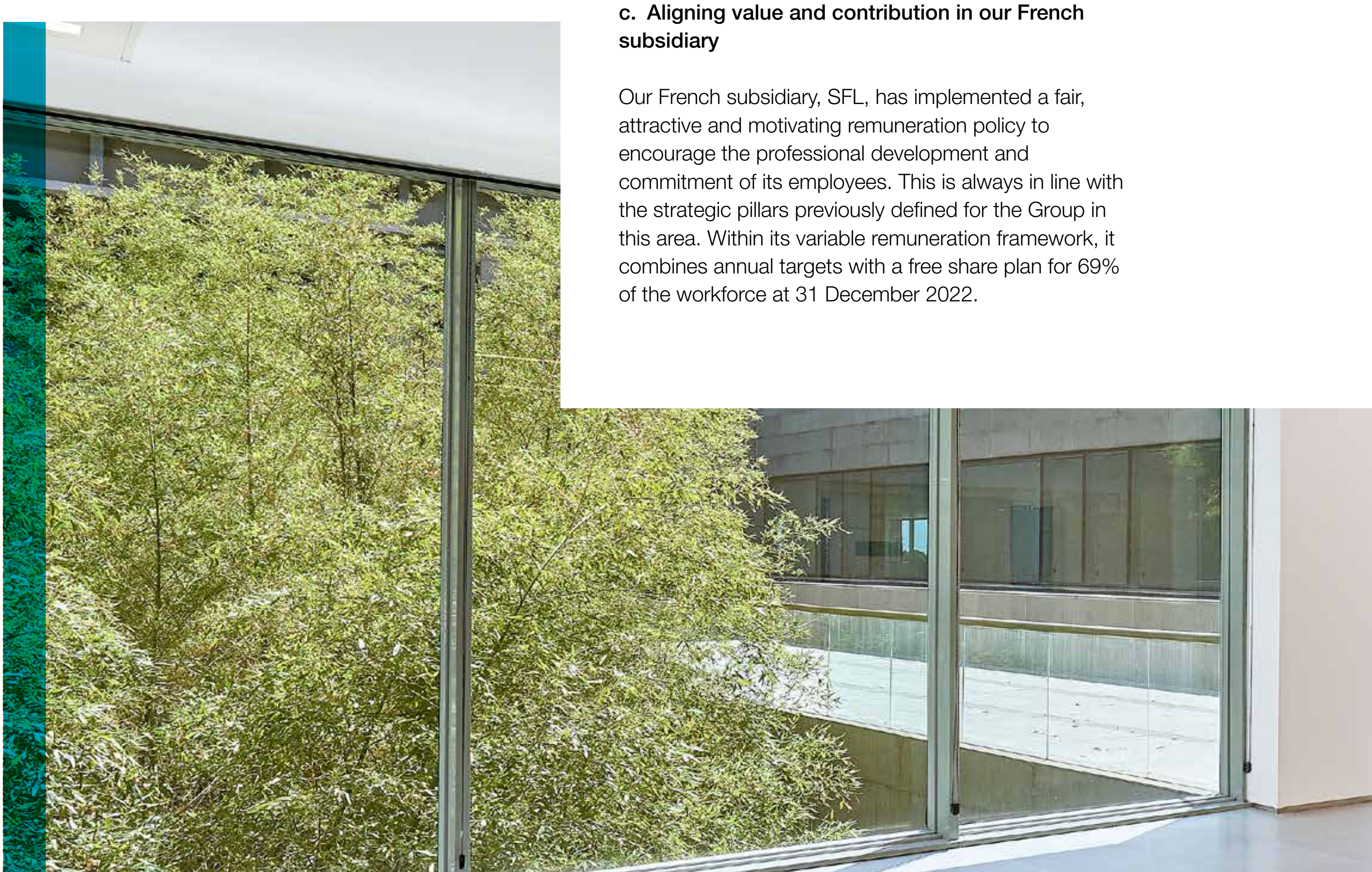
Based on these premises, 2022 was a key year for rethinking the variable remuneration model for our property management business. To this end, talks with the social partners, represented by a six-person works council, began in the middle of the year. With the council and the support of external advisors, the strengths and weaknesses of our variables system have been analysed with the aim of considering their review in 2023.

b. Aligning value and contribution in our flexible business

Utopicus definitively implements its variable remuneration policy after the pilot test carried out in 2021. The commercial and operations teams have a new system of objectives based on turnover and customer satisfaction criteria, core pillars for the success of the business. As a result, this division has a remuneration system that is increasingly focused on the achievement of strategic objectives. This new variable remuneration system has been built in consultation with the employees' social representatives, in line with our way of working, always collaboratively with the social partners and responding to market parameters.

c. Aligning value and contribution in our French subsidiary

Our French subsidiary, SFL, has implemented a fair, attractive and motivating remuneration policy to encourage the professional development and commitment of its employees. This is always in line with the strategic pillars previously defined for the Group in this area. Within its variable remuneration framework, it combines annual targets with a free share plan for 69% of the workforce at 31 December 2022.



Social benefits

The third compensation component is social benefits. These are available to the workforce regardless of their type of contract (permanent, temporary or part-time). Along these lines, the Colonial Group offers some general benefits and specific benefit plans for each area of business and country. In 2022, these benefits were maintained and distributed as follows:

Common social benefits in Colonial Spain and SFL

Thousands of euros	2022	2021	Variance
Health insurance	318	296	8%
Life and accident insurance	181	173	5%
Meal vouchers	249	221	13%
Total	**749**	**689**	**9%**

Specific social benefits of Colonial Spain

Thousands of euros	2022	2021	Variance
Parking Places	0	0	0%
Christmas dinner, Christmas hamper, gift basket, company events and others	206	101	105%
Total	**206**	**101**	**105%**

SFL specific social benefits

Thousands of euros	2022	2021	Variance
Pension plan - PERCO(*)	262	261	0.4%

(*) PERCO stands for “Plan d’épargne pour la retraite collectif”, a business savings system used in France.

a. Commitment to closing the pay gap

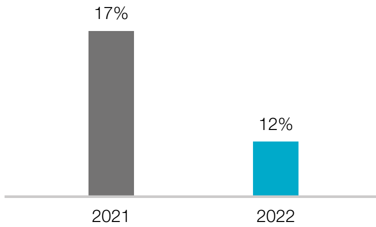
The Colonial Group is committed to reducing the gender pay gap. This commitment is defined within Colonial's Equality Plan, which provides for equal pay for men and women for equal work, and a salary review with common criteria for both sexes. For more details, see the section on "Equality, equity and diversity policies".

Pay gap by professional category (Colonial Spain)

Professional category	2022	2021	Trend
General and area management(*)	–67%	–8%	–58
Technical graduates and middle managers	23%	23%	0
Administrative and other	15%	16%	–1

(*) Executive Directors excluded.
Evolution due to the departure of one of the executives from the Group.

Colonial Spain global pay gap



In order to assess pay equality and equity in the Spanish subsidiaries, the pay gap is studied by external consultants and shared with the different committees that oversee these principles: the Equality Plan Monitoring Committee and the Works Council'.

For more information on the pay gap, please consult Colonial Spain's Equality Plan at the following link: https://www.inmocolonial.com/sites/default/files/uploaded-files/2021-12/3_equality_plan_inmobiliaria_colonial_2021.pdf

Furthermore, considering the current legal minimum wage, the ratio of the standard entry level wage to the minimum wage in Spain is 1.33 for women and 1.35 for men. Additionally, the ratio of the standard entry level wage compared to the minimum wage in France is 1.92 for women and 2.66 for men.

5.8.4 Equality, equity, and diversity policies

a. Equality plans

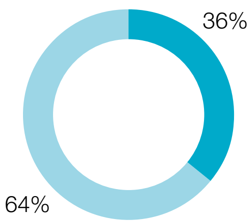
The Colonial Group's relationship with its employees, and that of its employees with each other, is based on mutual respect and equal treatment and opportunities.

The following table shows the gender diversity in the Colonial Group broken down by employment group:

	2022				2021			
	Women		Men		Women		Men	
	No.	%	No.	%	No.	%	No.	%
Board of Directors	4	36%	7	64%	3	27%	8	73%
Colonial's Management Committee	4	50%	4	50%	4	50%	4	50%
Group Managers(*)	49	54%	42	46%	52	58%	37	42%
Rest of the staff	99	70%	42	30%	93	73%	34	27%

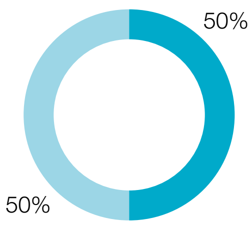
(*) This includes the heads of SFL and Utopicus, as well as the Group's qualified technicians and middle management.

Board of Directors



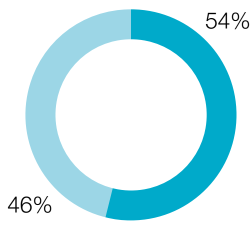
• Women • Men

Colonial's Management Team



• Women • Men

Group Managers



• Women • Men

The Colonial Group has an equality plan for each of the companies that make up the Group, and each plan has been drawn up under the same criteria and has the same strategies.

The Colonial Group maintains a very strict approach to compliance with the policies of equity, generational diversity and intellectual diversity.

The objective is to incorporate a gender equality perspective in order to eliminate discrimination. In keeping with its Code of Ethics and Sustainable Development Goals (SDGs), the Colonial Group rejects any kind of discrimination in relation to personal, physical or social issues. It also supports equal treatment for men and women in terms of access to employment, training, promotion and working conditions.

General objectives of the plans:

- Ensure equal treatment and opportunities for women and men in the Company.
- Integrate a gender perspective into the Company culture.
- Homogenise equality and gender perspective criteria in all areas of the Company.

Specific objectives of the plans:

- Ensure equal pay for all posts: equal value, equal pay.
- Facilitate a work-life balance for employees.
- Encourage the incorporation of women into the Company and their access to positions of responsibility.
- Commit to ensuring equal pay where gender inequalities are identified.
- Promote the occupational health of female employees from a gender perspective.
- Foster recurrent evaluations on the principle of equality and its application in the Company.
- Use non-sexist forms of internal and external communication.

Commitments by the Colonial Group:

a. Ensuring that collaborating companies have equality plans in line with regulations.

b. Striving to obtain, to the extent possible, the same number of female and male candidates in recruitment processes.

c. Encouraging greater diversity (gender, age, ethnicity, etc.) in the workforce across all professional categories.

d. Guaranteeing equal access to training opportunities for women and men.

e. Equal paternity and maternity rights with the aim of protecting the interests of newborns and children.

f. Defining the training development necessary to reintegrate employees into the Company after maternity or paternity leave.

g. Ensuring that pay differences are based only on performance, contribution, knowledge and impact on the organisation.

h. Colonial expressly prohibits any manifestation of violence, abuse of authority or any kind of harassment, whether physical, psychological or moral, as well as any other conduct that may create an intimidating, offensive or hostile working environment for people. To this end, Colonial has an internal protocol for dealing with situations of harassment in the workplace, which is available to all employees and included in its Equality Plan.

Each equality plan remains in force for four years. Reports are made to a joint Monitoring Committee comprised of employee representatives from each company, and monitoring is carried out on a quarterly basis.

SDG 5: Gender Equality / SDG 10: Reduction of Inequality

	Trend in indicators		
	2022	2021	Var..
In line with its Code of Ethics, the Colonial Group rejects any kind of discrimination in relation to personal, physical or social characteristics of its employees. It also supports equal treatment for men and women in terms of access to employment, training, promotion and working conditions.	63% women in the Group	66% women in the Group	–3 pp
Strategies / lines of action > Encouraging greater diversity (gender, age, ethnicity, etc.) in the workforce across all professional categories. > Guaranteeing equal access to training opportunities for women and men and ensuring that pay differences are based only on performance, contribution, knowledge and impact on the organisation. > Equalising paternity and maternity rights with the aim of protecting the interest of newborns and children.	36% women on the Board	27% women on the Board	9 pp

Furthermore, through its Code of Ethics that is applicable to the entire Group, Colonial is committed to maintaining a work environment free of any discrimination based on gender, race, sexual orientation, religious beliefs, political opinions, nationality, social origin, disability, age or any other personal, social or physical condition of its professionals.

Preparation and publication of the Utopicus Equality Plan

In 2022, the publication and registration of the Utopicus Equality Plan was successfully completed.

In addition, new actions of the equality plans have been implemented:

i. Inclusive language training.

ii. Co-responsibility and work-life balance training.

iii. Training in preventive measures against sexual and moral harassment.

iv. Psychological support for parents, pregnancy terminations and adoptions.

More than 75% of these measures were fulfilled in the first year after they were published.

SFL equality plan

In line with the values of the Colonial Group, SFL has two major commitments in its equality policies. Since 2017, it has undertaken a series of actions to:

> Respect the commitments made in the framework of the agreement on professional equality (detailed below).

> Maintain its support for people with disabilities (grant to LADAPT, conclusion of an agreement with ARPEJEH and use of ESAT).

Moreover, in December 2020, the company negotiated and concluded a new agreement on professional equality between men and women for a period of three years, which includes several measures accompanied by targets and indicators of progress in the following three areas:

> Recruitment and access to employment.

> Professional promotion through vocational training.

> Effective remuneration.

b. Equity, diversity and inclusion

One of the main drivers of the equality plans is the Colonial Group's aspiration to be an agent of change in society and to position itself as a company that contributes to changing society's values, encouraging the education of both girls and boys. In particular, it believes that training institutions should focus on educating their employees about the inequalities that certain oppressed groups in society may suffer. It intends to focus on gender equality, as it believes that there is an under-represented gender that should be given more consideration when filling positions within the Group. To this end, it collaborates with third sector organisations that are experts in this field, supporting them from a financial and communication point of view.

It is essential to understand what biases the workplace is susceptible to and how they affect its employees, so that it can take responsibility as a company and develop diversity, equality and inclusion programs that aim to put in place flexible strategies in its recruitment processes and consider other skills in addition to the traditional ones. This helps to build an environment with **equal opportunities**, which takes into account that each person, regardless of his or her starting point, has a background with various characteristics that can be advantageous for the Company.

In 2022, Colonial extended its collaboration with special employment centres, the main objective of these companies is to integrate people with disabilities into the workplace. The Colonial Group is working towards including this group in the workplace and making it a more inclusive, empathetic and efficient group.

As part of its policy of supporting the professional integration of disabled employees, in 2022 SFL renewed its financial support for the operation of LADAPT (Association for the social and professional integration of disabled people) activities, by means of an annual grant and the allocation of part of its apprenticeship levy for the year in question.

In 2022, it also renewed its membership to the ARPEJEH association, which promotes the training, skills development and employment of people with disabilities by supporting students between 15 and 30 years of age in their training and professional development. SFL has also allocated a portion of its apprenticeship levy to ARPEJEH to help fund its initiatives.

c. Human rights

Colonial wants to base its development and growth on the basic principles of human rights, integrity and transparency, which is why it signed the United Nations Global Compact in 2019 and supported the ten principles concerning human rights, labour rights, the environment and anti-corruption, and committed to integrating these principles into its strategy, culture and day-to-day management of the Company, as well as in its sphere of influence.

Basic principles of compliance by Colonial

> Principle 1. Colonial must support and respect the protection of basic human rights recognised internationally, within its sphere of influence.

> Principle 2. Colonial must ensure that its companies are not accomplices to the infringement of human rights.

Employment regulations

> Principle 3. Colonial must support the freedom of association and effective recognition of the right to collective bargaining.

> Principle 4. Colonial must support the elimination of all kinds of forced labour or work carried out under duress.

> Principle 5. Colonial must support the eradication of child labour.

> Principle 6. Colonial must support the abolition of discriminatory practices in employment and occupation.

Environment

> Principle 7. Colonial must maintain a precautionary approach that favours the environment.

> Principle 8. Colonial must encourage initiatives to foster greater environmental responsibility.

> Principle 9. Colonial must foster the implementation and dissemination of environment-friendly technologies.

> Principle 10. Colonial must work against corruption in all its forms, including extortion and bribery.

Through its code of ethics, applicable to the entire Group, Colonial is committed to maintaining a working environment free of any discrimination based on gender, race, sexual orientation, religious beliefs, political opinions, nationality, social origin, disability or any other personal, social or physical condition of its professionals.

Likewise, it expressly prohibits any manifestations of violence, abuse of authority or any kind of physical, psychological, or moral harassment, or any other kind of conduct that may generate an intimidating, offensive or hostile environment for people. To this end, Colonial has an internal protocol for dealing with situations of harassment in the workplace, which is available to all employees via the intranet.

As part of our Equality Plan, another of the actions planned is to make available to all Colonial employees the Company's internal protocol for dealing with situations of harassment or sexual harassment in the workplace. This protocol has been reviewed by an expert specialising in psychosocial risks from Quirón Prevención, our external prevention service. The Health and Safety Committee, as well as part of the Works Council, carried out the training on workplace harassment.

Colonial prioritises a culture of equality, equity, diversity and inclusion, as well as safe and healthy spaces. That is why it has created procedures and resources to prevent, detect and eradicate conduct involving psychological abuse and/or sexual harassment at work and, if such cases occur, to adopt corrective and protective measures for the victims.

In the event that a case should arise, the protocol details all the steps to be followed, from the first contact to the resolution of the conflict. The Group also undertakes to observe the national and international regulations in force in all countries in which it operates. In this way it ensures compliance with labour standards and the core conventions of the International Labour Organisation (ILO), allowing freedom of association and the right to collective bargaining, eliminating discrimination in employment and occupation, in addition to eliminating all forms of forced or compulsory labour and child labour.

Colonial extends these commitments to its entire supply chain.

5.8.5 Culture, well-being and communication

a. Real Team

At Colonial we want to transmit a culture that motivates people to adapt to the future of work and achieve more agile, liquid and flexible organisations.

REAL team building

Mas Cabanyes, a Catalan Renaissance farmhouse listed as a national monument, hosted our team building event to mark the occasion of Colonial's 75th anniversary. The event brought together all employees of Colonial and Utopicus Spain. In addition, the Management Committee of our French subsidiary SFL joined us.

Sharing passions

Our aim is to be a Company whose leaders are accessible to their employees; therefore, we organise activities that allow for a relaxed and bonding approach. In this case, a group of employees were able to spend a day at the Monastery of Montserrat, visiting, among other things, the private collection of Byzantine and Slavic icons with our Chairman, Juan José Brugera, who is passionate about Byzantine art, followed by lunch with the whole group.

A magical night to create memorable moments

The afterwork model, a growing and fun trend, was an option that Colonial chose this year to celebrate its Christmas party to spend a fun time outside the office.

We enjoyed a magical, relaxed and lively evening with all the colleagues from Colonial and Utopicus.

This allowed us to strengthen the relationships between all of us and we were able to spend time with those colleagues we do not normally meet in our daily work.

Charity dinner with employees in aid of the Kálida Foundation

As part of Colonial's social responsibility policy, we wanted to be present and contribute to the Kálida Foundation's 1st charity dinner-concert by participating as one of its main sponsors. At Colonial we know the importance of working in a pleasant environment with a healthy atmosphere of well-being. Empathy is essential in a work context, at least for good communication between everyone. The new context requires new leadership formulas, adapted to the digital age and teamwork.

The Kálida Foundation event allowed 10 Colonial colleagues to attend the event together with Colonial's CEO and Human Resources director. A unique moment, outside the work environment, to share and talk in a relaxed way with some members of the Management Committee.

The Foundation explained to us first-hand the important work they are carrying out in this space for emotional, social and practical support for people with cancer, their families and friends.

An apple for life

UNA MANZANA POR LA VIDA

Colonial has joined the “An apple for life” charity campaign run by the Multiple Sclerosis Foundation. At Colonial we want to promote values of solidarity through corporate social responsibility actions to have a positive impact on society. This makes all the more sense given the current economic, social and health situation. Sharing a charitable cause, giving it visibility and involving employees can be a great way to strengthen the relationship between employees and the Company. Colonial wants to give its employees the opportunity to participate in something important, working towards a common objective and helping those who need it most.

b. Innovation: intranet and InmoCheck

Intranet

> A year ago we launched our new intranet, a multi-language and mobile tool.

The intranet facilitates our organisation’s work as it allows us to control, store and distribute the flow of internal information.

From this platform, employees can access different essential documents according to their areas of expertise, also allowing them to be distributed them digitally.

It has become the meeting and focus point for all Group information and a key element for internal mobility and professional careers. Its objective is to enable the effective distribution of internal information and the fluidity of communication between all parties.

Through this platform we will have shortcut access to the Employee Portal, a project for 2023.

InmoCheck

Inmocheck, the Colonial app was launched this year, which is the result of the great work carried out by the IT team.

Colonial has taken a step further towards the digitalisation of building services. This new platform has been recognised with different awards in the PropTech world (MIPIM), it is present in 20 countries, and it manages more than 200 buildings of more than 30,000 sqm.

- Access card: Entrance to Colonial’s turnstiles and lifts.
- Booking of rooms: Book, check availability and create meetings directly from the app.
- Transparency in environmental data: Every 15 minutes you will see the actual data from the temperature, CO_2 and humidity sensors that are geopositioned on Colonial’s office floor plans.
- Incident report: Quickly and promptly alerts you to incidents in the office (fused light bulbs, broken toilets, etc.).
- Visualisation of workstations: See the floor plans.

Inmocheck is a very useful tool for all employees that speeds up access to our spaces and also keeps all staff informed of the day-to-day activities in our buildings.

c. Workplace well-being

As discussed throughout this chapter, our staff is an essential pillar that ensures the smooth running of the Company. For this reason, Colonial seeks to implement measures to improve the professional life of its employees.

In this respect, it has implemented two programs:

i. Reduction of working hours: There is the option to reduce working hours for those employees who need to take care of a family member. In accordance with the collective bargaining agreement, the salary is pro-rated accordingly.

ii. Intensive full time: This measure, included in the Equality Plan, makes it possible to compact the working day into a single shift, which makes the working day more flexible.

In addition, to coincide with the return to full working hours, our canteens and offices have been restocked so that they could be fully used again after the pandemic.

Colonial offers the best conditions and comforts to be able to feel good in our day-to-day life. Diagonal 532 has new changing rooms designed to contribute to the well-being of the buildings' clients.

Utopicus follows Colonial's example and optimises its spaces to achieve maximum well-being for clients and employees in private offices and common areas, and promotes sustainability in each of them. All our spaces have ergonomic furniture, recycling points, reused materials and taps with purified water. In addition, some of them offer bicycle parking facilities, natural vegetation, terraces, spacious changing rooms with showers and rest areas (with nap pods) or wellness areas.

Combined with our dynamic and sustainable personality, physical activity is encouraged at each site to improve the health of our employees.

d. Colonial Connection

One of the factors in maintaining or improving employee engagement and well-being is through motivation. Through regular meetings, we are able to get closer to employees, enabling us to give them the Company's news first hand.

We want to ensure that we keep our teams involved in our organisation and know what their concerns and opinions are about the running of the Company, and to empathise with them as much as possible.

Colonial Connection organises regular meetings to share and listen. Some of the talks that have taken place this year include:

- Inauguration of the Méndez Álvaro Campus.
- InmoCheck installation manual.
- Good electricity consumption practices.
- Aid to Ukraine.
- Presentation of annual results.
- SFL news - Bureaux à impact.

Utopicus All-hands

Transparency of information is one of the pillars of Utopicus; therefore, monthly all-hands meetings are held where management shares the progress of the business with all employees and various departments participate by sharing new projects or ongoing duties. They end with a question-and-answer session where employees can answer questions or contribute ideas of value to the business. Likewise, different newsletters are regularly sent to employees with information on new hires, changes in working hours (for example, the summer timetable), latest news, etc.

e. Great Place to Work (GPTW)

The Colonial Group's aim is to create a work culture where employees feel that they are part of a group that cares for them and is concerned about their well-being. We have various tools in place for this purpose. One of the most important of which that allows us to measure the level of trust and satisfaction with the organisation is a Great Place to Work, a methodology based on measuring the levels of trust in the organisation and its leaders. In 2022, with a similar participation to that of 2020, we were re-certified as a Great Place to Work for the second time in a row. We are proud of this fact, which reflects our firm commitment to continue working to make Colonial the best place to work. The three qualities most highly valued by Colonial's employees were once again: pride, camaraderie, and credibility.

- Pride: Colonial's employees are proud of their team, of belonging to the Company and of the work they do. The different achievements are experienced with satisfaction, reinforcing the intention to work at Colonial for a long time. The team, the workspaces and the projects make the employees like to come to work at Colonial every day. Finally, excellence is considered a key aspect in assessing the service offered to our clients.

- Camaraderie: The relationship with colleagues and the feeling of teamwork was another of the most highly valued areas. The Colonial team emphasises that they can be themselves in the workplace and know that they can count on the collaboration of others from day one, where there is a warm welcome when someone joins the Company or changes departments.

- Credibility: This refers to employees' perceptions of their superiors and their integrity. In this way, honesty and ethics in running the business are highlighted by employees, as well as a clear vision of where the business is going and its competent managing.

  The confidence of the managers in the teams to do a good job, in addition to the accessibility of the teams have been highlighted; any questions are welcome and receive a direct answer.

The feedback collected in this survey is analysed and integrated into the Group's strategy to implement two-year action plans. These plans are aimed at achieving greater employee satisfaction and contribution.

f. Well-being and occupational health

In order to provide a safe and stable environment for its professionals, the Colonial Group complies with all current Health and Safety regulations, and also has sophisticated and protective occupational risk prevention measures in place to prevent and minimise any incidents.

The Spanish External Prevention Service (SPA) conducts the assessment of occupational hazards in all positions, as well as in the other office spaces, and plans and proposes corrective measures if necessary to prevent any accidents. The assessment of occupational hazards is carried out pursuant to current legislation, in due consideration of the nature of the activity and the characteristics of the positions and the employees working in these roles. This establishes priorities for courses of action to reduce, eliminate and control the hazards identified.

In the event of an accident or any potential danger posed to the health of employees, the Human Resources team is informed along with the SPA contact, internal reports are completed, and if a person involved in an accident requires attention, the accident insurance company is contacted. The accident is investigated on the basis of the reports, and, if necessary, the assessed and planned risks of preventive actions are reviewed to avoid a recurrence of the factors that could lead to an accident.

Colonial provides a course on Occupational Risk Prevention (ORP) to all new recruits and ensures that external employees who collaborate through temporary employment agencies have also taken the course.

Quirón Prevención, our External Prevention Service, (SPA) has kept us periodically informed of all updates to the COVID-19 protocols and necessary measures for both Colonial and Utopicus.

For Colonial, the most important thing is the health and safety of our employees, and for this reason, we have always adapted the working conditions to the requirements of the pandemic situation, establishing the option of working remotely for both Colonial and Utopicus as a preventive measure.

In order to ensure the health of our employees at all times, the medical check-ups offered periodically to employees have been carried out in Spain.

In 2022, SFL implemented an active policy to protect the health and safety of its employees, which included:

> The continuation of the First Aid at Work training program.

> Renewal of firefighting training in coordination with APAVE.

> Renewal of training on electrical authorisations for the employees involved.

No occupational illnesses or accidents were recorded in 2022. In the same period, only one commuting accident was reported, resulting in two days of temporary incapacity for work.

In Spain, Colonial has a Health and Safety Committee, made up of four people (two representing the Company's management and two representing the employees) representing 100% of the organisation's workforce. The Committee ensures the proper application of measures focusing on safety and the prevention of occupational hazards, at the same time guaranteeing a healthy working environment.

In 2022, three meetings were held with the Health and Safety Committee at Colonial. The most important topics at these meetings focused on consolidating the roles of the First Responders Team, which is why all its members have undergone specific training to effectively follow the Company's Emergency Plan. To complement this training, a basic fire-fighting course was also provided.

Health and safety indicators

SDG 3: Health and Well-Being

	Trend in indicators		
	2022	2021	Var.
Colonial is committed to ensuring the health and well-being of its employees, in addition to their safety. Going beyond the requirements demanded by law, Colonial aims to create environments and facilities that are conducive to a healthy lifestyle in and out of work for its people.	0 incidents of non-compliance concerning health and safety	0 incidents of non-compliance concerning health and safety	0 pp
Strategies / Lines of action > Training in Occupational Risk Prevention > Medical check-ups > Well-being measures: flexible working hours, ergonomic spaces, mindfulness workshops, etc.	0 accidents	2 accidents	–2 accidents
	0 workplace illnesses	0 workplace illnesses	0 pp

In its commitment to the safety of its employees, the Colonial Group monitors the main indicators in this regard. In 2022, as in 2021, two accidents were recorded.

The table below shows the number of accidents at the workplace, the number of accidents on the way to and from work, and the frequency and severity rates.

Accident Rate

	2022	2021
Accidents	0	2
Accidents to and from work	2	2
Frequency rate(1)	0	4.79
Frequency rate of accidents with serious consequences(2)	0	0
Severity rate(3)	0	0.04

(1) (No. of accidents with sick leave/total hours worked) *1,000,000.
(2) (No. of accidents with serious consequences/total hours worked) * 1,000,000.
(3) (No. of days off work/total hours worked) * 1,000.

The following table shows the accident rate by gender for 2022:

	2022			2021		
	Men	Women	Total	Men	Women	Total
Accidents	0	0	**0**	1	1	**2**
Accidents to and from work	0	2	**2**	0	2	**2**
Frequency rate[(1)]	0	0	**0**	6.73	3.72	**4.79**
Frequency rate for accidents with serious consequences[(2)]	0	0	**0**	0	0	**0**
Severity rate[(3)]	0	0	**0**	0.03	0.04	**0.04**

(1) (No. of accidents with sick leave/total hours worked) *1,000,000.
(2) (No. of accidents with serious consequences/total hours worked) * 1,000,000.
(3) (No. of days off work/total hours worked) * 1,000.

No occupational illnesses were reported during the same period, showing the efforts to prevent psychosocial hazards and an improvement in the quality of life in the workplace. Employees also undergo health checks every two years.

Lastly, as shown in the table below, in 2022 Colonial Spain's absence rate increased to 4.4% (2.6% in 2021, an increase of 2.3 pp). In no case is this increase in absence due to an increase in the accident rate, but to an increase in maternity and paternity leave. Specifically, Colonial Spain had a total of 11,872 hours of absences in 2022 (10,789 hours in 2021, a 10% increase).

The total number of absent hours for the Group in 2022 was 18,793, an absence rate of 4.9%.

Absence - Colonial Group

2022	Absence hours	Absence rate
Colonial Spain (includes Utopicus)	11,872	4.4%
SFL	6,921	6.3%
Total Group	**18,793**	**4.9%**

5.9. Clients

5.9.1 Prime client portfolio

Prime client portfolio with solvency

The Colonial Group's operational strategy focuses on supporting and meeting the needs of its clients so that they achieve high levels of satisfaction with the spaces, as well as with the services and treatment received.

The Colonial Group has a high volume of renewals of its rental contracts, as a result of its work, the Group's professional specialisation and the vast experience of the entire Colonial team. Proof of this is that 85% of our clients have stayed with us for more than five years and 41% have been renting active space from our portfolio for more than ten years.

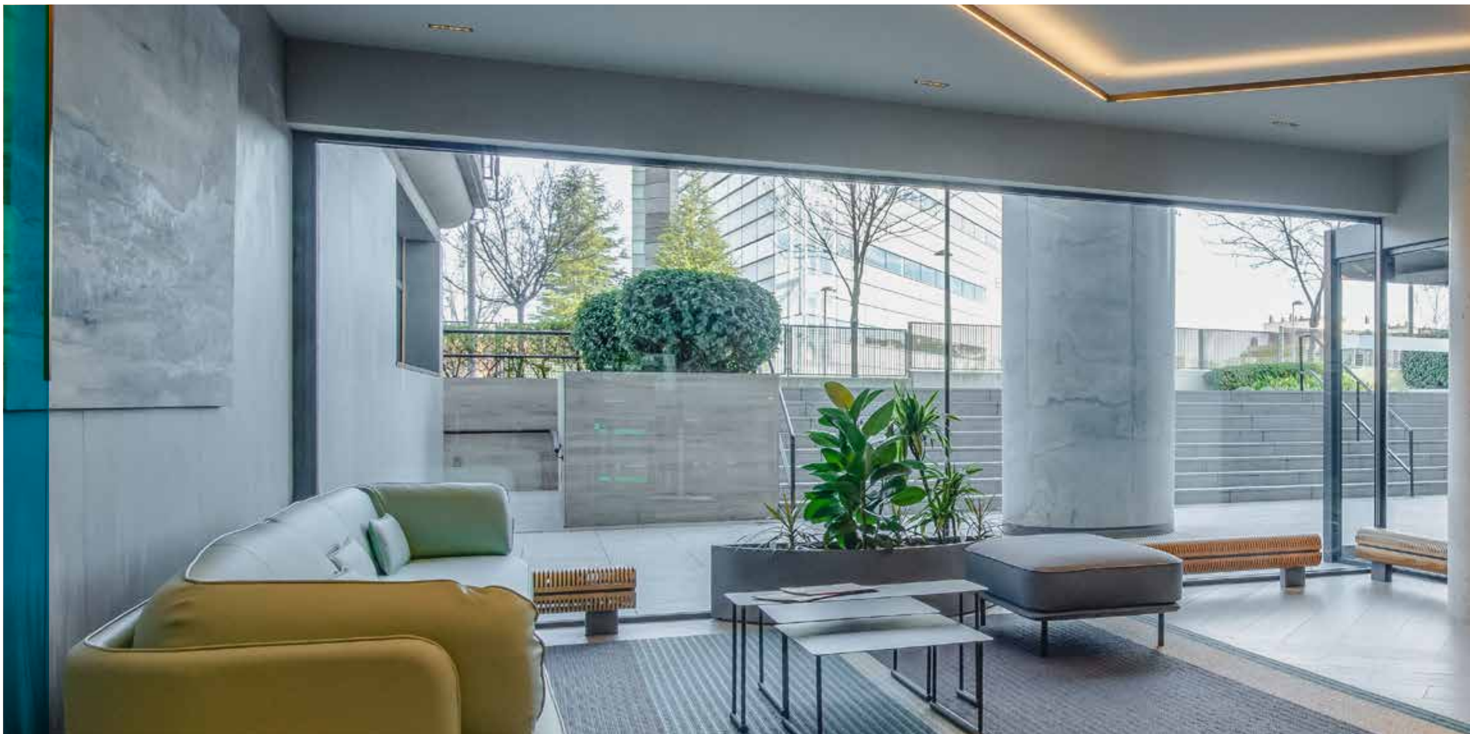
From a financial point of view, this high client retention capacity should be seen as conferring a high resilience and recurrence to the Company's revenues and therefore a sustainable business in the long term.

The Colonial Group's asset portfolio consists of grade A assets in the top locations in the Paris, Madrid and Barcelona markets. Our client portfolio is highly diversified across many sectors, which provides great robustness to revenues given the low client rotation. In addition, across different sectors, of special mention are those that require quality offices in central business districts due to the nature of their businesses.

5.9.2 Value-added services

The Colonial Group places client relations at the heart of its business strategy. That is why we continue to work with the aim of building relationships of trust with our clients to ensure the highest level of satisfaction by promoting constant and fluid communication, joint work, innovation and sustainability of the spaces. This continues to make us want to know and understand the current and future needs of our clients in order to exploit the spaces in a much more efficient way. To achieve this, the Colonial Group has two key pillars: personalised service in the day-to-day management of relations through a single point of contact (Client Solutions Manager) and the measurement, improvement and monitoring of the satisfaction of its clients and users. We are focused on four important aspects such as well-being, mobility, accessibility, technology and innovation.

Client satisfaction is measured through different satisfaction surveys on a recurring basis in its three operating markets: Paris, Madrid and Barcelona. These are used to control and monitor how their needs evolve and to evaluate how Colonial responds to them.



5.9.2.1 Anticipating trends and client needs

I. Paris

As part of the client satisfaction monitoring, every two years, SFL conducts a satisfaction survey for all the employees of its clients in Paris to measure their level of satisfaction and expectations in terms of working methods, services and environment.

Nearly 1,000 people participated in the last satisfaction survey conducted in 2021, Paris WorkPlace.

This survey was carried out before and after COVID-19, thereby allowing trends and social inflections to be identified. The user profile of the Paris buildings is that of a 40-year-old manager, living in central Paris, who takes between 5 and 45 minutes to get to work by public transport. More than 95% of respondents are satisfied with their facilities, with the percentage of very satisfied people increasing from 26% to 46% since 2015.

The majority of respondents stated that they are more sensitive to issues such as waste sorting (86%), reducing printing (84%) and the use of sustainable mobility (63%) than 10 years ago. However, 78% of employees (of all ages) say they behave more eco-responsibly at home than at the office.

The Company’s commitment to its environment is further reflected in the well-being of its clients and employees. Employees who work for a company that supports associations give themselves a well-being score of 7.1/10, compared to 6.2/10 for those who work for a company that does not support an association.

II. Barcelona and Madrid

Colonial considers it essential to provide its clients with sufficient communication channels in order to create a fluid relationship of trust, making it possible to better know their needs, which in turn favours that Colonial can detect opportunities and possible areas for improvement in managing the properties. Within these channels, a Satisfaction and Quality Survey is carried out every three years in Barcelona and Madrid among the client portfolio which due to COVID-19 could not be carried out with the internally established frequency. The aim of this survey is to capture the opinions, wishes and concerns of clients about the spaces, services and facilities that Colonial provides at its properties.

The latest survey conducted in 2018 revealed that 86% of clients were satisfied or very satisfied. Due to the pandemic, it was not possible to carry out this survey again until 2022.

The result was that 82% of clients rated the management carried out by Colonial as positive or very positive, with 56% of clients responding to the survey.

As it does every year, Colonial continues to carry out a series of planned improvement actions in accordance with the ongoing renovation program of its portfolio, with the aim of modernising the common areas for the enjoyment of users as an accessory to the environmental policy implemented by the Company.

Of all the actions carried out, the most relevant have been the following:

1. Opening of changing rooms in several buildings: Torre Marenostrum and Llacuna, 56 in Barcelona and Puerto de Somport, 8-10 in Madrid.

2. Creation of micro-mobility zones with the incorporation of bicycle racks in several buildings: Francisco Silvela, 42, José Abascal, 56, Francisca Delgado, 11 in Madrid and Av. Diagonal, 532 in Barcelona.

3. Creation of a new lounge area with vending machines in the Torre BCN building in Barcelona.

In addition, Utopicus, as an expert in the user experience of the Group's flexible spaces, also conducts a recurring Satisfaction Survey among its users and clients. The Utopicus management team considers the results of the survey to be essential for the proper design of its space and client management strategy.

This survey is carried out on a half-yearly basis, which makes it possible to continuously monitor the degree of satisfaction and at the same time check the acceptance of the new measures that are being implemented.

The last consultation carried out in June 2022 took into account the responses of 758 users and clients in the different centres in Madrid and Barcelona. All the centres, except Utopicus Gal-la Placidia, continue, as last year, to score more than 8 out of 10 for satisfaction with the Utopicus community, while the assessment of the space also received a very good. Finally, the clients rated the Utopicus staff working directly in the spaces with a score of more than 8.5.

Clients can report incidents on a management platform or via their centre's community front.

5.9.2.2 Value-added services: Coworking & PROPNET

Hybrid product. Colonial/Utopicus

In the offices market, one of the main trends to adapt to the increasingly demanding needs of clients and users has been the creation of offices that also offer flexible spaces (coworking).

Since the acquisition of Utopicus, Colonial has boosted its growth and establishment in Barcelona and Madrid by launching various initiatives that have consolidated this brand as one of the main operators in the sector and currently has fifteen of its own centres with more than 41,951 sqm of floor space at December 2022.

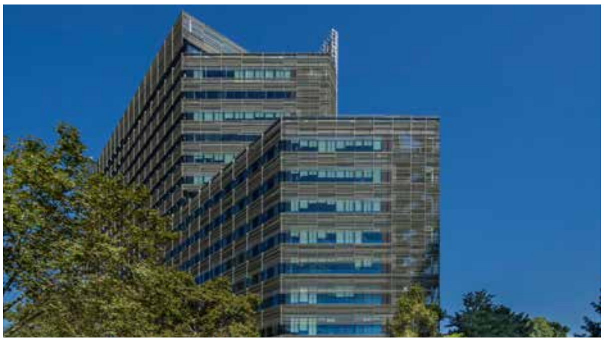
In 2022, two flexible workspaces were opened. The first in Barcelona: Utopicus Diagonal, which is located in the same building where the Colonial Group has its corporate headquarters. This space is found on the second and third floors and spans 2,600 sqm with 240 sqm of terrace for the exclusive use of its clients and it offers a premium office model, with high quality standards, greater efficiency and larger ergonomic furniture. Its concept is different from other locations as most private offices include an interior office that can be used as an office or meeting room. This space does not have hot desks (flex and fixed rate) or shared workstations; it is entirely for the exclusive use of the companies in the space.

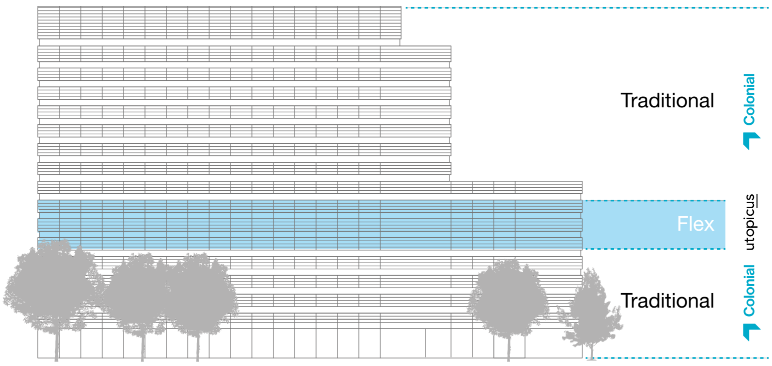
The second flexible workspace is in Madrid, Utopicus Ramón de la Cruz, and it was the only opening in Madrid in 2022. This floor, previously occupied by a tenant of the Colonial Group, from which part of its layout was reused to create Utopicus, offers a new concept aimed at large corporations, 2,100 sqm divided into three private modules, with independent access and with all services managed by Utopicus. Like Utopicus Diagonal, Ramón de la Cruz does not have a flex or fixed coworking set up, it is for the exclusive use of the companies in the space. This new concept has been very well received and at the time of opening it was already 100% leased.

Based on the experience in managing the Utopicus coworking spaces, in 2019, the Group started to develop a product that best adapts to the new needs by offering a new type of "hybrid" real estate service. This model involves having traditional offices and coworking offices coexisting on different floors in the same building, a product that allows office clients to gain flexibility in their implementation. In the same building, they can have additional space for their teams, meetings and events, as well as benefit from all the digital content and courses offered by Utopicus. For their part, clients and users of flexible spaces benefit from being in a more professional environment and benefiting from the hub effect of companies in the same sector.

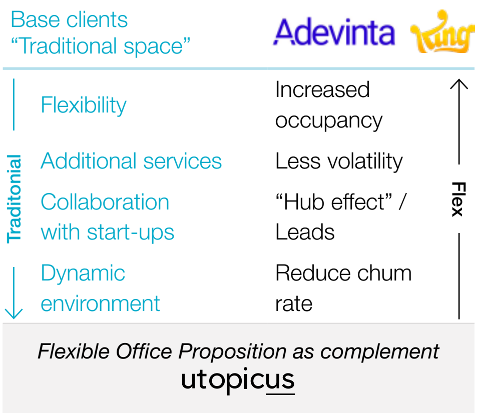
The hybrid product allows Utopicus to access the best locations in the city centre in Colonial's buildings, as well as to incorporate the know-how of Colonial's teams in works and installations and to benefit from framework contracts with approved suppliers.

The case for Parc Glòries Barcelona





Benefits of hybrid products



Additionally in 2022, further work was carried out on the extension of the centre at Francisco Silvela, 42; half of the second floor of the building was acquired, equivalent to 235 sqm, thus reaching 3,500 sqm. This extension has been very well received and was rented by a client in headquarter flex format just after completion of the implementation. Expansion work was also carried out at the Utopicus Príncipe de Vergara centre, where specifically the third floor of The Window building was acquired for the implementation of a client who acquired an office in the office as a services format. These actions are an endorsement of the Group's commitment to being able to offer the market a comprehensive range of traditional office and flexible workspaces.

Development of new flexi services

In 2022, Utopicus reviewed its services associated with flexible offices to respond to the needs of its clients and anticipate the evolution of office use in the future. These new services consist of:

- Updated flex and fixed tariffs: In order to adapt them to the new needs of the market and our clients, these two rates have been optimised and are now called Working Pass. This rate is the perfect complement for companies with offshore employees, who can use it as a complement to their office in another Utopicus location. The change in this rate has two objectives: the first, to adapt it to quality standards in terms of ergonomic and operational furniture, and the second, to make it more flexible and extend access to 24/7.

- Office as a Service: This is based on offering new locations, which are available in the Colonial portfolio. They are designed and implemented based on Utopicus standards and the client's branding. They are for the exclusive access and use of the client, but the entire office management is managed from Utopicus. This model does not include access to other locations.

Technological innovation to improve our clients' sustainability

Within the framework of innovation in the management of clients and their needs, Colonial has launched the ED-I platform, previously referred to as the PROPNET project, an initiative which, by collecting and centralising data in a single platform, makes it possible to better understand and measure the needs of clients, and also to improve decisions in the value chain.

With ED-I, Colonial can measure, control and add artificial intelligence to its client management. It can measure the clients' comfort, control all the installations that affect their comfort and anticipate their needs according to behavioural patterns.

ED-I focuses on the sustainability of Colonial's buildings. It can measure the building's carbon footprint, control the use of resources to reduce and optimise energy consumption, as well as design the most efficient future spaces and assets possible and boost the clients' own ESG rating.

5.9.2.3 Sustainability proposal

The Colonial Group aims to maintain a proactive service in constant communication with clients in order to improve the degree of satisfaction and intensify long-term relationships. As such, it assures the quality, technical safety and environmental values of its properties.

To this end, and in line with the Group's Well-being Policy, the following goals have been set:

> Promote innovation and be at the forefront in the range of services available in the common areas (by fitting out spaces such as rest areas or installing equipment such as water dispensers for the use of tenants), and in client well-being and accessibility.

> Involve tenants in strategies to improve the environmental performance of properties.

> Encourage the inclusion of the environment and social dimensions in the satisfaction surveys, as well as the design of other surveys on specific elements that may concern its clients (e.g. environment, accessibility, services, etc.).

I. Wellness

The objectives of the Well-being Policy are aligned with the improvement actions at the levels of sustainable certifications, eco-efficiency targets and the requirements of the Group's environmental monitoring procedure. Through these objectives, the Group implements measures to achieve healthy, safe and comfortable environments with optimal indoor conditions.

Recognising that clean air is critical to health, Volatile Organic Compounds (VOCs) emitted by finishing materials and cleaning products, which would pollute indoor air, are limited and CO_2 levels are controlled in both outdoor air and air generated inside office spaces, as well as other physical conditions such as temperature and relative humidity. In addition, the Colonial Group avoids carcinogenic or toxic cleaning products and those with side effects.

The Group monitors water quality with the necessary analyses and treatments, as well as the accessibility of water sources, by installing dispensers connected to the supply network in the common areas of the buildings.

In terms of the spaces, the elimination of architectural barriers in buildings is monitored. In compliance with current regulations on universal accessibility, all the Colonial Group's buildings have accessibility measures for people with disabilities. Where space permits, communal seating areas have been provided for all occupants (indoor areas include seating and vending machines and outdoor areas are sheltered from the wind and rain).

The numerous biodiversity measures implemented in the buildings also contribute to increasing the physical and psychological well-being of the users, as plant species help to oxygenate the environment and maintain the humidity level, which also reduces the dust accumulated in the air and creates a pleasant atmosphere.

The indoor environment should be a space that promotes comfort, productivity and the physical and psychological well-being of people. For this reason, the Group guarantees transparent and open spaces that enable maximum flexibility in implementation works, adequate natural and artificial lighting, as the buildings have high percentages of glazing in their façades, which allow natural light to pass through and accessibility to exterior views. In addition, most of the facilities are equipped with LED lighting for visual comfort. Daylight sensors are installed in the renovations to automatically regulate the artificial lighting for optimal illumination.

The Building Management Systems (BMS) implemented homogeneously in the buildings ensure that the air conditioning elements are working in accordance with the indoor comfort strategies, monitor and make certain that the indoor conditions are in line with the objectives of the Colonial Group's Well-being Policy.

In 2020, the Works Action Plan (WAP) was implemented for works that could affect clients and users of the buildings. The purpose of the WAP is to study the works carried out by Colonial, identifying the effects that these may cause to the users (tenants, user companies, visitors, etc.) and adopting the necessary preventive, protective and corrective measures to eliminate or, at least, minimise these effects. These measures are complementary to those included in the Health and Safety Plan, in order to guarantee the comfort and well-being of all users during the works.

Furthermore, the Colonial Group has a series of measures implemented in its buildings for clients to certify their office spaces with the WELL certificate, either because they are located in an environment that is already adapted to the requirements of this certification or one that facilitates its application.

For example, Francisca Delgado 11 was awarded the International WELL Gold certificate in 2022.

INTERNATIONAL WELL BUILDING INSTITUTE™

Furthermore, health and well-being are an integral part of a broader vision of sustainability and, as such, are also present in the requirements of the sustainable certifications held by the portfolio's buildings, such as BREEAM and LEED.

II. Good practices in environmental management

As part of these services, the User's Manual for Good Practices in Environmental Management has been developed, with specific building guidelines, to ensure tenants manage their activities and maintain their offices in a manner consistent with the sustainability criteria of the Colonial Group's Environmental Policy.

It is a proactive, two-way and transparent document between the different clients and the Colonial Group and is accessible for consultation and dissemination.

The new client contracts signed from the beginning of 2021 include Green Clauses, in such a way that the tenant undertakes to cooperate with Colonial and the other occupants of the building to achieve efficient environmental management of the building, energy and water savings, aligning with waste management initiatives and using materials derived from sustainable resources for the implementation or adaptation of private spaces.

In the case of SFL, all office rental contracts signed since 2016 include an environmental annex which includes a guide for building occupants, with all the necessary information on accessibility and technical management, including energy, water and waste management. In addition, at least once a year, a meeting is held with the main users to discuss issues of use, accessibility, investment or environmental impacts.

III. Sustainable mobility

As indicated above, sustainable mobility is one of the key aspects of smart cities and the quality of life of urban citizens.

The Colonial Group continues to work proactively to provide services that favour the use of more environmentally friendly transport, such as electric cars, bicycles and scooters. An example in this respect would be the programs initiated at Washington Plaza, 103 Grenelle and Édouard VII to design specific facilities dedicated to sustainable mobility, extending bicycle parking spaces and the installation of showers, changing rooms and repair areas. SFL's objective is to extend this type of facility to other assets.

Following the Paris Workplace 2021 survey, location and accessibility by public transport remain key criteria. In addition, 71% of respondents prefer a mixed district including housing and offices.

The possible deployment of a mobility survey of tenants of portfolio buildings in Spain is being studied, similar to the ones carried out by SFL. These surveys have been providing them useful results for years in terms of activity planning and strategy.

With the aim of encouraging sustainable mobility for both Colonial's employees and the users of its assets, the initiatives mentioned in the following paragraphs have been carried out in recent years, many of which are linked to new trends in urban transport.

It is worth highlighting the installation of numerous electric charging stations for vehicles in practically all the buildings in the property portfolio maintained directly by Colonial. A short-term objective was set for multi-user buildings to have electrical pre-installation to meet the demand for up to 20% of existing parking spaces, providing flexibility and resilience in the face of the expected increase in this type of demand. By 2022, there were 361 units installed in buildings in Madrid and Barcelona.

Likewise, the existing number of bicycle racks in the buildings' car parks has continued to increase, with 406 units currently installed in the buildings in Madrid and Barcelona. Also, in 2021 and 2022, 130 electric bicycle racks were available in various buildings, together with a number of boxes for folding bicycles.

The Group plans to provide more parking spaces for conventional and folding bicycles as well as electric scooters.

In organisational and service matters, an opportunity has been identified to create an ambitious sustainable mobility initiative in the portfolio's assets located in the A2 and Campo de las Naciones areas of Madrid. In 2022, the clients of these spaces were offered the possibility of having a mobility plan drawn up by CBRE, which would include an analysis of their different user profiles, and thus be able to propose individual and collective solutions to provide better coverage in terms of environmental and social sustainability in the corporate and urban sphere.

The initiative has been met with great success, and the following benefits are expected from such mobility schemes:

> Cost reduction and efficient of solutions.

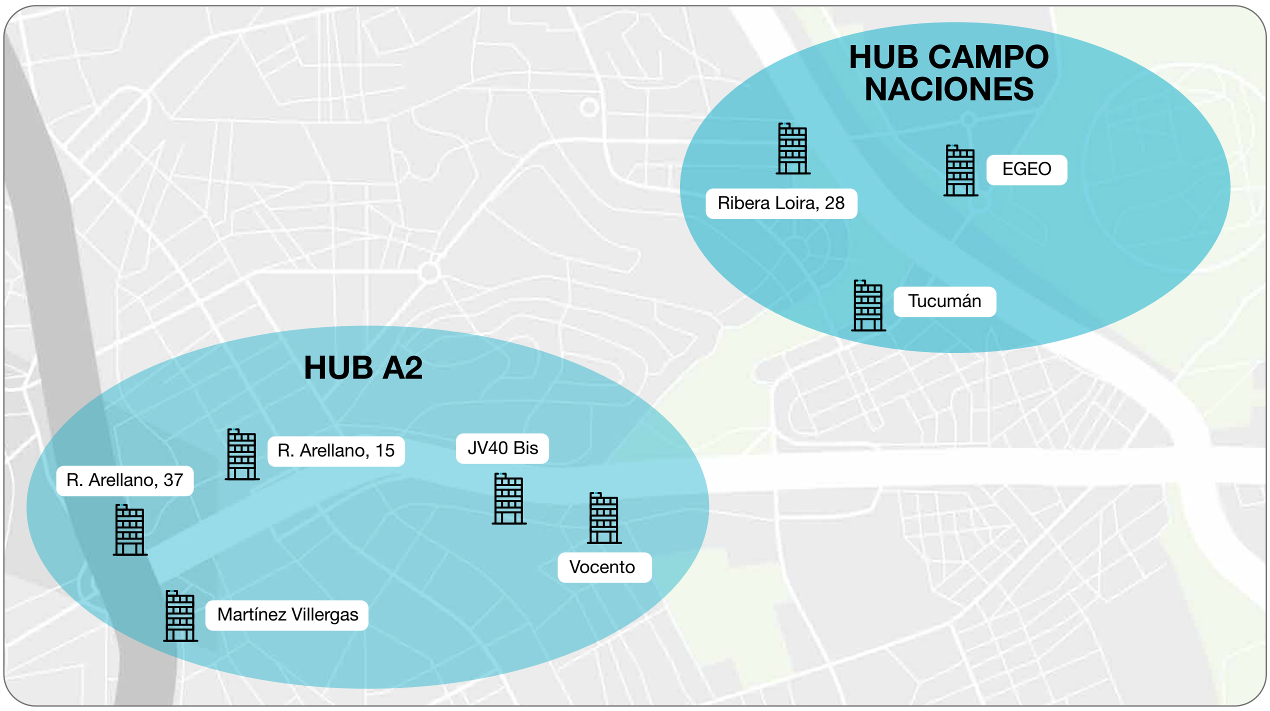
> Improved well-being and experiences for workers and residents.

> Organisation of mobilisation initiatives and definition of good practices.

> Emission reduction and mobility footprint strategy.

> Alignment and management using ESG objectives.

> Social impact and the possibility of dialogue with public administrations.



IV. Sustainability as a key factor in clients' decisions

Colonial considers that it must be aware of the sustainability needs of its client portfolio and thus anticipate the demands of its clients and users.

To this end, in 2019, within the framework of the European Office Think Tank, Colonial conducted a Europe-wide survey to understand how important the sustainability of the space is to the office client, which is recurringly compared to emerging trends in the market and in its client base (such as the Paris WorkPlace survey conducted by SFL).

From the results of the survey, we can highlight the following points that will allow us to define and frame Colonial's sustainability strategy for client management:

> Sustainability of spaces is important to all companies surveyed and more than half expect it to become even more important.

> There has been a big shift in the importance of sustainability as a factor in deciding whether to move office.

> There is a correlation between the size of the organisation and the importance given to sustainability issues.

> Half of the respondents have a sustainability strategy for which the board of directors is responsible.

> Recycling and waste management are the main actions taken by respondents.

> For respondents, the next sustainable action to consider is temperature management and electricity use.

> The majority of tenants in both France and Spain requested a high level of proactiveness with regard to sustainability.

5.9.2.4 Personalised service and satisfaction management

In recent years, the Colonial Group has opted to implement tools that enable it to communicate more directly with its clients, as well as to involve them in the management of the buildings, particularly in ESG issues.

I. Personalised service: Client Solutions Manager and Space Managers

The Colonial Group is aware that a personalised service is required in order to resolve all questions and doubts that arise in the day-to-day running of the properties. As such, it has created the position of Client Solutions Manager to manage each of the properties via the following functions:

> **Customer service**, as a direct point of contact between the client and the Colonial Group.

> **Control of the commercial activities**, analysing the profitability and economic viability of the property.

> **Sustainability and the environment**, promoting, together with the client, the environmental measures and actions that can be implemented in each circumstance. These professionals are trained in sustainability issues, specifically in relation to the requirements of BREEAM certification and the Company's sustainability policies.

> **Maintenance and upkeep of buildings**, keeping customers informed of any significant action or work carried out on their properties.

The coworking spaces that the Colonial Group makes available to its clients through Utopicus have a specific team assigned to them, made up of a Space Manager and a Community Front, to ensure a more personalised service.

II. Actions to engage users and clients with the spaces

The Colonial Group has a policy of regular communication with its clients and users to involve them in the management of its buildings and thus improve their experience. To this end, the following actions have been established through three channels:

> **Focus group communications**. In order to develop a closer relationship with clients, both in Spain and in France, the following are promoted:

> Tenant Operating Committees (Paris):

A meeting with the "main users" is held at least once a year.

These address questions of use, accessibility, investment or environmental issues (certifications, energy and water consumption, waste management, etc.).

> Events (Paris):

Events are held twice a year to bring our clients together in a different environment to forge long-term relationships. We try to hold them in our properties to show the progress of our projects and the know-how of our teams.

> Special activities (Paris):

Events for users of our buildings in Paris, which are increasingly popular. Specific activities for each client, and competitions between companies in sports complexes, outdoor "pétanque" competitions, ecological product tasting events, among others.

> "Coffee with a Client" (Spain):

This program promotes meetings with clients in a relaxed atmosphere in order to obtain their suggestions, comments and expectations. We will reactivate these meetings again in 2023, after three years during which the pandemic prevented us from holding these meetings with clients due to the restrictions imposed on interpersonal relations.

> **Online communication**. Colonial's clients can communicate with Colonial and the Client Solutions Managers of their offices via the following tools:

> Property Intranet: through this platform they can electronically manage different aspects related to the use of the building, its services and facilities, as well as consult a database of documents.

> The Colonial blog and social media: Since 2013, its content has been showing and informing clients about trends in the real estate sector, the areas of sustainability and well-being and their gradual implementation in the properties.

> **Written communication**. Users and customers are provided with different publications and brochures to facilitate and update their experience and the use of the Colonial Group's spaces:

> Biannual newspaper at Washington Plaza: this comes out twice a year with information on new features at the building.

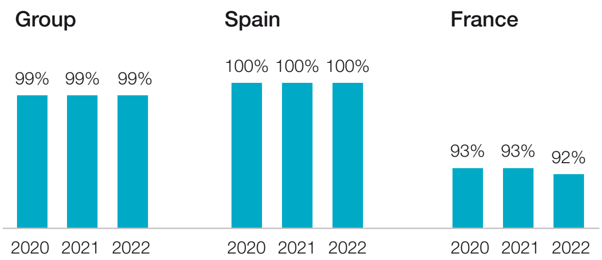
> Welcome brochures: addressed to the occupants of the buildings, both in Spain and in France, to help find all the information related to the building and its operation.

The Group also provides its clients with a complaints channel, which did not receive any complaints in 2022, as in 2021. In addition, all incidents arising from the operation of its facilities and spaces were managed and resolved during the year through the procedures established for this purpose as part of the asset management processes.

5.9.3 Client and user health and safety

In keeping with the commitment to guarantee the well-being of its employees, the Group takes this commitment beyond its own staff, carrying out health and safety assessments of all its assets in order to prevent any risks before they even materialise. In 2022, 99% of the Group's assets underwent a health and safety assessment. This year, 100% of the assets in Spain and 92% of the assets in France underwent at least one such assessment.

% of assets that are assessed to detect health and safety risks



Incidents of non-compliance concerning health and safety

	2020	2021	2022
Spain	0	0	0
France	0	0	0

In this regard, with the commitment to provide the best working conditions for both workers and clients, the Colonial Group is going beyond the legal requirements, already promoting a series of initiatives to make its buildings healthier, thereby reducing its risk in relation to COVID-19, as well as the risk of contamination and impact on people. Some of the main practices are as follows:

> Guidelines and procedures to manage and control safety and hygiene risks.

> Global Safe Site certification by Bureau Veritas in relation to compliance with health and safety measures and assessment of the protocols established by the authorities for SARS-CoV-2. Renewable every six months, this certification ensures compliance with the new health and safety measures resulting from the COVID-19 pandemic. In 2020, 2021 and 2022, the Global Safe Site certification was obtained in all the buildings in operation in Spain managed by the Colonial Group. In total, four complete renovation cycles have been carried out. In France, during the COVID-19 pandemic, SFL obtained the RESTART certification from Bureau Veritas for nine of its buildings in Paris.

> Risk assessments of safety conditions in buildings.

> Manual for the coordination of economic activities, for the occupational safety and health of employees and other users of buildings.

> Self-protection plans for the buildings, on the basis of which evacuation and fire drills are carried out in all multi-user buildings.

> Analysis of indoor air quality, based on the UNE 171330-2:2014 and UNE 100012:2005 standards in relation to indoor air quality, physical-chemical and microbiological aspects.

> Compliance with Royal Decree 352/2004 for the prevention and control of Legionnaire's Disease, and studies for the replacement of open cooling towers to prevent any risk of Legionnaire's Disease.

> Elimination of materials and products containing asbestos.

> Establishment of lead exposure risk assessments before work is carried out.

> Elimination of PCB transformers.

> Elimination of all equipment containing HCFC coolants, especially R22.

> Elimination of fuel oil boilers.

In addition, since the beginning of the COVID-19 pandemic, measures have been taken to protect the safety of both Group employees and building users (clients and suppliers). These measures have been modulated throughout 2022 according to the stress on the health system, and the obligations and/or recommendations of the Administration, always with the aim of continuing to provide service in the Company's buildings and activity.

Globally, the Company has had a Business Continuity Plan in place since 2020 which was submitted to the Audit and Control Committee. The purpose of this plan is to identify the most critical processes and their maximum downtimes, identifying the different people responsible for this plan and the roles and functions of the different users. In turn, it identifies possible alternative solutions for each of these processes in order to guarantee the service.

5.10. Social contribution

Colonial's contribution to society takes shape through all of the projects and actions that the Group carries out in response to the sustainable development of the cities in which it manages its portfolio. The Group follows a series of general lines of action that maintain and improve the quality of life and raise the level of well-being of its citizens, such as: local development, education, culture and heritage.

I. Support for culture: Piramidón Centre d'Art Contemporani

PIRAMIDÓN
CENTRE D'ART
CONTEMPORANI

As a result of Colonial's interest in and sensitivity to art, in 2019 it entered into a partnership with Piramidón Centre d'Art Contemporani, which aims to unite artistic practice and business activity in order to give visibility to creativity. Colonial has kept this partnership with Piramidón stable in 2022. Every year, works of art are installed in the common areas of its buildings, bringing well-being and beauty to the users of the buildings. In 2020, no new works of art could be installed due to the COVID-19 context. In 2021, collaboration with this centre continued, installing new works of art in the following properties in Madrid: Ortega y Gasset 100, Recoletos 37 and Paseo de la Castellana 163. In 2022, new works of art were installed inside Colonial's own headquarters in Barcelona, at Diagonal 532.

In summary, a total of eight properties from Colonial's portfolio currently house works of art within this framework of collaboration: Castellana, 52, José Abascal, 45, Ortega y Gasset, 100, Castellana, 163, Recoletos, 37, Alfonso XII, 62, in Madrid, and in Barcelona, Torre Bcn and Diagonal, 532.

Piramidón is a space created in 1990 with the aim of providing the necessary infrastructure for the development of artists' work and research. A hybrid space between a creative factory and an art gallery, Piramidón merges the world of artistic production with the world of dissemination, exhibition and sale of works of art.

II. Support for education: partnerships with universities

Colonial continues to support young talent through collaboration with universities and business schools: University of Ramon Llull, IESE Business School, University of Navarra and ESADE. These initiatives are yet another way of supporting the empowerment of young talent, in their search for challenges and new professional horizons, which also nourishes the real estate sector with new ideas and perspectives. In addition, SFL has collaborated with the Emmaüs association by providing premises at Galerie des Champs-Elysées free of charge to house a training centre.

III. Support for architecture: Pavillon de l'Arsenal

SFL regularly supports Pavillon de l'Arsenal, an information, documentation and exhibition centre for architecture and urban planning. It is a not-for-profit organisation that promotes information and knowledge among specialists and the general public about the architectural heritage and urban landscape of the city of Paris and its metropolitan area. Its objectives are fully aligned with SFL's history, which has been deeply rooted in Parisian urban development since the late 19th century. SFL also organises tours of Pavillon de l'Arsenal for employees only.

IV. Support for architecture: Palladio Foundation

For eight consecutive years, SFL has been a sponsor of the Palladio Foundation, created in 2008, which brings together companies in the real estate sector to promote reflections on urban planning and the strengthening of their communities. The different initiatives of the Palladio Foundation aim to promote processes of open dialogue for the necessary complementarity and mutual enrichment through the perspectives of economic actors, politicians, managers, experts, students and professionals in these fields.

SFL supports the commitment of the Palladio Foundation: to create the conditions for each actor in the real estate sector and in the city to be even better able to respond to current and future major challenges, whether economic, environmental or social.

V. Raising awareness of climate change

Since 2019, three buildings in Colonial's portfolio have incorporated large-format LED screens showing exclusive satellite images of nature around the world. This installation is a tribute to the global effort in the fight against climate change. It is an online window into a new future that redefines our relationship with the Earth.

Due to the fact that a large number of users cross through the lobbies of the buildings every day, the aim is to take advantage of these busy spaces and use them as platforms to raise awareness and share information about climate change.

This initiative has been in place since 2019 in the Diagonal 615 and Torre Marenostrum buildings in Barcelona and in Ribera del Loira 34 in Madrid. In addition, in 2021 it was also implemented in the Ortega y Gasset 100 building in Madrid.

VI. Cultural activities in city spaces

SFL supported the **City of Paris – White Night** event, which celebrated its 21st edition in 2022. The event aims to allow the general public free access to a multidisciplinary artistic offering. SFL reaffirms its cultural commitment to Paris, including making its buildings available for the organisation of such events, while supporting artistic creation and its dissemination to the general public.

VII. SFL partner of ADAPT

As part of its commitment to the social integration of workers with disabilities, SFL is a loyal partner of ADAPT. In 2022, SFL contributed to the European Disability Employment Week (EDEW), organised by ADAPT since 1997, with the aim of raising awareness and facilitating access to employment for people with disabilities.

VIII. Science Based Targets initiative

The Science Based Targets initiative (SBTI) aims to encourage companies to set greenhouse gas emission reduction targets aligned with the latest scientific research to limit the increase in global warming. The initiative, launched in June 2015, is a joint project of CDP, the UN Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

IX. United Nations Global Compact

The United Nations Global Compact is an instrument of the United Nations to lead the world in corporate sustainability. Colonial wishes to show its continued support for the United Nations Global Compact signed in 2019, as well as the renewal of its commitment to the ten principles concerning human rights, labour rights, the environment and the fight against corruption.

X. OID

The Observatoire de l'Immobilier Durable (OID) is an independent forum where stakeholders in the French commercial real estate industry can discuss issues of sustainable development and innovation. Created in 2012, it is committed to supporting the environmental and social performance of French real estate companies and sharing all the practices that help to move it forward. It comprises around sixty members and partners, including leaders throughout the French real estate value chain.

XI. C3D

Sustainability and CSR managers play a key role in transforming our organisations and our society.

To accelerate, facilitate and promote this transformation in the public sphere, the C3D association brings together 200 of France's leading sustainability and CSR managers from public and private sector companies and non-profit organisations in a single network.

XII. BBCA Association

Created in 2015, the Low Carbon Building Development Association (BBCA) brings together key players in the building process, including developers, investors, local authorities, urban planners, renowned architects, design firms and builders.

It is dedicated to deepening our understanding of low carbon buildings, promoting best practices with the BBCA label and encouraging low carbon construction.

The first BBCA label was introduced in 2016, followed by the BBCA Rénovation label in 2018. SFL received the BBCA Rénovation label for the Biome project, which will be delivered in 2022 in the 15th arrondissement of Paris.

XIII. "Booster du réemploi" alliance

A4MT designs and implements a variety of participation programs for its clients, in particular to encourage the reuse of materials from construction worksites. SFL has joined the "Booster" community, affirming its commitment to the recovery and reuse of materials.

XIV. AMO

SFL is a member of AMO, an association that promotes effective and inspired cooperation between project owners and main contractors, as well as all other stakeholders in the construction process.

XV. EMMAÜS

The premises of the Galerie des Champs Elysées (8th arrondissement of Paris) were offered free of charge to the Emmaüs charity for use as a training centre.

XVI. TCFD

The Task Force on Climate-Related Financial Disclosures was created in 2015 to bring clarity and transparency to a scenario plagued by uncertainty. It is made up of a team of 31 financial and market experts led by Michael Bloomberg. A working group was set up to encourage companies to inform their investors about the risks related to climate change and how to manage it.

XVII. Commitment to local communities

Dialogue and consultation are at the core of SFL's strategy. An example of this commitment is the Biome restructuring project, where SFL involved the local community through meetings with district officials, neighbours and the Paris city council, in which the project and its developments were presented taking into account the needs of local residents. Local authorities were also systematically involved through elected district representatives.

Environmental expectations were also revised to make this one of the first BBCA-certified low-carbon construction and renovation operations in Paris.

SFL's projects engage with local authorities and city stakeholders, involving local residents and public figures in the design and production of their urban projects, in order to contribute to a better integration. They also seek to incentivise local employment and employability through agreements with contractors for new projects, where, as part of the contract, the contractor commits to carry out an action to integrate unemployed individuals from the local community.

XVIII. Jeanne Garnier Institute

As part of the Biome operation, in the 15th arrondissement of Paris, SFL supported the Institut Jeanne Garnier. This medical centre, adjacent to the building, is a palliative care centre that receives more than 1,000 patients a year, mainly in advanced or terminal stages of their illness. With this support, SFL wanted to reaffirm its involvement in the life of the city, as close as possible to its assets.

XIX. Collaborations

On 1 June in Madrid, WIRES organised the Yoga Solidarity session in one of our buildings located at Velázquez, 86. This idea arose as an initiative from WIRES with the aim of giving visibility to women in the real estate sector. Colonial, as mediator, proposed that the funds raised be donated to the Theodora Foundation, whose magnificent work consists of bringing laughter, joy and magic to hospitalised children and adolescents, thus contributing its grain of sand to the humanisation of hospitals.

XX. Associations

The Colonial Group has collaborated with various organisations and associations in order to learn about the main developments in the real estate sector and to understand the needs of the Company's stakeholders. Examples include:

> The **European Public Real Estate Association (EPRA)** is the leading non-profit association for the promotion, development and representation of the European real estate industry, bringing together companies, investors and suppliers. Its Chairman is currently Colonial's CEO, Pere Viñolas.

> **DIÁLOGO Association**: Diálogo is a public utility association whose mission is to promote relations between France and Spain, mainly in the European context. Large French companies with interests in Spain and Spanish companies with interests in France, as well as individual partners, coincide in the vision that civil society can and must disseminate knowledge, encourage bilateral reflection, and promote connections between companies and people with closeness and tolerance.

> **ASIPA**. The rental market is very broad: from housing to shopping centres to offices, premises or logistics areas. ASIPA is the **voice that represents this diverse sector**, which is so present in those spaces where the daily life of any citizen takes place: at home, in the workplace, in shopping and leisure centres.

All these different realities have one thing in common: they form an **essential sector for the country's economy and development** and constitute a very important instrument for channelling the savings of households, funds and institutional platforms.

> **GRESB** is an organisation that specialises in assessing the sustainability performance of real estate and infrastructure portfolios and assets worldwide.

> The **Urban Land Institute (ULI)** is the oldest and largest network of real estate and land use experts in the world.

XXI. Donations

Ukraine Emergency

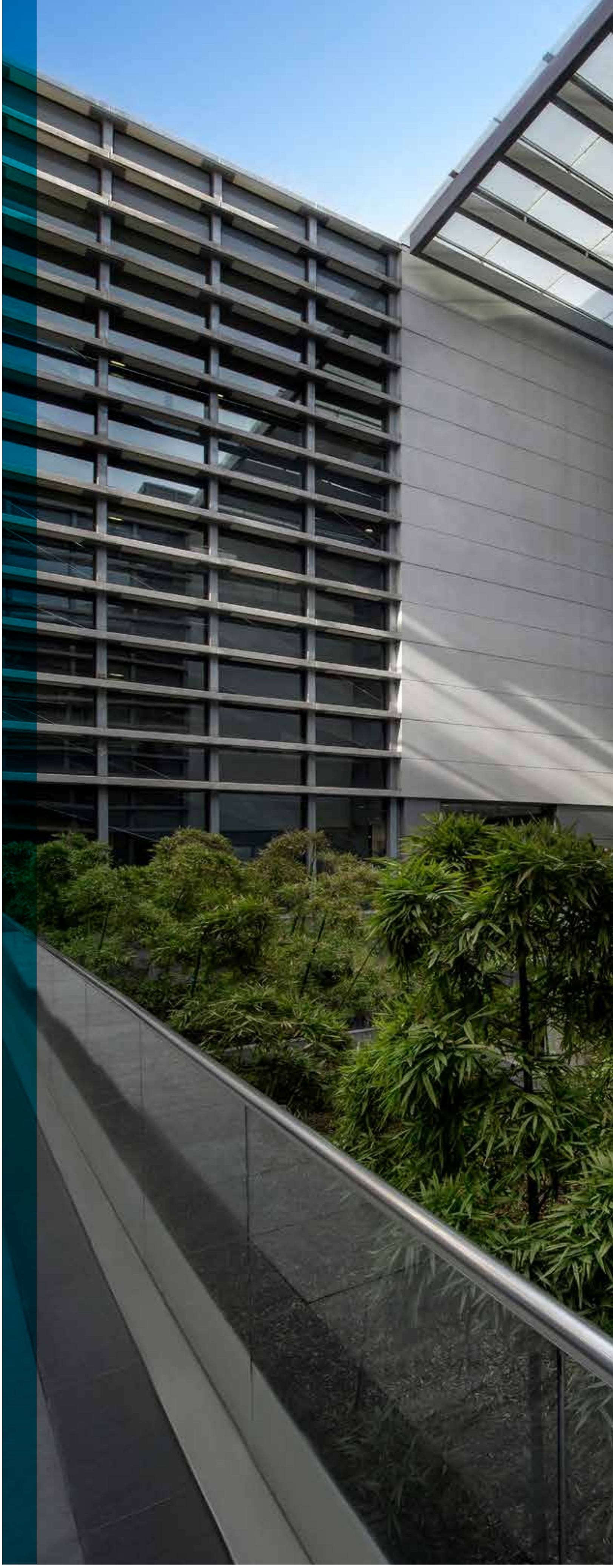
The whole world faced the war in Ukraine with concern, but also with **solidarity**. Coordination in **humanitarian aid** was key and Colonial wanted to join in to help the **Emergency Committee**, which launched its fundraising protocols to support the actions of member **NGOs** in **Spain**. Colonial has donated **€75,000** to three NGOs.

Employees have been able to join this initiative by making their contribution completely voluntarily and anonymously through the link provided by the following organisations for Colonial:

UNHCR ACNUR La Agencia de la ONU para los Refugiados Cruz Roja unicef

Educo Foundation

Colonial participated in the **Beca Comedor** program throughout the 2022/23 school year through the Educo Foundation. The Foundation undertakes the program **in Spain**, which **guarantees a place in the lunch hall for children** who do not receive public aid or who come from economically vulnerable families. It is essential to provide equal education and equal opportunities, regardless of the family's economic situation. The ability to perform largely depends on children being well nourished; and the lunch hall is a meeting place for building relationships. It is a safe space for education and for training values.



ESADE Scholarships

Colonial, together with ESADE, is committed to supporting talent and diversity. For this reason, we have once again participated in the ESADE scholarship program for the 2021/2022 academic year, supporting the development of the best talent. We work to attract the best students, regardless of their economic situation, their origin, their culture or their religious beliefs. In this way, we contribute to the formation of innovative, socially responsible and academically excellent future leaders. This year, one international male student and one international female student were awarded scholarships. Diversity and inclusion are essential values, and open up new ways of working together.

Colonial's financial contributions to social initiatives (local associations and foundations) are detailed below:

Institution	Concept	Amount
Unicef_Ukraine		€25,000
Creu Roja	Ukraine Donation	€25,000
Acnur	Ukraine Donation	€25,000
Fundació Princesa Girona	Foundation Donation	€33,000
IESE (University of Navarra)	Collaboration agreement	€12,000
Sant Joan de Déu Hospital	Donation	€2,900
Ramon Llull University	Donation	€9,000
Fundació privada Kalida	Dinner-concert sponsorship	€9,500
Fundació Pere Tarrés	Donation - Solidarity dinner	€1,000
Fundación Foro de Foros		€500
Fundació ESADE	Scholarship Program Donation	€20,000
Fundación Fundela		€3,000
Fundació Lluita contra l'Esclerosi Múltiple		€1,000
		€166,900

XXII. Sponsorships

Kálida Foundation - May

Colonial wanted to be present and contribute to the Kálida Foundation's first charity dinner-concert by participating as one of its main sponsors.

Designed by Benedetta Tagliabue and Joan Callís of the Catalan studio Miralles Tagliabue EMBT, the space has become an emotional, social and practical support for people with cancer, their families and friends.

The Kálida Sant Pau centre is located in the historic area of the Hospital de la Santa Creu i Sant Pau, adjacent to the day hospital and the oncology and haematology outpatients' clinics.

The building is part of the Scottish foundation Maggie's international network of cancer counselling centres designed by renowned architects such as Norman Foster, Frank Gehry, Zaha Hadid and Rem Koolhaas, among others. It is a building conceived to offer comfort to the user, offering privacy, light, seclusion and protection inside the garden.

Ten Colonial colleagues have shown their interest in attending the event and have been lucky enough to visit the site with members of the foundation, who in turn have explained to us the important work they are carrying out.

Sant Joan de Déu Hospital - (12 July)

On the occasion of the Jardins Pedralbes Festival, Colonial participated for another year as a sponsor of the charity dinner-concert, the proceeds of which were donated to the projects and activities of the Sant Joan de Déu Hospital.

Through this action, we have helped the Hospital Sant Joan de Déu and its new oncology centre, the "Pediatric Cancer Center Barcelona", which will be an international benchmark in paediatric oncology. This is all thanks to the involvement of Concert Studio, promoter of the music festival, which exerts the same enthusiasm as Colonial, to make this special gala a reality for Barcelona.

IV Iberian Reit & Listed Conference

European Public Real Estate Association (EPRA) and Iberian Property will hold the Iberian Reit & Listed Conference for the fourth time in Madrid. This is an in-depth debate aimed at the national and international investment community on the role of listed real estate companies and REITs, with Colonial, among other companies in the sector, providing sponsorship.

BNEW

Once again this year, Colonial was one of the sponsors of the Barcelona New Economy Week, which took place from **3 to 6 October**. BNEW is a physical and digital B2B event that brings together unique logistics events, real estate, digital industry, ecommerce, economic zones, mobility, sustainability, talent, science and city, all with a common denominator: the new economy. Carmina Ganyet, Corporate General Manager, participated in the panel entitled “BINVEST: Is Real Estate the Opportunity in Volatile Periods?”.

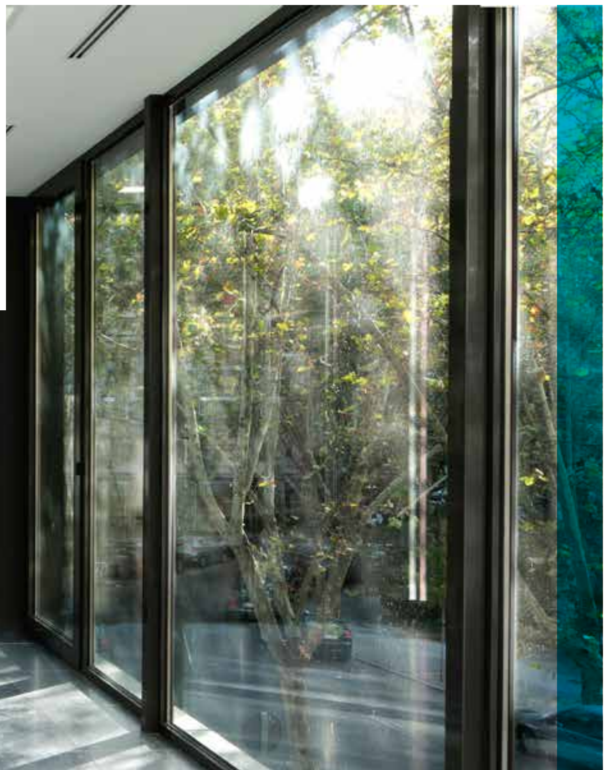
The District

Colonial was present at the first edition of The District, a differential event, conceived as a great source of knowledge to help anticipate future challenges for 2023.

This new international event devoted to real estate from the perspective of the capital and investment markets was held at the end of October in Barcelona, which provides a great opportunity for Spain to position itself on the international real estate map.

ESADE - Real Estate Club

The ESADE Alumni Real Estate Club is the meeting place for ESADE alumni with interests in the real estate sector. As these interests are very diverse, the Club includes professionals from other economic sectors in addition to real estate: The main objective of this initiative is to turn the Club into a meeting point and, above all, a forum for training, discussion and analysis of everything related to real estate activity and the management of real estate assets, in its broadest sense.



World Days

The future certainly lies in companies with a more sustainable and humane approach, an unstoppable trend with a global impact and no turning back. Colonial's commitment to sustainability is one of the Company's main strategic vectors, which is already closely linked to our DNA.

In 2022, we shared some of the actions carried out in this area, in our properties and coinciding with important dates in the world days calendar.

For us, this is a clear reflection of the high level of responsibility and commitment we feel towards the environment. Through a strategic vision of the future, with which we are always ahead of the curve, our properties are prepared for the uncertainty that climate emergencies represent for everyone, including our clients. This attitude of commitment to urban sustainability is only possible thanks to the shared effort and talent of each and every one of us at Colonial, because all our actions count.

To support this cause, one of Colonial's 2015-2030 sustainable goals is to supply 70% of renewable energy in its buildings by 2030. The best thing is that in 2022, we already exceeded the challenge achieving 73%.

> **"In the universe there are billions of galaxies, in our galaxy there are billions of planets, but there is only one Earth".**
>
> Stockholm Conference of 1972

Colonial's financial contributions in terms of sponsorship are outlined below:

Institution	Concept	Amount
IBERINMO	Main Sponsor Conference 2022	€5,000
ZF Consortium	Sponsorship BNEW 2022 Event	€24,000
Associació Barcelona Global	Sponsorship of BCN PARTNERS Project	€25,000
Next Business Exhibitions	THE DISTRICT '22 Global Partner	€22,990
Piramidón	Piramidón 2022 partnership share transf.	€2,400
EPRA	Conference Platinum Sponsor 2022	€20,000
		€99,390

6

Corporate Governance

Inmobiliaria Colonial's mission is to create long-term value for shareholders, investors, employees and all stakeholders. To this end, it relies on a solid Corporate Governance system that continues to evolve in order to remain a benchmark in the European market.

In this respect, Colonial's commitment includes both carrying out its activities with professionalism and excellence, as well as following the highest ethical and transparency standards in its management.

6.1. Main highlights

Within the framework of consolidating its leadership in Corporate Governance Best Practices, the Colonial Group has implemented a series of actions in both the design and the operation of Corporate Governance.

The structure of the Board of Directors and its Committees are as follows:

1. Non-Executive Chairman: On 28 February 2022, the Board of Directors resolved to terminate the executive duties of the Chairman of the Board of Directors and to appoint him as Non-Executive Chairman under the category of "Other external".

2. Increased presence of women on the Board of Directors: A new female Director has been co-opted to fill the vacancy on the Board of Directors following the death of Mr. Javier López Casado. As a result of the above, 40% of the Non-Executive Directors of Inmobiliaria Colonial, SOCIMI, S.A. are women.

   Furthermore, following community regulations and corporate governance recommendations, the Board of Directors has proposed to the General Meeting to be held on 15 June 2023 the appointment of a new independent female director, with the aim of having a minimum of 40% women on the Board of Directors by 2024.

3. Increase in the percentage of Independent Directors and women on the Audit and Control Committee: At 31 December 2022, all members of the Audit and Control Committee were Independent Directors and two-thirds were women.

With regard to the role and strategy of the Board of Directors and its Committees in 2022, the following actions are highlighted, notwithstanding a more detailed explanation below:

1. The process of replacing the Executive Chairmanship of the Board of Directors with a Non-Executive Chairmanship was implemented.

2. An evaluation of the role of the Board of Directors, the Board Committees, the Chairman of the Board of Directors, the Managing Director and the Secretary of the Board was carried out with the advice of an external independent expert: Georgeson.

3. The Directors' Refresher and Training Plan has continued to be implemented. With a view to the 2023 financial year, and at the proposal of the Sustainability Committee, specific sessions on ESG have been included in the Plan.

4. The degree of compliance with the decarbonisation targets of the Company's assets were monitored for the short and long term, within the framework of the goal of carbon neutral emissions by 2030.

5. With regard to risks, the Audit and Control Committee supervised the updating of the Corporate Risk Map, which was subsequently approved by the Board of Directors.

6. The reasonableness and consistency of the dividend proposed to the General Meeting has been assessed and subsequently paid.

7. The recommendations of the Code of Good Governance for Listed Companies were monitored and the texts of the Treasury Stock Policy and the Processing and Dissemination of Inside Information and Other Relevant Information Policy were approved, following a favourable report from the Audit and Control Committee.

8. At the proposal of the Appointments and Remuneration Committee, the specific terms and conditions relating to the second cycle of the Share Delivery Plan were approved.

6.2. Corporate Governance Structure

The Colonial Group's Corporate Governance Structure follows the guidelines established by Royal Legislative Decree 1/2010, of 2 July, approving the consolidated text of the Corporate Enterprises Act (LSC), as well as the provisions of the Articles of Association, the Rules of Procedure of the Annual General Meeting, and the Regulations of the Board of Directors and its Committees.

The Company's hierarchical structure is shown below:

Annual General Meeting

Articles of Association and Rules of Procedure of the Annual General Meeting

Board Regulations

Board of Directors

Strategic plan, management objectives and setting of corporate policies

AUDIT AND CONTROL COMMITTEE

INTERNAL AUDIT

REGULATORY COMPLIANCE UNIT

- Overseeing, preparing and reporting of financial information.
- Proposal of the external auditor and liaising with them.
- Monitoring of ethical issues.
- Providing information on related transactions.

APPOINTMENTS AND REMUNERATION COMMITTEE

CORPORATE GOVERNANCE UNIT

- Monitoring of selection and diversity policy.
- Proposal and monitoring of the remuneration policy.
- Proposal and monitoring of the training plan for the Board of Directors.
- Overseeing compliance with Corporate Governance rules and regulations.

SUSTAINABILITY COMMITTEE

ESG COMMITTEE

- Assessing and reviewing of the environmental and sustainable economy policies.
- Assessing and monitoring of the sustainability indices.
- Advising the Board of Directors on environmental and sustainable development issues.
- Issuing reports on environmental and sustainable development issues.

The Company's documents are available on the corporate website at the following link

6.3. Share capital

At 31 December 2022, Colonial's share capital consisted of a total of 539,615,637 shares, all belonging to a single class and giving all holders the same rights, which are fully subscribed and paid up.

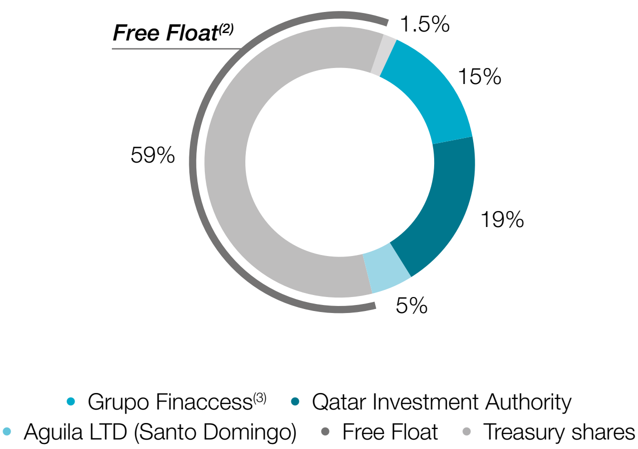
As regards the equal treatment of shareholders, this is embedded in the Articles of Association, which in turn do not set any limit on the number of votes that can be cast by the same shareholder. In addition to the above, Colonial has a policy for reporting economic, financial, non-financial and corporate information to shareholders, institutional investors and proxy advisors in accordance with the recommendations of the Good Governance Code for Listed Companies.

See Colonial's Communication Policy here

Capital structure

The shareholder structure at 31 December 2022 is as follows:

Shareholder structure at 31-12-2022(1)



(1) According to reports in the CNMV and notifications received by the company.
(2) Free float: shareholders with minority stakes and without representation on the Board of Directors.
(3) Through Hofinac BV, Finaccess Capital, S.A. de C.V. and Finaccess Capital Inversores, S.L.

Likewise, updated information on the share capital structure is always available, both on the website of Inmobiliaria Colonial, SOCIMI, SA and on the website of the Spanish National Securities Market Commission (CNMV).

Colonial's share price and share performance in real time are available here

6.4. Annual General Meeting

The Annual General Meeting (AGM) is a meeting of Colonial's shareholders, in compliance with the formalities and requirements established by law under the Corporate Enterprises Act, to deliberate and decide by majority vote on matters within its competence, thus expressing the Company's will in the form of a resolution. For these purposes, in order to facilitate the exercise of the right to attend and participate in the Annual General Meeting under equal conditions, Colonial regularly publishes the requirements and procedures for participating in the Annual General Meeting on its website, as well as the system for adopting resolutions, which is the same as that set out in the Corporate Enterprises Act.

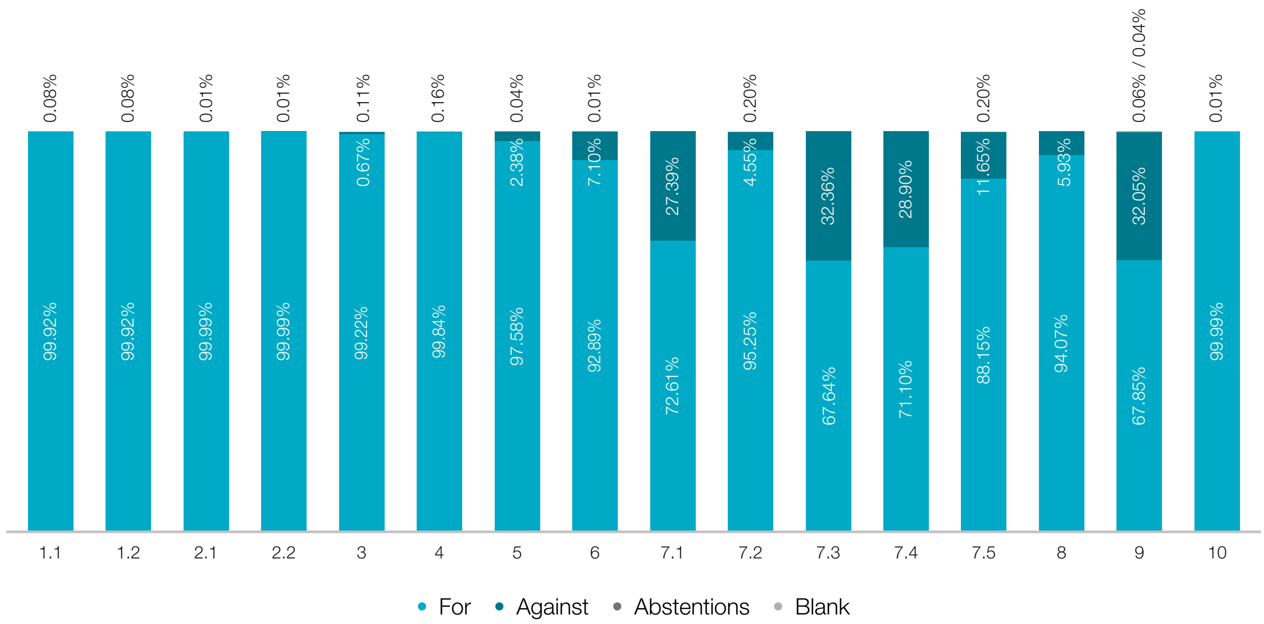
In this respect, it should be taken into account that in order for the General Meeting to validly resolve to increase or reduce capital and any other amendment of the Articles of Association, the issuance of bonds convertible into shares or bonds granting bondholders a share in the Company's profits, the abolition or limitation of the pre-emptive right to acquire new shares, as well as the transformation, merger, demerger or global transfer of assets and liabilities, the transfer of the registered office abroad or any other matter determined by law, if the present or represented capital exceeds fifty per cent, it shall be sufficient for the resolution to be adopted by an absolute majority. However, the favourable vote of shareholders holding two-thirds of the share capital attending the meeting in person or by proxy will be required when, on the second call, shareholders holding at least 25% but less than 50% of the subscribed share capital with voting rights are in attendance.

Results of AGMs held in 2022

In 2022, the Annual General Meeting met once in a general meeting on 21 June 2022, and the resolutions submitted for approval by the Board of Directors were passed. Without prejudice to the fact that all the documentation relating to the content of the proposals submitted for approval, as well as the results of the votes, are all available on Colonial's website, the key indicators are as follows:

AGM 21 June 2022	
Attendance figures	216 shareholders: 82.20% of the share capital
Main resolutions	Link to the agenda
Additional proposals made by shareholders	No
Shareholders' remarks	1 shareholder spoke
Live webcast	Yes
Average vote in favour	The average vote in favour was 90.38%. The details of each of the points can be seen in the graph below.

AGM 2022 voting results



Although all proposals submitted to the AGM were approved, proposals 7.3 and 9 were opposed by more than 30%. Proposal 7.3 corresponds to the proposal for the re-election of Mr. Juan Carlos García Cañizares as a Director of the Company and proposal 9 is the advisory vote on the Annual Remuneration Report for financial year 2021.

In relation to the re-election of Mr. Juan Carlos García Cañizares, a report from the Appointments and Remuneration Committee justified the proposal and included a detailed description of his academic and professional profile which was made available to the shareholders. The conclusion was that Mr. Juan Carlos García Cañizares has the knowledge, skills and specific competencies, as well as the necessary experience and merits, and meets the requirements of respectability, suitability, solvency, availability and commitment to the duties inherent to the position of Director of Colonial.

With regard to the advisory vote on the Annual Remuneration Report for financial year 2021, this report was in free format in order to provide more specific information, detailing the manner in which the Remuneration Policy in force during financial year 2021 was applied and the manner in which the Remuneration Policy is expected to be applied in 2022. In this respect, the Remuneration Policy in force for 2021, 2022 and 2023 was approved at the Annual General Meeting held on 30 June 2021 with 88.74% of votes in favour under item eight of the agenda.

6.5. Board Of Directors

6.5.1 Highlights

Colonial has a balanced, diverse and effective Board of Directors and Committees, which apply various practices to ensure the proper functioning of the various management bodies.

I. Composition and functioning

Appropriate size: 11 members.

Term of office: 4 years.

Separation of duties Chairman/CEO.

Non-Executive Chairman.

Individual attendance level of over 90%, showing strong commitment of the Directors.

Ongoing training and welcome programs for Directors.

II. Independence of the Board of Directors

Level of independence: 36%.

Level of independence considering a Director as Micro-Dominical: 45%.(*)

Audit, Appointments and Remuneration, and Sustainability Committees: 100% Non-Executives and Chaired by Independent Directors.

Committees with a high level of independence:

- Audit Committee: 100% Independent Directors.
- Appointments and Remuneration Committee: 60% Independent Directors / 80% Independent Directors including Micro-Dominical Directors.
- Sustainability Committee: 80% Independent Directors.

Average length of service of Independent Directors: 6.5 years

(*) Under international standards, one of the current Dominical Directors representing a shareholder with less than 10% of the share capital (Micro-Dominical) would qualify as an Independent Director.

III. Diversity

Gender diversity:
40% of non-executive Directors are women.

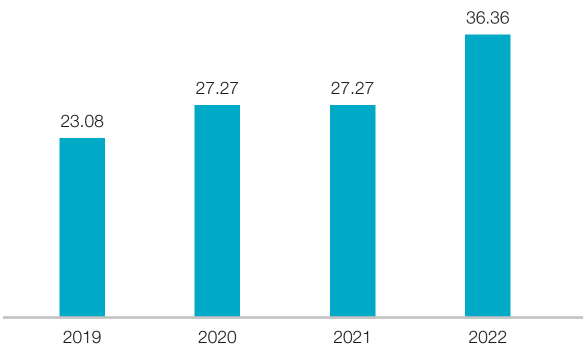
All advisory committees of the Board are chaired by women.

Appropriate balance of diversity of knowledge and expertise on the Board.

Seven different nationalities.

Board of Directors

% Women out of total directors



Appointments and Remuneration Committee

40% women

Chaired by a woman

Audit and Control Committee

66% women

Chaired by a woman

Sustainability Committee

60% women

Chaired by a woman

Likewise, the percentage of women out of the total number of Non-Executive Directors is 40%.

Notwithstanding the above, as previously mentioned, the Board of Directors has proposed to the General Meeting to be held on 15 June 2023 the appointment of a new independent director.

6.5.2 Internal Regulations

The **Board of Directors of Inmobiliaria Colonial**, in accordance with the Company's Articles of Association, is vested with the broadest powers for all matters related to the administration, representation and management of the Company, as well as with all the powers not attributed by law or by the Articles of Association to the Annual General Meeting.

By virtue of the above, the Regulations of the Board of Directors lay down that the Board of Directors is responsible, without the possibility of delegation, for the following: determining the Company's general policies and strategies, including the Corporate Social Responsibility Policy, approving the Investment and Financing Policy, the Strategic Business plan, the annual management and budget objectives and the Treasury Stock Policy, as well as determining the Company's and the Group's Corporate Governance Policy and the Dividend Policy. In addition, the Board of Directors is responsible for establishing the Risk Management and Control Policy, identifying the Company's main risks, including tax risks, and implementing and overseeing the internal information and control systems, in order to ensure the Company's future viability and competitiveness, while taking the most relevant decisions for its best development.

The composition of the Board of Directors, as well as the procedure for appointing its members, assessing their performance and the proposals and measures for improvement in the management and administration of the Company, are determined by the Corporate Enterprises Act and the Articles of Association, notwithstanding the commitment to the Recommendations on Good Corporate Governance issued by the Spanish National Securities Market Commission (CNMV).

In carrying out its duties, the Board acts with unity of purpose and independence of judgement, and it treats all shareholders in the same position equally. It is guided by the Company's interest, understood as the achievement of a profitable and sustainable business in the long term, promoting its continuity and the maximisation of the Company's economic value. Seeking the Company's best interests, in compliance with laws and regulations and conduct based on good faith, ethics and respect for uses and commonly accepted good practices, the Board of Directors strives to balance corporate interests with the legitimate interests of its employees, suppliers, clients and any other stakeholders that could be affected, as well as the impact of the Company's activities on the community as a whole and on the environment.

In relation to the above, Colonial has the following documents available on its corporate website:

- Articles of Association
- Rules of Procedure of the Annual General Meeting (AGM)
- Regulations of the Board of Directors
- Selection and Diversity Policy
- Criminal Compliance and Prevention Policy
- Policy on reporting economic-financial, non-financial and corporate information to shareholders, institutional investors, and proxy advisors
- Requirements and procedures for proving the ownership of shares, the right to attend the Annual General Meeting and the exercise or delegation of voting rights
- Code of Ethics
- Treasury Stock Policy
- Processing and Dissemination of Inside Information and Other Relevant Information Policy
- Corporate Social Responsibility Policy
- Equality Plan
- Ethics Channel Regulations
- Compliance Policy
- Anti-Corruption Policy
- Supplier ESG Criteria Policy


6.5.3 Classification of Directors

As at 31 December 2022, Colonial's Board of Directors was composed of:

> **45% of Dominical Directors, 5 out of 11.**

Two of whom represent Qatar Investment Authority (19% of Colonial's share capital), two represent Finaccess (15% of Colonial's share capital), and one represents Águila LTD (7% of Colonial's share capital).

> **36% of Independent Directors, 4 out of 11.**

45% of Independent Directors by international standards (Independent + Micro-Dominical.[1]

According to international standards, one of the current Dominical Directors representing a shareholder with less than 10% of the share capital (Micro-Dominical) could be classified as an Independent Director; thus, the number of Independent Directors in the Company would rise to 45% and would exceed the number of Dominical Directors.

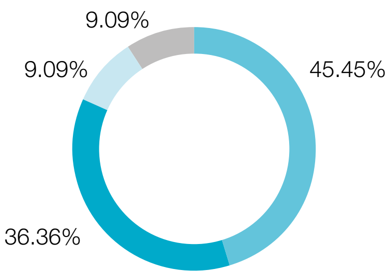
> **9% of Executive Directors, 1 out of 11.**

> **9% of Other External Directors, 1 out of 11.**

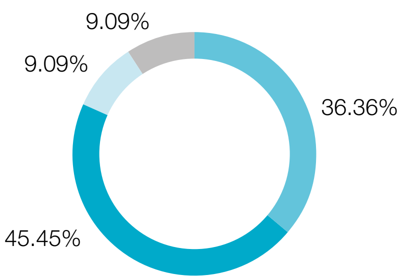
> However, the Board of Directors has proposed to the General Meeting to be held on 15 June 2023 the appointment of a new independent director and the appointment of a new dominical director.

> As of 1 May 2022, the Chairman of the Board of Directors relinquished his executive functions and was reclassified as "Other External Director". Therefore, as of that date, Colonial's Board of Directors is composed of one Executive Director and 10 External Directors.

Director categories



Director categories (including micro-proprietary director)



• Proprietary • Independent Directors • Other external • Executive

(1) According to international standards, one of the current dominical directors representing a shareholder with less than 10% of the share capital (micro-dominical) should be qualified as an independent director.

6.5.4 Composition of the Board of Directors

As provided for in current legislation, directors are appointed by the General Shareholders' Meeting, or, in the event of an early vacancy, directly by the Board of Directors in the exercise of its power of co-option, until the next general meeting is held. In accordance with the foregoing, the procedure and criteria to be followed in the appointment and re-election of candidates for Director is subject to the provisions of Royal Legislative Decree 1/2010, of 2 July, approving the consolidated text of the Corporate Enterprises Act (LSC), the Articles of Association and the Regulations of the Board of Directors.

At 31 December 2022, the composition of the Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A. was as follows:

Name	Director category	Position on the Board	Date of first appointment	Date of last appointment
Mr. Juan José Brugera Clavero	Other External	Chairman	19/06/2008	21/06/2022
Mr. Pedro Viñolas Serra	Chairman	Chief Executive Officer and Vice-Chairman	18/07/2008	21/06/2022
Mr. Luis Maluquer Trepat	Independent	Director	31/07/2013	21/06/2022
Ms. Ana Peralta Moreno	Independent	Director	14/06/2019	14/06/2019
Ms. Ana Bolado Valle	Independent	Director	14/06/2019	14/06/2019
Ms. Silvia Mónica Alonso-Castrillo Allain	Independent	Director	24/01/2019	14/06/2019
Mr. Sheikh Ali Jassim M. J. Al-Thani	Dominical	Director	12/11/2015	30/06/2020
Mr. Adnane Mousannif	Dominical	Director	28/06/2016	30/06/2020
Mr. Carlos Fernández González	Dominical	Director	28/06/2016	30/06/2020
Ms. Begoña Orgambide García	Dominical	Director	27/09/2022	27/09/2022
Mr. Juan Carlos García Cañizares	Dominical/ Micro-Dominical	Director	30/06/2014	21/06/2022
Mr. Francisco Palá Laguna		Non-Director Secretary	13/05/2008	13/05/2008
Ms. Nuria Oferil Coll		Non-Director Vice-Secretary	12/05/2010	12/05/2010

On 28 February 2022, Colonial reported the resolution of the Board of Directors regarding the termination of the executive duties of the Chairman of the Board of Directors with effect from 30 April 2022 and his continuation as Non-Executive Chairman in the category of "Other External". By virtue of the foregoing, the position of Coordinating Director was no longer necessary, and it was therefore agreed that it would also be discontinued with effect from 30 April 2022.

On 27 September 2022, Ms. Begoña Orgambide García as a new member of the Board of Directors of the Company as Dominical Director, at the proposal of the significant shareholder Finaccess Group, to fill the vacancy on the Board of Directors following the death of Mr. Javier López Casado at the end of August 2022.

Notwithstanding the above, as previously mentioned, the Board of Directors has proposed to the General Meeting to be held on 15 June 2023 the appointment of a new independent director and the appointment of a new dominical director.

6.5.5 Diversity and competence matrix of the members of the Board of Directors

The appointment or re-election of candidates to the Board of Directors is carried out in compliance with Colonial's Selection and Diversity Policy and is based on the principles of diversity and balance in the composition of the Board of Directors, within the overarching objective of making the operation of this body more effective and professional and increasing the quality of corporate management.

In accordance with the Selection and Diversity Policy, the selection of candidates for directorship requires a prior analysis of the Company's needs carried out by the Board of Directors, following a report from the Appointments and Remuneration Committee (ARC). In this process, individuals will be sought who meet the requirements of ability, qualifications and professional and personal integrity as set out in the policy. Once these requirements have been met, care shall be taken to ensure that the selection processes favour the integration of Directors on the Board of Directors with a diversity of training and professional experience, skills, knowledge, age and gender, and that they do not suffer from any implicit bias that could imply any discrimination on grounds of gender, age or different abilities, among others. This shall always be done in the Company's best interests.

As part of the verification of compliance with Colonial's Selection and Diversity Policy, in 2022 the Appointments and Remuneration Committee analysed the composition of the Board of Directors, its needs and the Company's shareholding structure, in order to assess the conditions that the Directors should meet while exercising their positions and the dedication necessary for proper performance. This shall all be done within the framework of different selection processes. By virtue of the above, in order to continue promoting a diverse and appropriate composition to the needs of the Board of Directors, the Appointments and Remuneration Committee reported favourably to the Board of Directors on the appointment of Ms. Begoña Orgambide García as Dominical Director of the Company. As a result, the number of women represented on the Board of Directors has continued to increase to 36%. In addition, following community regulations and corporate governance recommendations, the Board of Directors has proposed to the General Meeting to be held on June 15, 2023, the appointment of a new independent female director, with the aim of having a minimum of 40% women on the Board of Directors by 2024. It should also be noted that the Audit and Control Committee, the Appointments and Remuneration Committee and the Sustainability Committee are chaired by female Directors, and their participation in these Committees reached 66%, 40% and 60%, respectively. In addition, the Appointments and Remuneration Committee analysed the qualification of the members of the Board of Directors in accordance with the provisions of the corporate texts, the Corporate Enterprises Act and the Corporate Governance Recommendations.

It should be added that, although as of 31 December 2022 the directive was pending its transposition into Spanish law, Colonial complies with the objectives set by *(EU) Directive 2022/2381 of the European Parliament and of the Council of 23 November 2022* in article 5: "Gender balance targets for Boards of Directors":

a) Members of the under-represented sex should occupy at least 40% of the Non-Executive Director positions => **Colonial reaches 40% of women**.

b) Members of the under-represented sex should hold at least 33% of the total number of directorships, including both Executive and Non-Executive directorships => **Colonial exceeds the minimum, reaching a 36.36% female shareholding**.

Below is the matrix of competencies of the members of the Board of Directors:

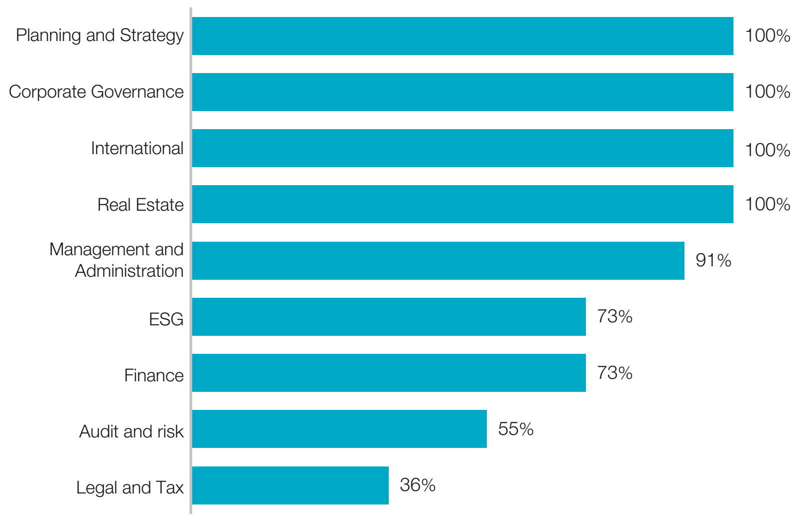
Areas of expertise / knowledge

Director	Classification	Real Estate	Internat.	Manag. and Admin.	Finance	Audit and Risk	ESG	Corporate Govern.	Legal and Tax	Planning and Strat.
J. J. Brugera Chairman	Other External	✓	✓	✓			✓	✓		✓
P. Viñolas CEO & Vice-Chairman	Chairman	✓	✓	✓	✓	✓	✓	✓		✓
Sheikh Ali Jassim	Dominical	✓	✓	✓	✓			✓		✓
A. Mousannif	Dominical	✓	✓	✓	✓		✓	✓	✓	✓
J. C. García	Dominical/ Micro-dominical(*)	✓	✓	✓	✓			✓	✓	✓
C. Fernández	Dominical	✓	✓	✓	✓	✓	✓	✓		✓
B. Orgambide	Dominical	✓	✓	✓	✓	✓		✓		✓
S. Alonso-Castrillo	Independent	✓	✓	✓			✓	✓	✓	✓
L. Maluquer	Independent	✓	✓			✓	✓	✓	✓	✓
A. Bolado	Independent	✓	✓	✓	✓	✓	✓	✓		✓
A. Peralta	Independent	✓	✓	✓	✓	✓	✓	✓		✓
		100%	100%	91%	73%	55%	73%	100%	36%	100%

(*) Under international standards, one of the current Dominical Directors representing a shareholder with less than 10% of the share capital (Micro-Dominical) would qualify as an Independent Director.

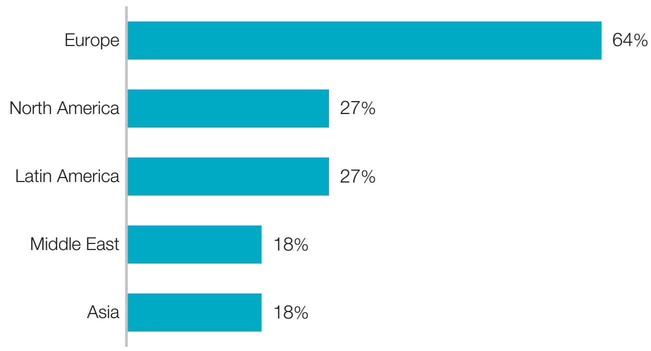
The above matrix shows that the expertise and knowledge of Colonial's Directors is focused mainly in the areas of Planning and Strategy, Corporate Governance and Sector (real estate) and International, followed by experience in Management and Business Management and Sustainability.

Field of expertise / knowledge



In terms of international experience, it is worth noting that Europe, followed by America (North America and Latin America) are the continents in which the Directors have the most professional experience.

International experience



6.5.6 Functioning of the Board of Directors

At 31 December 2022, Colonial had an Executive Director, who held the position of Chief Executive Officer, as well as Vice-Chairman of the Board of Directors. The Chairman of the Board of Directors has all the powers set out in the law and the Regulations of the Board of Directors; the CEO has all the powers that can be delegated in accordance with the law, and in his capacity as Vice-Chairman may perform the duties of the Chairman in his absence.

As of 30 April 2022, the Chairman of the Board of Directors ceased to perform his executive duties and the figure of the Coordinating Director required by law was no longer necessary, so it was agreed to dispense with the figure of the Coordinating Director.

The academic and professional profiles of the Directors, as well as their shareholdings in the Company's share capital, are permanently available on the Company's website and can be accessed by entering each of the Directors' names in the following link.

6.5.7 Directors' right to information

The Directors of the Colonial Group are vested with the broadest powers to inquire into any aspect of the Company, to examine its books, records, documents and other background information on corporate operations, and to inspect all of its facilities. In this respect, they have at their disposal, among other means, applications and information tools where they can access at any time all the information relating to the Board of Directors, its Committees, updated plans, information pills, approved and signed minutes, and legislative news, among other contents.

6.5.8 Directors' Refresher and Training Plan

In order to develop and enhance the collective knowledge of the highest governing body on economic, environmental and social issues, the Colonial Group has the **Directors' Refresher Plan** for the Board. It is developed under the leadership of the Chairman of the Appointments and Remuneration Committee in collaboration with the Corporate Governance Unit, with the aim of providing information about new trends that have arisen in the sector and are having a disruptive effect on the real estate business.

In this regard, an annual Refresher and Training Plan is established for the Company's Directors, which sets out its dates, content, recipients and speakers.

The Refresher training sessions, depending on the subject matter, are given by members of the Colonial Management Team or by external professionals of recognised prestige. A total of five Refresher and Training sessions are planned for the 2023 financial year. They will cover a variety of topics, ranging from macroeconomic issues to more specific aspects of Colonial's activity, without prejudice to the fact that the environment in which Colonial operates may call for additional training. In this regard, at the proposal of the Sustainability Committee, it was agreed that two specific ESG training sessions would be held.

In 2022, the following two training sessions were held:

> Investor Relations Management & Strategy (22 September 2022).

> Real Estate Market Situation in Paris (13 October 2022).

6.5.9 Evaluation of the performance of the Board of Directors and its Committees

In keeping with the spirit of continuous improvement that Colonial pursues in the performance of its Corporate Governance duties, and extending the requirements that by rule or best practice recommendations are applicable to listed companies, once a year the Board of Directors evaluates its quality and efficiency, the functioning and composition of its Committees, the diversity in the composition and powers of the Board, and the performance of the Chairman, the Chief Executive Officer and the Secretary of the Board.

With regard to the evaluation process, Colonial has entrusted Georgeson, as an independent expert, with the evaluation of the Board and its Committees in terms of their composition, functioning and competencies. Georgeson sent the members of the Board of Directors an evaluation questionnaire, which was answered by the Directors. Based on the answers of the Directors, Georgeson prepared a report of conclusions analysing the answers of the Directors and suggesting recommendations for improvement. Following the evaluation, the Board of Directors approved the corresponding evaluation reports to the Board, the Appointments and Remuneration Committee and the Sustainability Committee.

6.5.10 Conflicts of interest

In relation to the regulation of potential conflicts of interest, Colonial is subject to the provisions of the Corporate Enterprises Act, which establishes that Directors must abstain from participating in the deliberation and voting on resolutions or decisions in which they or a related person have a direct or indirect conflict of interest. The votes of the Directors affected by the conflict who are to abstain shall be deducted for the purpose of calculating the majority of votes required. The above obligation to abstain shall not apply to resolutions or decisions that affect them as Directors, such as their appointment or revocation for positions on the administrative body or others of similar significance.

Likewise, also in accordance with the provisions of the Corporate Enterprises Act, Directors must adopt the necessary measures to avoid incurrence in situations in which their interests, whether on their own behalf or on behalf of others, may conflict with the corporate interest and with their duties to the Company and, in particular, Directors must abstain from:

a) Conducting any business transactions with the Company, except in the case of ordinary transactions, made on standard terms for clients and of little significance, i.e., transactions whose information is not necessary to give a true and fair view of the Company's assets, financial position and profitability.

b) Using the name of the Company or invoking their status as a Director to improperly influence private transactions.

c) Making use of corporate assets, including confidential information of the Company, for private purposes.

d) Taking advantage of the Company's business opportunities.

e) Obtaining advantages or remuneration from third parties other than the Company and its Group in connection with the performance of their duties, except in the case of mere courtesy.

f) Engaging in activities on their own account or on account of others which entail an effective competition, whether actual or potential, with the Company or which are otherwise in permanent conflict with the interests of the Company. The above shall also apply if the beneficiary of the prohibited acts or activities is a person related to the Director, as defined by law.

The above is mandatory and cannot be modified by the Company in its Articles of Association; however, the law also provides for a waiver regime whereby the Company may waive the above prohibitions in individual cases by authorising a Director or related person to enter into a particular transaction with the Company, to use certain Company assets, to take advantage of a particular business opportunity, to obtain an advantage or remuneration from a third party.

Such authorisation must necessarily be approved by the General Meeting if it is intended to waive the prohibition on obtaining an advantage or remuneration from third parties, or if it concerns a transaction whose value exceeds 10% of the Company's assets. In other cases, the authorisation may also be granted by the Board of Directors provided that the independence of the members granting the authorisation from the exempted Director is guaranteed. In addition, the safety of the authorised operation for the Company's assets or, where appropriate, its implementation under market conditions and the transparency of the process shall be ensured.

Finally, the obligation not to compete with the Company may only be waived if no harm to the Company is to be expected or if the expected harm is outweighed by the expected benefits to the Company. The waiver shall be granted by express and separate resolution of the Annual General Meeting.

On an annual basis, the Directors report on possible situations of conflict of interest that either they themselves or persons related to them may have with the Company and, if any, these are reported in the financial report, within the Annual Corporate Governance Report. As far as the 2022 financial year is concerned, no conflict-of-interest situations have arisen.

6.5.11 Main actions of the Board of Directors during the financial year 2022

In relation to the exercise of its functions during 2022, the Board has carried out, among others, the following activities:

A) Ordinary management

> Monitoring the day-to-day management of the Company and the development of business and projects.

> Coordinating the development of the activity in the interests of the Company and its subsidiaries.

> Evaluating and approving, in view of the report of the Appointments and Remuneration Committee, the proper functioning of the Board of Directors, its Committees and the performance of their duties by the Chairman, the Chief Executive Officer and the Secretary of the Board of Directors. Additionally, evaluating the suggestions for improvement submitted by the Appointments and Remuneration Committee.

> Overseeing the Board's Committees.

> Assessing the reasonableness and consistency of the proposed dividend and proceeding with the execution of the payment.

> Taking note of the succession plan for the Chairman of the Board of Directors and the CEO and implementing the process of replacing the Executive Chairmanship of the Board of Directors with a Non-Executive Chairmanship.

> Resolving to re-elect and appoint Mr. Pere Viñolas Serra as Chief Executive Officer and Executive Vice-Chairman of the Company, following a favourable report from the Appointments and Remuneration Committee.

> Proposing the re-election and appointment of Mr. Juan José Brugera, Mr. Pere Viñolas Serra, Mr. Carlos Fernández González, Mr. Adnane Mousannif, Mr. Juan Carlos García Cañizares and Mr. Luis Maluquer Trepat as members of the Company's Executive Committee, following a favourable report from the Appointments and Remuneration Committee.

> Approving, following a favourable report from the Appointments and Remuneration Committee, the appointment by co-option of Ms. Begoña Orgambide García as Dominical Director of the Company in representation of the Finaccess Group, following the death of the Dominical Director Javier López Casado.

> Authorising and issuing the financial statements, the individual and consolidated management reports and the proposed appropriation of earnings for the 2021 financial year, as well as the financial information for the first quarter of 2022, the half-yearly financial information and the Annual Financial Report. In addition, after a favourable report from the Audit and Control Committee, approving the consolidated interim financial statements for the nine-month period ended 30 September 2022.

> Analysing and approving transactions for the acquisition and sale of real estate.

> Monitoring the Company's institutional relations, meetings with analysts and investors, as well as share price developments.

> Agreeing to the renewal of the Company's promissory note program for a maximum outstanding amount of €500m.

> Monitoring the conversion of the Company's bond issues into green bonds.

B) Corporate governance

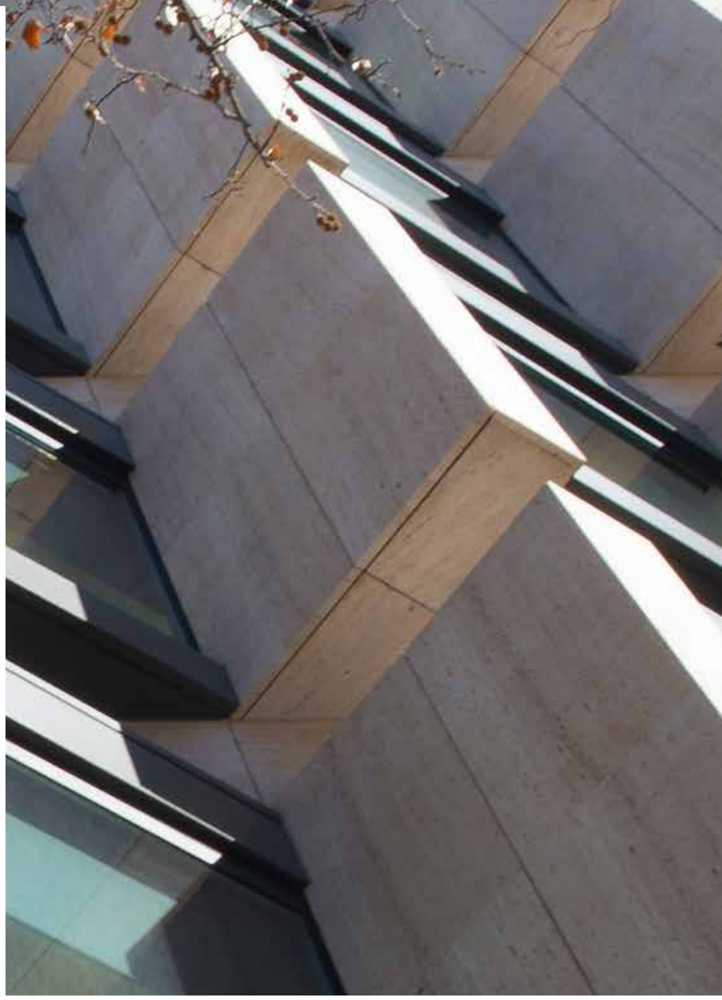
> Monitoring the recommendations of the Code of Good Governance and approving the texts of the Treasury Stock Policy and the Processing and Dissemination of Inside Information and Other Relevant Information Policy, subject to a favourable report from the Audit and Compliance Committee.

> Reporting on the proposal and approving the variable remuneration of the Chairman and the Chief Executive Officer.

> Approving the variable remuneration for the Management Team.

> Approving the Executive Directors' objectives for the 2022 financial year.

> Approving, in accordance with the proposal of the Appointments and Remuneration Committee, and in accordance with the settlement of the Share Delivery Plan, the number of shares corresponding to each beneficiary for the second cycle.



> Agreeing, at the proposal of the Appointments and Remuneration Committee, to determine the specific terms and conditions relating to the second cycle of the Share Delivery Plan.

> Issuing, at the proposal of the Audit and Control Committee, the Annual Corporate Governance Report.

> Issuing, at the proposal of the Appointments and Remuneration Committee, the annual report on Directors' remuneration.

> Calling the Ordinary General Shareholders' Meeting for the 2022 financial year, to present the reports and proposed resolutions which, in accordance with the provisions of the current Capital Companies Act and the Articles of Association, must be drawn up by the Board of Directors for the knowledge and approval, if applicable, by the Annual General Meeting, including the report justifying the competence, experience and merits of the Directors Mr. Juan José Brugera, Mr. Pedro Viñolas Serra, Mr. Juan Carlos García Cañizares, Mr. Javier López Casado and Mr. Luis Maluquer, for their re-election as Directors by the Annual General Shareholders' Meeting of the Company, and the report on the proposed modification of the Remuneration Policy for the Company's Directors.

> Approving, at the proposal of the Audit and Compliance Committee, the Processing and Dissemination of Inside Information and Other Relevant Information Policy, as well as the Treasury Stock Policy.

> Promoting the ESG (Environment, Social and Governance) policy. The Company continues to maintain ESG ratings that certify the highest standards of ESG reporting.

C) Financial and non-financial information

> Approving the financial information which, as a listed company, the Company must periodically publish and, in particular, preparing the financial statements and submitting them to the Annual General Meeting.

> Approving the Integrated Non-Financial Report.

D) Risk management and control systems

> Approving the risk management and control policy report, the management objectives and the annual budget.

> Approving, subject to a favourable report from the Audit and Control Committee, the updating of the Company's Risk Map.

E) Other

> Circulating the tentative schedule of regular meetings for the 2023 financial year.

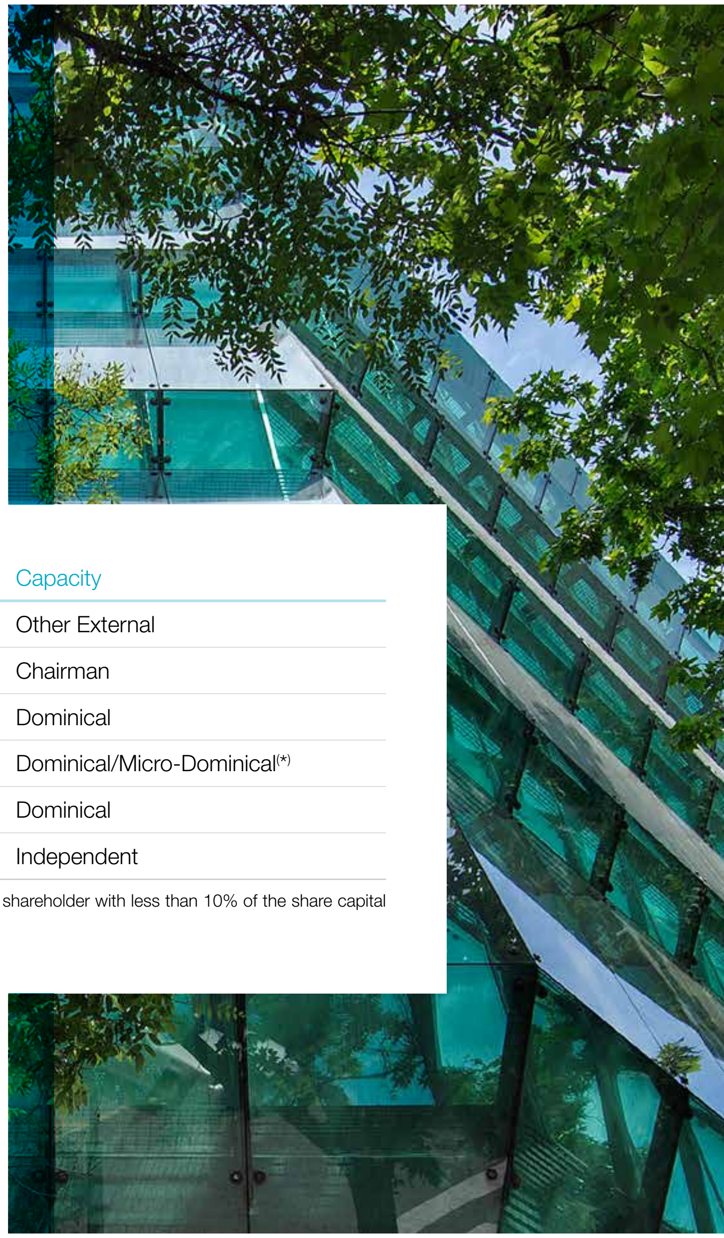
6.5.12 Directors' individual attendance

The following table shows the percentage of attendance in person or by proxy of the members of the Board of Directors of Colonial at the meetings of the Board of Directors, the Executive Committee, the Appointments and Remuneration Committee, the Audit and Control Committee and the Sustainability Committee during the 2022 financial year. The results shown below highlight the strong commitment of each of the Directors. The average attendance was 98%.

	Board	Executive Committee	ARC(1)	Audit and Control Committee	Sustainability Committee
Number of meetings	10	0	10	10	3
Director					
Mr. Juan José Brugera Clavero	100%	n. a.	–	–	–
Mr. Pedro Viñolas Serra	100%	n. a.	–	–	–
Mr. Sheikh Ali Jassim M.J. Al-Thani	100%	–	–	–	–
Mr. Adnane Mousannif	100%	n. a.	90%(2)	–	100%
Mr. Juan Carlos García Cañizares	90%(3)	n. a.	90%(4)	–	–
Mr. Carlos Fernández González	90%(5)	n. a.	–	–	–
Ms. Silvia Mónica Alonso-Castrillo Allain	100%	–	100%	–	100%
Mr. Luis Maluquer Trepat	100%	n. a.	90%(6)	100%	100%
Ms. Ana Bolado Valle	100%	–	100%	100%	100%
Ms. Ana Peralta Moreno	100%	–	–	100%	100%
Ms. Begoña Orgambide García	100%	–	–	–	–

(1) ARC: Appointments and Remuneration Committee.
Mr. Javier López Casado stepped down from his position on 27 August 2022, and attended 100% of the meetings of the Board of Directors and the Audit and Control Committee held up to that date.
Ms. Begoña Orgambide García was appointed Director on 27 September 2022 and has attended all the Board meetings held in the 2022 financial year since her appointment.
(2) Mr. Adnane Mousannif attended all meetings of the ARC for the 2022 financial year with the exception of the meeting held on 16 February.
(3) Mr. Juan Carlos García Cañizares attended all the meetings held with the exception of the Board of Directors' meeting held on 27 September 2022, having delegated his vote to the Chairman.
(4) Mr. Juan Carlos García Cañizares attended all the meetings of the ARC for the 2022 financial year except for the meeting held on 23 March.
(5) Mr. Carlos Fernández González attended all the meetings held with the exception of the Board of Directors' meeting held on 14 November 2022, having delegated his vote to the Director Ms. Begoña Orgambide García.
(6) Mr. Luis Maluquer Trepat attended all the meetings of the ARC with the exception of the meeting held on 7 June 2022, having delegated his representation and vote to the Chair of the ARC.

6.6. Committees of the Board of Directors



The Board of Directors has set up four Committees: the Executive Committee, the Audit and Control Committee (ACC), the Appointments and Remuneration Committee (ARC) and the Sustainability Committee.

6.6.1 Executive Committee

Making use of the powers conferred by the applicable regulations, Colonial's Board of Directors set up an Executive Committee, to which it may permanently delegate all or part of its powers, except those that cannot be delegated.

This Committee is governed by the provisions of the Regulations of the Board of Directors and has the following composition:

Name	Position	Capacity
Mr . Juan José Brugera Clavero	Chairman	Other External
Mr . Pedro Viñolas Serra	Board Member	Chairman
Mr . Adnane Mousannif	Board Member	Dominical
Mr . Juan Carlos García Cañizares	Board Member	Dominical/Micro-Dominical(*)
Mr . Carlos Fernández González	Board Member	Dominical
Mr . Luis Maluquer Trepat	Board Member	Independent

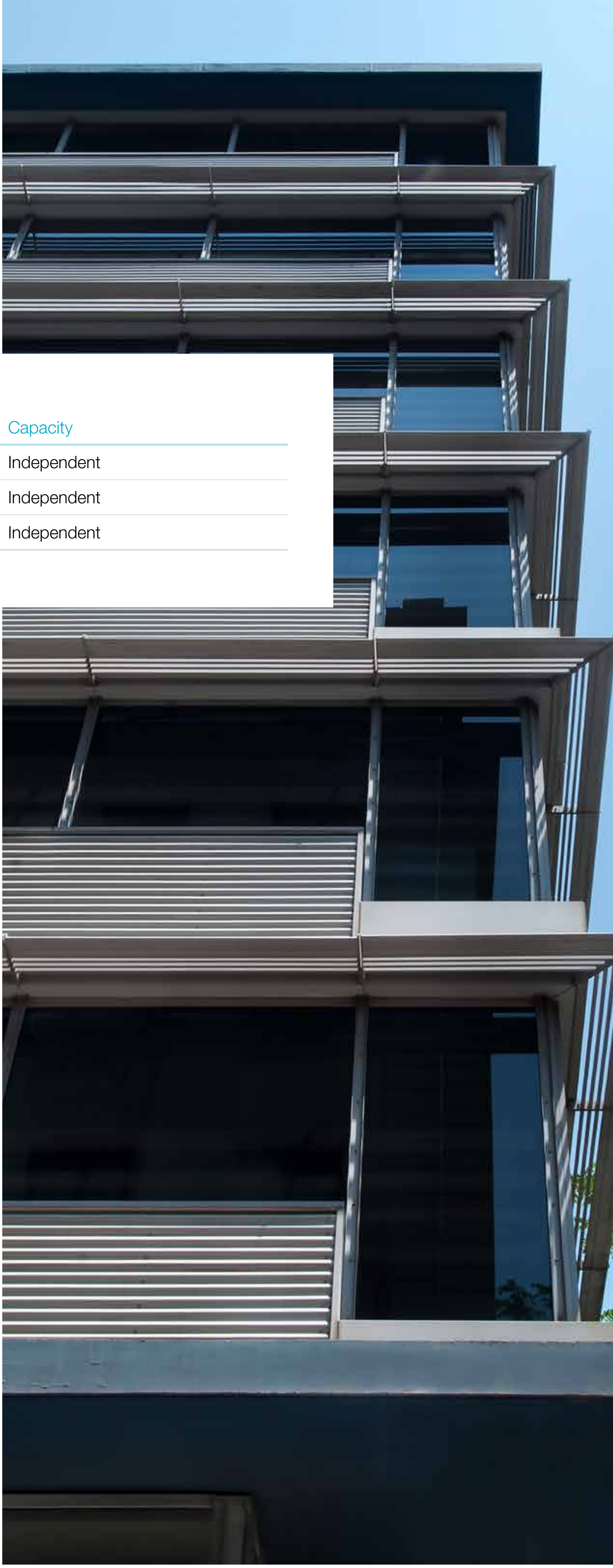
(*) Under international standards, one of the current Dominical Directors representing a shareholder with less than 10% of the share capital (Micro-Dominical) would qualify as an Independent Director

No Executive Committee meetings were held in 2022.

6.6.2 Audit and Control Committee (ACC)

The main function of the Audit and Control Committee is to support the Board of Directors in all its supervisory tasks through regular reviews of the process of preparing economic and financial information, and the effectiveness of the Company's Internal Control, Internal Audit and Risk Management Systems. It is also tasked with discussing with the Auditor any significant weaknesses in the Internal Control System detected in the course of the audit, all without infringing its independence.

This includes submitting to the Board of Directors a report on the Risk Management and Control Policy, identifying at least the different types of financial and non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks. The monitoring of the rules of the Internal Code of Conduct and the Environmental and Social Policies and Rules also includes the assessment of non-financial risks, including those related to compliance with the Code of Ethics.



As at 31 December 2022, the Audit and Control Committee (ACC) was composed of the following Directors:

Name	Position	Capacity
Ms. Ana Peralta Moreno	Chairwoman	Independent
Mr. Luis Maluquer Trepat	Board Member	Independent
Ms. Ana Bolado Valle	Board Member	Independent

In this regard, on 30 August 2022, through the OIR procedure, Colonial communicated the death of Mr. Javier López Casado, Dominical Director, who also held the position of member of the Audit and Control Committee.

As regards the preparation and conduct of the meetings, the Chairperson of the Committee must convene them with adequate advance notice, with Directors regularly attending them. In cases where, for justified reasons, they are unable to attend, they delegate their vote to another Director, including any instructions to the proxy. In this regard, in financial year 2022, all members of the Committee attended 100% of the meetings in person. Moreover, prior to each meeting, Committee members are provided with information on the matters to be discussed, so as to encourage their active participation and the informed adoption of resolutions.

In addition to the members of the Committee, all meetings were attended by the Head of Internal Audit, the Director of Legal Affairs and Compliance, and the Deputy Secretary of the Board of Directors. In addition, when necessary, the following individuals, among others, were invited to attend as guests: the Advisor to the Committee, the CEO, the Corporate Managing Director, the Chief Financial Officer, and the Chief Corporate Development Officer. In addition, representatives of the External Auditor PricewaterhouseCoopers (PwC) attended certain Committee meetings.

In 2022, the Committee met on ten occasions. Committee meetings were held face-to-face (5/10) and by videoconference (5/10) through computer applications such as “Teams”, in accordance with the provisions of Article 35 of the Regulations of the Board of Directors. At each of these meetings, the Secretary confirmed the identity of all attending Committee members. Accordingly, the Committee has fulfilled its duty to meet as often as necessary to carry out its functions effectively.

The main activities carried out by the **Audit and Control Committee** during 2022 are detailed below:

A) Economic and financial information

- Prior to its presentation to the Board of Directors, the Committee discussed the process of preparing the annual financial information for the financial year 2021, comprising, inter alia, the individual and consolidated annual accounts and management reports; the financial information for the first and third quarter of 2022; and the half-yearly financial report for the first half of the financial year 2022.
- In this process, the Committee was supported by the Internal Auditor, the Corporate General Manager, the Chief Financial Officer, the Chief Corporate Development Officer, Management Controlling, Investor Relations, and the External Auditor.
- As part of the Group's commitment to providing accurate, valid, reliable, timely, relevant and complete financial reporting, the Committee performed the role of overseeing the financial information through an ongoing process throughout the year, monitoring the development of key balance sheet milestones and key figures, as well as the income statement and financial reporting.
- The Committee supervised the processes of preparing the corresponding financial information in accordance with the prescribed accounting criteria, the applicable regulations and any supplementary information that may be necessary or appropriate.
- Furthermore, the Committee has not been indifferent to the issues raised by the geopolitical and macroeconomic situation arising from the Russia-Ukraine conflict, in particular inflation, interest rate hikes, property valuations, rising material costs, and delays in the supply chain.

B) Internal Control Systems

- The Committee, within the framework of its duties, supervised the correct functioning and implementation of the Internal Control Systems established and presented by the Company's Internal Auditor, as well as the Risk Management Systems, in the process of preparing the financial information, including tax risks.
- The focus of the analysis was on the control of financial reporting, as well as the control of non-financial ESG reporting, the tax risk control system, and the risk control systems related to the security of information systems, inter alia. In this respect, the Committee has considered the conclusions received to be favourable and in accordance with the requirements established by the applicable regulations, thus helping to ensure that the financial and non-financial information has been drawn up correctly, with the necessary procedures and controls in place for this purpose. The Committee submitted a report to the Board of Directors with its favourable opinion.
- In particular, the Committee has been duly informed about the Internal Control System for Financial Reporting (ICFR). In this respect, after the corresponding controls had been carried out and no incidences or weaknesses were detected, the Internal Control System for Financial Reporting was considered to have functioned correctly.
- In addition, throughout 2022, the Committee has been duly informed by the Internal Auditor of the most relevant facts, updates and recommendations revealed in the work carried out. This includes the preparation of the Internal Control for Non-Financial Reporting System Manual (SCIINF), with the support of Ernst & Young as the External Advisor. The Committee has drawn up the report on the Risk Control and Management Policy proposed for approval by the Board of Directors.
- In addition, throughout 2022, the Committee supervised the updating of the Corporate Risk Map, presented by the Internal Auditor, as well as the evolution of the different risks and the controls adopted to mitigate these risks, which were subsequently presented to the Board of Directors.

C) Relations with the External Auditor

> In order to ensure the quality and integrity of the financial information, the Committee has established the necessary relationship with the Company's External Auditor, PricewaterhouseCoopers (PwC). To this end, representatives of the External Auditor have attended five Committee meetings. In exercising its duties, the Committee has served as a communication channel between the Board of Directors and the Company's External Auditor, evaluating the results of each audit.

> Similarly, the External Auditor has provided non-audit services of which the Committee was duly informed. These included, for example, different services under bond issuance agreements and financing contracts, or with respect to the independent review of the ESG indicators contained in the Integrated Annual Report. The amounts accrued were included in the non-external audit services and authorised by the Committee.

> The Heads of the External Auditor have had the opportunity to attend various meetings held by the Committee. At all times, the Committee has had direct access to information on its strategy and work plan, the degree of progress in the development of its activity, and its significant findings.

> In addition, the Committee has issued a favourable report on the independence of the External Auditor.

> The Committee also approved the proposal for the re-election of the External Auditor for the financial year 2023, taking charge of the selection process and employment terms and conditions, in accordance with current regulations.

> Finally, the Committee has been regularly informed by the External Auditor on the Company's performance in relation to the most significant risks to the Company. These focus, inter alia, on integrated risk management and on the ESG indicators review service.

D) Internal audit

> The Committee approved the Annual Internal Audit Plan foreseen for the year 2022.

> In addition, the Committee supervised the evolution and degree of compliance with the aforementioned "Annual Internal Audit Plan" for 2022, being regularly updated on the adjustments being made to said plan. In the reports received by the Committee, emphasis was placed on the structure of the area and its role, as well as an analysis of the main activities carried out during 2022 and the priorities for 2023. Finally, the Committee gave its approval to the planning presented by the Internal Auditor.

> In this respect, the Committee has had the opportunity to analyse the results of the most significant tasks performed by the Internal Auditor, including the monitoring of the financial information control system, and the defining of the internal control system for non-financial reporting. In terms of audits, there were specific audits carried out on the contracting of significant suppliers, audits related to the occupancy of the buildings, audits related to clients' rental contracts, audits of the control systems for compliance with the obligations of the special tax regimes SOCIMI in Spain and SIIC in France, and audits of the asset valuation process, among others. In addition, the Committee analysed the outcome of specific work carried out in the field of cybersecurity.

> The Committee has also been informed and has followed up on the degree of compliance with the recommendations made by the Internal Auditor in its work.

> Likewise, the Committee supervised the coordination of Colonial's internal audit with that of SFL, and it has made the corresponding proposals to promote this coordination in the best interest of the Colonial Group.

> Finally, the Internal Auditor has provided the Committee with several reports on the independence of the External Auditor in relation to the audit and non-audit services provided by PwC to the Colonial Group in 2022.

E) Fiscal risks

- In 2022, the Committee continuously monitored the main issues related to fiscal risks. overseeing at all times the tax management carried out by the different areas in charge. For the purpose of this analysis, the Company's financial management presented the fiscal report for 2021 to the Committee members. This report included a breakdown of the Group's total tax contribution for 2021, a breakdown of the taxes borne and collected by geographical area and for each type of tax, as well as compliance with the requirements of the special SOCIMI tax regime.

- The Committee also analysed the recommendations by the Fundación Compromiso y Transparencia, which encourages joint initiatives to promote the transparency, good governance and social commitment of companies, and, in particular, the fiscal transparency of IBEX 35 companies. In this regard, the Committee analysed the enhanced tax transparency report presented by the Company, within the framework of the code of good tax practices.

- In addition, on the basis of the report submitted by the Company's financial management, the Committee analysed the map of the main tax risks and the controls in place in this area.

F) Related party transactions

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

- Throughout 2022, the Committee has been duly informed about potential transactions, and the Committee has concluded, after analysis, that they did not constitute related-party transactions.

G) Corporate governance

- The Committee approved the Annual Corporate Governance Report for the financial year 2021 as a preliminary step prior to the approval by the Board of Directors.

- The Committee has also monitored compliance with the rules of the C codes of conduct. It has also promoted and fostered a culture of compliance with the Company's corporate rules and texts throughout the organisation. In addition, it supervised the application of the general policy regarding the reporting of economic, financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders.

H) Regulatory compliance

- The Committee has maintained regular contact with the Regulatory Compliance Unit. It is the unit in charge of monitoring regulatory updates and legislative developments, overseeing the money laundering and security reports drawn up by an independent expert, as well as analysing those issues that should be subject to its data protection analysis.

- In addition, during the year, the Committee monitored the work to update the Criminal Risk Prevention Model, the Training Plans and the Company's Corporate Policies. In this regard, it was agreed to report favourably on the text of the Treasury Stock Policy and the Processing and Dissemination of Inside Information and Other Relevant Information Policy for approval by the Board of Directors.

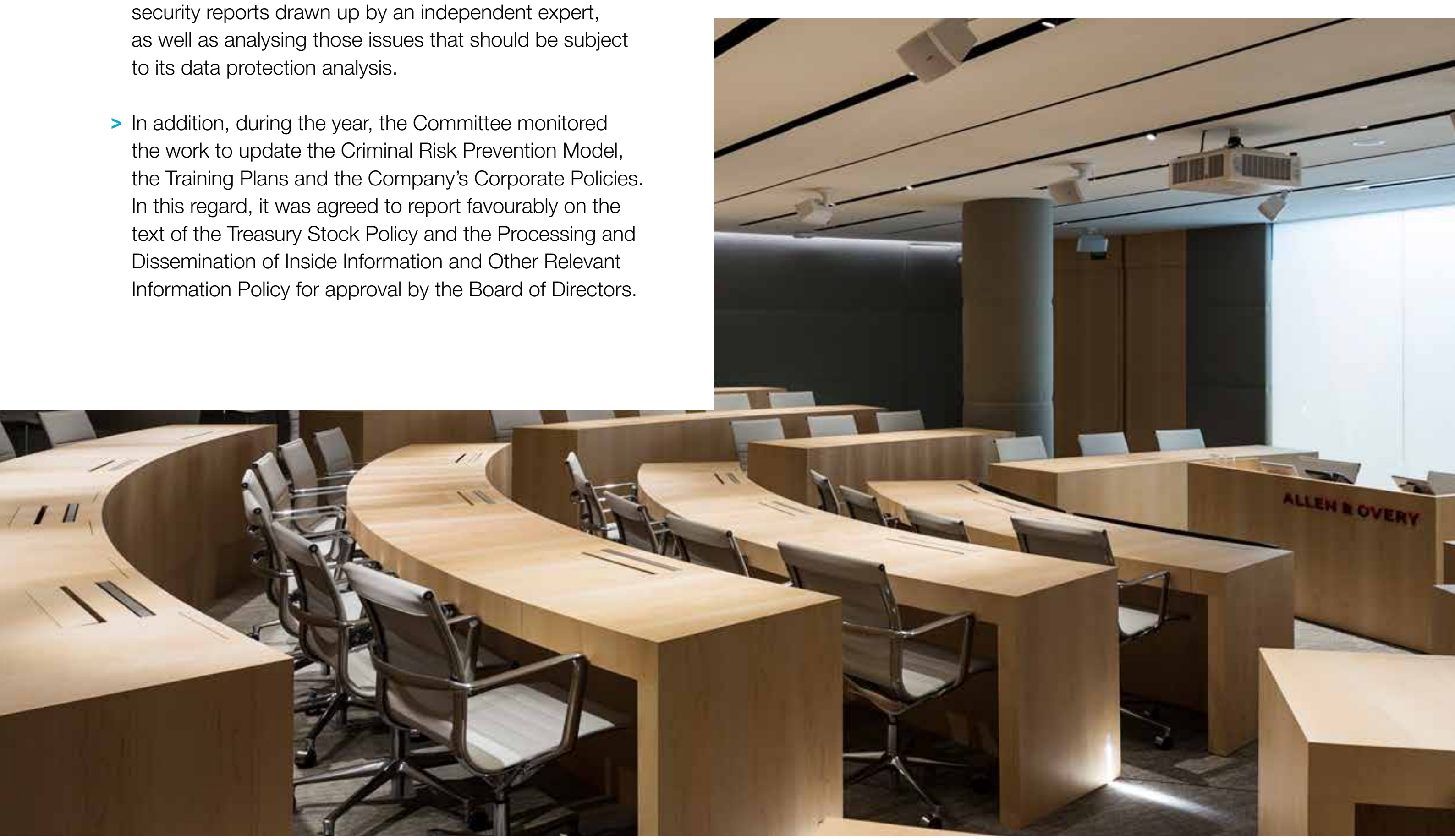
I) ESG & Sustainability

- The Committee has carried out the role of overseeing the non-financial information contained in the Integrated Annual Report, with a particular focus on ESG indicators.

- The Committee also analysed the report issued by the External Auditor on the review of the ESG indicators of the 2021 Integrated Annual Report, which included, among others, the main points for improvement highlighted during the process.

J) Treasury shares activity

- The Committee has been duly informed throughout the year about the treasury stock transactions carried out by the Company. The Committee also reported favourably on the proposed authorisation by the Annual General Meeting to the Board of Directors for the acquisition of treasury shares, under the terms approved by the AGM.



6.6.3 Appointments and Remuneration Committee (ARC)

The Appointments and Remuneration Committee (ARC) is responsible for reporting to the Board of Directors on proposals for the appointment of Dominical and Executive Directors, and for proposing the appointment of Independent Directors, following the relevant assessment of the skills, knowledge and experience required, always taking into account the principles of diversity and balance in its composition. The Committee is also responsible for proposing to the Board the Remuneration Policy for Directors, Managers and persons performing Senior Management functions.

With regard to its functioning, the ARC meets whenever requested by at least two of its members or upon agreement by its Chairman, who is responsible for convening the meeting. The call notice shall be valid provided it is sent by any means that allow acknowledgement of its receipt. The Appointments and Remuneration Committee is validly constituted when the majority of its members are present or represented. Its resolutions are adopted by a majority of those present or represented with the Chairman having the casting vote in the event of a tie.

At **31 December 2022**, the Appointments and Remuneration Committee was composed of the following Directors:

Name	Position	Capacity
Ms. Ana Bolado Valle	Chairwoman	Independent
Mr. Luis Maluquer Trepat	Board Member	Independent
Ms. Silvia Mónica Alonso-Castrillo Allain	Board Member	Independent
Mr. Juan Carlos García Cañizares	Board Member	Dominical/Micro-Dominical
Mr. Adnane Mousannif	Board Member	Dominical

There were no changes in the composition of the Appointments and Remuneration Committee during the financial year 2022.

As regards to the preparation and conduct of the meetings, the Chairperson of the Committee convenes them with adequate advance notice, with Directors regularly attending. In cases where, for justified reasons, they are unable to attend, they delegate their vote to another Director, including any instructions to the proxy. In this regard, during the financial year 2022 all members of the Committee attended 94% of the meetings, either in person or by proxy. Prior to each meeting, Committee members are provided with information on the matters to be discussed, so as to encourage their active participation and the informed adoption of resolutions.

In addition to the Committee members, the following individuals, among others, attended as guests: the Chief Executive Officer and the Director of Human Resources and General Services of the Company, representatives of Willis Towers Watson, as well as representatives of Russell Reynolds.

The Committee meetings were held by videoconference via computer applications such as “Teams”, in accordance with the Company’s internal rules. One of the ten sessions was held face-to-face. At each of these meetings, the Secretary confirmed the identity of all attending Committee members.

In exercising its duties, which are set out in the Articles of Association and the Regulations of the Board of Directors, the ARC carried out the following activities, among others, during 2022:

A) Ordinary management

- Coordinating and submitting to the Board the reports on the evaluation of the Board of Directors, the Committee and the performance of its duties by the Chairperson of the Board, the Chief Executive Officer and the Secretary of the Board, with the advice of Spencer Stuart for 2021 and with Georgeson for 2022, as well as the recommendations and suggestions for improvement from all directors contained in the evaluation questionnaires.
- Promoting the Directors' Refresher and Training Plan for Board Members. The following Refresher and Training sessions for Directors were held during the year: Real Estate Market Situation in Paris; and Investor Relations.
- Analysing the qualification of the members of the Board of Directors in accordance with the provisions of their corporate texts, the Corporate Enterprises Act and the Corporate Governance recommendations.
- Distributing the tentative annual schedule of Committee meetings to all Directors.
- Proposing and favourable reporting for the re-election by the General Meeting of Mr. Juan José Brugera, Mr. Pedro Viñolas Serra, Mr. Juan Carlos García Cañizares, Mr. Javier López Casado and Mr. Luis Maluquer Trepat as Directors of the Company.
- Favourable reporting to the Board of Directors on the re-election and appointment of Mr. Viñolas Serra as Chief Executive Officer and Executive Vice-Chairman of the Company.
- Proposing and favourable reporting to the Board of Directors on the re-election and appointment of Mr. Juan José Brugera, Mr. Pedro Viñolas Serra, Mr. Carlos Fernández González, Ms. Adnane Mousannif, Mr. Juan Carlos García Cañizares and Luis Maluquer Trepat as members of the Company's Executive Committee.
- Favourable reporting to the Board of Directors on the proposal for the appointment of Ms. Begoña Orgambide García as Dominical Director of the Company in representation of the Finaccess group, following the death of the Dominical Director Javier López Casado.

B) Corporate governance

- Analysing the degree of compliance with the Corporate Governance recommendations, as set out in the Annual Corporate Governance Report.
- Reviewing the succession plan for the Chairperson of the Board of Directors and the Chief Executive Officer and implementing the process of replacing the Executive Chairmanship of the Board of Directors with a Non-Executive Chairmanship.
- Analysing and drawing up a matrix of competencies of the members of the Board of Directors, which is included in the Integrated Annual Report.

C) Remuneration

- Proposing and favourable reporting to the Board of Directors the approval of the Annual Report on Directors' Remuneration.
- Analysing, discussing and amending the variable remuneration objectives for 2022 that will allow the performance of the Executive Committee to be assessed.
- Ensuring compliance with the Remuneration Policy finally established by the Company and, in particular, proposing to the Board of Directors the variable remuneration of the Chairperson and the Chief Executive Officer.
- Favourable reporting on the fixed and variable remuneration of the Company's Management Team proposed by the Chief Executive Officer.
- Analysing and discussing SFL's remuneration and long-term incentive system in order to align it with that of the Company.

6.6.4 Sustainability Committee

The Sustainability Committee was established by resolution of the Board of Directors on 17 December 2020 and has the following functions, among others:

i. Evaluating and periodically reviewing the environmental and sustainable development policies approved by the Company's Board of Directors, as well as ensuring that the Company's environmental and sustainable development practices are in line with these policies.

ii. Evaluating and monitoring any proposals for the Company's inclusion in the most widely recognised international sustainability indices.

iii. Advising the Board of Directors on environmental and sustainable development issues in accordance with internationally accepted best practices.

iv. Analysing preliminary draft legislation, voluntary initiatives and recommendations on environmental and sustainable development matters and their possible effects on the Company's activities, as well as reporting on the possible impact on Company of European regulations and national, regional and local legislation on environmental and sustainable development matters, with a view to adopting the appropriate decisions.

v. Analysing the indices and measurement tools the most commonly accepted in international practice to assess and measure the Company's environmental and sustainable development positioning and to provide recommendations to improve the Company's position.

vi. Issuing reports and carry out the corresponding actions in environmental and sustainable development matters.

In the exercise of its functions, during the 2022 financial year, the Sustainability Committee carried out the following activities, among others:

Sustainability

- Analysing, evaluating and promoting the Company's policies and practices in the field of sustainable and environmental development.
- In particular, analysing the appropriateness and, where applicable, selecting the indices with which the company works in ESG.
- Analysing and, where necessary, validating the content and approach of the Annual Integrated Non-Financial ESG Report and setting quantitative and qualitative objectives, as well as monitoring and analysing the impact of the Annual Integrated Report on the market and on the comparison of the Company's performance with that of competitors.
- Proposing to the Appointments and Remuneration Committee the promotion of Refresher and Training courses for Directors on sustainability, including ESG as a subject to be included in the Directors' Refresher Plan.
- Analysing and joining new ESG initiatives, such as, those related to the Company's commitment to the use of renewable energy, meeting certain decarbonisation targets and establishing a Decarbonisation Plan for the Company. In particular, submitting the Company's Decarbonisation Plan for verification and approval by the Science Based Targets initiative (SBTi), an organisation that aims to facilitate the path to reduce carbon emissions in accordance with the principles set out in the Paris Agreement.
- Reporting favourably on the degree of compliance with the objectives of decarbonisation of the Company's assets in the short and long term, having agreed to bring forward the target of carbon neutral emissions to 2030 (previously 2050).
- Overseeing the asset-by-asset implementation of the Company's existing carbon footprint reduction plan (Decarbonisation Plan).
- Expanding the measurement and reporting of Scope 3. Aware of the importance of the carbon emissions generated by the Colonial Group's activity, a working group was set up to increase the scope of carbon emissions. The Global Standards (GHG Protocol) define, within this scope, 15 categories, 8 of which are applicable to the Group's business. This means that, in Scope 3, in addition to including category 13 (corresponding to emissions generated by the energy consumption of private areas), Colonial reports on the seven additional categories applicable to the business.
- Monitoring compliance with quantitative and qualitative ESG criteria set by certain independent agencies (GRESB, CDP, MSCI).
- Reviewing, updating and approving of ESG's strategic material impact matrix ("Material Impact Analysis"), constituting one of the main points of reference for the Colonial Group's ESG strategy.
- Finding agreement on the implementation of a new technology platform (Deepki), specialised in the real estate market, to improve ESG data management.
- Monitoring the development and implementation of an internal control system to enhance the reliability of data related to non-financial information.

The composition of the Sustainability Committee is as follows, with no changes during 2022:

Name	Position	Capacity
Ms. Silvia Mónica Alonso-Castrillo Allain	Chairwoman	Independent
Ms. Ana Peralta Moreno	Board Member	Independent
Ms. Ana Bolado Valle	Board Member	Independent
Mr. Luis Maluquer Trepat	Board Member	Independent
Mr. Adnane Mousannif	Board Member	Dominical

During the 2022 financial year, the Sustainability Committee met three times and all its meetings were attended by all its members. The meetings were held by telephone or videoconference via computer applications such as “Teams”, in accordance with the Company’s internal rules. At each of these meetings, the Secretary confirmed the identity of all attending Committee members.

With regard to the preparation and development of the meetings, the Chairperson of the Committee calls the meetings with adequate advance notice. Prior to each meeting, the Committee members are provided with information on the matters to be discussed, thus encouraging their active participation and the informed adoption of agreements.

In addition to the Committee members, the Chairperson of the Board of Directors, the Chief Executive Officer and the Chief Corporate Development Officer, among others, attended as guests.

6.7. Corporate units with an impact on Corporate Governance reporting to a committee

6.7.1 Corporate Governance Unit

In the specific area of Corporate Governance, on 27 July 2016, Colonial's Board of Directors agreed to amend the Regulations of the Board of Directors so that the Appointments and Remuneration Committee would be responsible for overseeing compliance with the Rules of Corporate Governance and other related matters.

In addition, in order to advise and propose to the Appointments and Remuneration Committee the necessary actions to keep Colonial's Corporate Governance in line with the best national and international practices and recommendations, the Appointments and Remuneration Committee agreed to create the Corporate Governance Unit. This Unit is headed by the Deputy Secretary of the Board together with the Chairman of the Appointments and Remuneration Committee and has the financial independence to seek external advice as it deems necessary.

In the exercise of its duties, the Corporate Governance Unit leads the Board of Directors' Refresher Plan, referred to above, and has implemented a welcome plan for new Directors.

New Director onboarding plan

Through the Directors' portal on its website, Colonial has made a welcome program available to **new Directors** to provide them with prompt and sufficient information about the Company and the Group, as well as of the Corporate Governance Rules, so that they can actively perform their duties as soon as they are appointed. In particular, the following, inter alia, are made available to the new Directors: (i) general information on the Company; (ii) presentation of the Company's governing bodies and organisational structure; (iii) Code of Ethics; (iv) Articles of Association; (v) Annual General Meeting Regulations; and (vi) Regulations of the Board of Directors. In addition, meetings are held with the Management Committee and Management Team to inform them about the operation of the Company.

6.7.2 Regulatory Compliance Unit (RCU)

On 28 July 2011, the Board of Directors approved the creation of the Regulatory Compliance Unit (RCU), which reports directly to the Audit and Control Committee and is composed of the Company's Legal Services Director and the Head of Internal Audit.

The functions entrusted by the Board of Directors to the Regulatory Compliance Unit include the following:

> Keep the regulations applicable to Inmobiliaria Colonial, SOCIMI, S.A. up to date and available to the Audit and Control Committee.

> Be informed of any new legislation that may be applicable to Inmobiliaria Colonial, SOCIMI, S.A., as well as to implement the procedures that may be necessary for compliance.

> Regularly assess compliance with applicable regulations, as well as the adequacy and effectiveness of internal regulations.

> Establish, implement and maintain appropriate procedures to detect and seek to correct non-compliance with the obligations imposed by the applicable regulations.

> Exercise the functions assigned by the Corporate Policies in force at any given time, as well as the Code of Ethics of Inmobiliaria Colonial, SOCIMI, S.A. in addition to any other rules that make up the Company's Corporate Governance.

> Prepare an annual report on the results of its activities, which shall be submitted to the Audit and Control Committee.

In addition to the above functions, the RCU is also responsible for monitoring the Company's obligations in the areas of data protection, prevention of criminal risks, prevention of money laundering and prevention of market abuse, as well as for monitoring and updating those Corporate Policies for which the Audit and Control Committee is responsible and for which the RCU acts as a support.

The RCU met formally on 12 occasions in 2022. Regarding the preparation and holding of meetings, these are convened either by the Head of Legal Services or by the Head of Internal Audit with sufficient advance notice. In addition, those people who have been considered as appropriate by the RCU have also participated in the meetings.

In 2022, RCU received the assistance and advice of different multidisciplinary teams depending on the actions to be developed, both staff belonging to the Company itself and external personnel.

With regard to the participation of RCU members in the Audit and Control Committee, RCU members have attended all meetings of the Audit and Control Committee as guests. In this regard, the RCU reported specifically at 5 of the 10 Audit and Control Committee meetings held during financial year 2022 (17 January, 22 March, 4 October, 10 November and 13 December).

Likewise, regular contact has been maintained throughout 2022 with the Chairperson of the Audit and Control Committee in order to convey to them any issues that may need to be analysed.

In addition, RCU members have participated in all Colonial's Executive Committee meetings held during 2022.

The main actions carried out by the RCU during 2022 were as follows:

A) Criminal risks prevention

- The Criminal Risk Prevention Model was reviewed in order to analyse its future certification together with the Deloitte Legal team. In this respect, the Compliance Model is being updated and developed in order to prepare the Company to be able to obtain certification in the future, by extending, for example, the scope of interviews with the Management Committee to include middle management and by monitoring criminal risk controls through the Archer tool. On 11 July 2022, the first control assessments of the Criminal Compliance Module within the Archer tool were launched. This tool contains 32 criminal risks for which 80 controls have been developed. A total of 68 monitoring assessments were launched in 2022. Monitoring of the controls was carried out, as well as an accompaniment of the persons affected in each of the control evaluations.

- Pursuant to the Anti-Corruption Policy approved in 2021, donations and sponsorships made during 2022 have been monitored. In addition, on 20 December 2022, a training pill was distributed to all Colonial and Utopicus employees regarding the action principles of the Anti-Corruption Policy and the operation of the Ethics Channel. Employees have electronically confirmed their commitment to comply with the Policy.

- The reporting activity by the Regulatory Compliance Unit to the Audit and Control Committee has been maintained. Specifically, during 2022, the RCU formally reported at 5 of the meetings of the Audit and Control Committee, 3 of which were monographic meetings on non-financial issues, namely those held on 17 January, 4 October and 13 December.

B) Internal Standards of Conduct (ISC) for the Securities Markets/Market Abuse and Treasury Stock Policies

- The ISC communications were made to Colonial's new employees who were considered to be affected persons. This was until 14 December 2022, when the ISC was repealed.

- The list of affected persons was kept up to date. This was until 14 December 2022.

- The list of persons related to Colonial's Senior Management was kept up to date. This was until 14 December 2022.

- Support continued to be provided to the Corporate Development Department for the maintenance of the insider lists.

- Reminders of the Blackout Periods were also given to Colonial's Management Committee.

- In accordance with the Market Abuse Regulations, as of 14 December 2022, the Internal Standards of Conduct (ISC) for the Securities Markets was replaced by the Processing and Dissemination of Inside Information and Other Relevant Information Policy and the Treasury Stock Policy. Both policies are available on the Company's corporate website.

  In connection with the new Processing and Dissemination of Inside Information and Other Relevant Information Policy, the following letters were prepared and sent out in February 2023:

  - Information letters to Colonial employees on the Processing and Dissemination of Inside Information and Other Relevant Information Policy.

  - Information letters to certain employees, members of the Management Committee and Directors of Colonial, on the obligation to report transactions involving the subscription, purchase or sale of Colonial shares or other securities or financial instruments of Colonial or its Group.

  - Information letters to the Directors and members of the Management Committee of SFL regarding their obligation to report transactions involving the subscription, purchase or sale of Colonial shares.

- The mandatory training session for all employees on the new Processing and Dissemination of Inside Information and Other Relevant Information Policy has been prepared and was held on 26 January 2023.

C) Ethics

- The Ethics Channel: In 2022, the management of communications received through the Complaints Channel continued, and none were received.

- The Code of Ethics has been provided to Colonial's new employees and they have been informed of their obligation to comply with the Code of Ethics and other internal regulations. The updated version of these regulations was made available to new employees and is also available to all employees on the corporate website.

- On 20 December 2022, all Colonial and Utopicus employees were informed of the general principles of behaviour set out in the Code of Ethics and the role of the Complaints Channel. Employees have electronically renewed their commitment to these principles.

- Conflicts of interest/related-party transactions: In 2022, two transactions were analysed. However, these transactions were not considered to be related-party transactions (rental contract Antonio Puig and lease of Torre Inmocol in favour of Antonio Puig and Exea).

D) Money laundering prevention

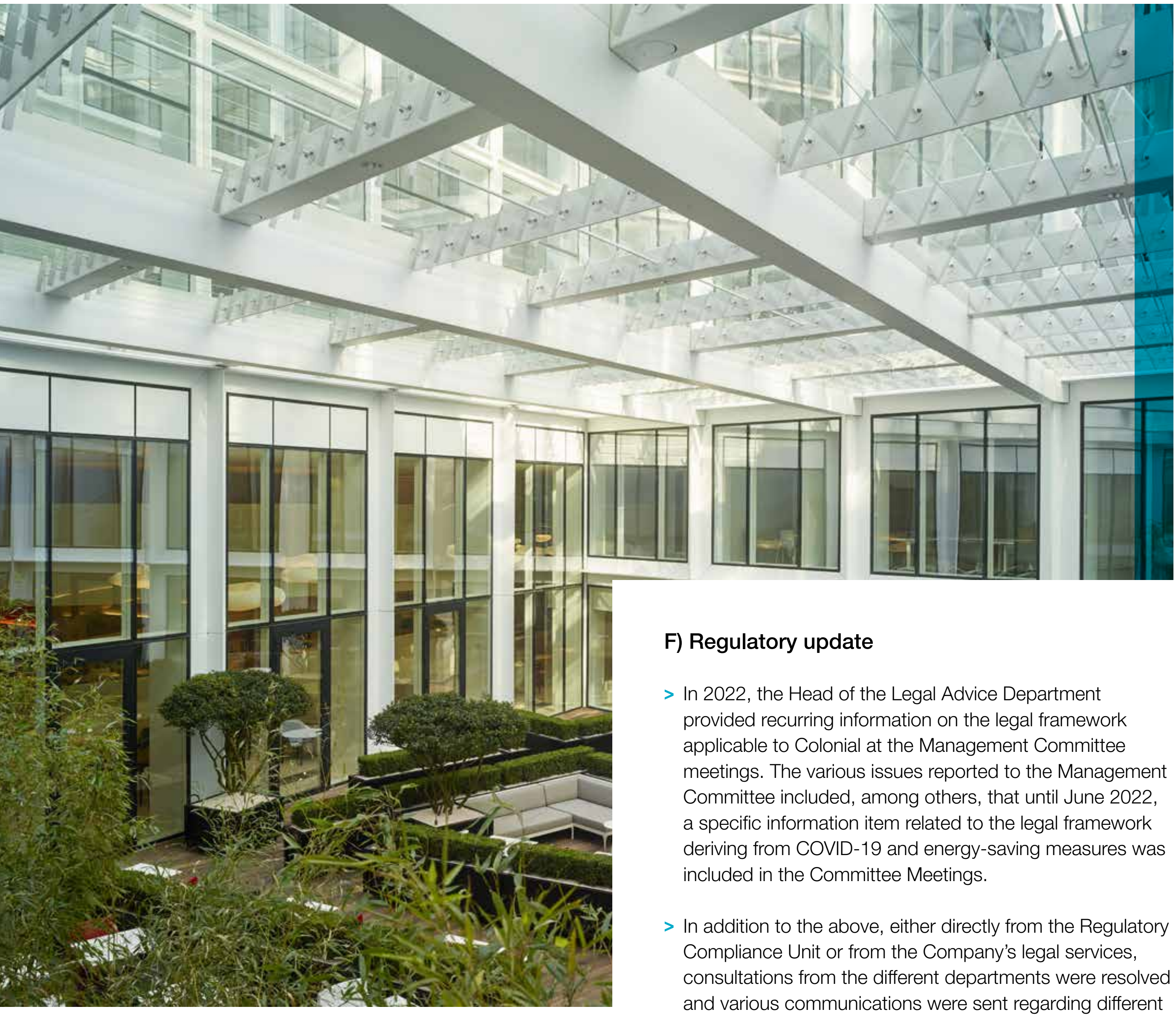
- While no deficiencies were identified in the 2021 expert report, the Money Laundering and Terrorist Financing Prevention Handbook has been revised to include a number of recommendations from that report.

- The external expert's report on the internal control and communication procedures and bodies established to prevent money laundering for financial year 2021 was submitted to the Audit and Control Committee at its meeting held on 22 March 2022. In accordance with the applicable regulations, this report was submitted to the Audit and Control Committee within three months of its issuance and submitted to the Board of Directors.

- Anti-money laundering identification tasks have been carried out in three disposal operations.

- Support was given at the meetings of the Internal Control and Communication Body (OCIC).

- A training pill was sent to all Colonial employees on 29 September 2022.



F) Regulatory update

- In 2022, the Head of the Legal Advice Department provided recurring information on the legal framework applicable to Colonial at the Management Committee meetings. The various issues reported to the Management Committee included, among others, that until June 2022, a specific information item related to the legal framework deriving from COVID-19 and energy-saving measures was included in the Committee Meetings.

- In addition to the above, either directly from the Regulatory Compliance Unit or from the Company's legal services, consultations from the different departments were resolved and various communications were sent regarding different regulatory updates.

E) Data protection

- Colonial's Data Protection Officer carried out the functions inherent to the position in 2022, participating in the monthly Security Committee meetings and reporting at an Audit and Control Committee meeting.

- In addition, EY provided recurring advice and as a result of its work, 49 follow-up meetings were held, 5 reports were drawn up on the status of compliance of the different areas, 66 legal and technical queries were resolved. A data protection impact assessment as well as a legal impact assessment were carried out.

- On 22 July 2022, a training pill on Data Protection was distributed to all Colonial and Utopicus employees. In addition, the Safety Committee randomly sends safety pills to different groups of Colonial and Utopicus employees.

G) ESG

- The RCU contributed to the Ethics and Compliance section of the Integrated Annual Report for financial year 2022.

- The RCU participated in the evaluations carried out by the different indices in ESG that the Company analysed in terms of Ethics and Compliance.

H) GAP Analysis SFL

- Three questionnaires on compliance - crime prevention, anti-money laundering and privacy - were prepared and sent to SFL to gain a more detailed understanding of its compliance structure.

- An internal analysis was carried out by the RCU on the responses received from SFL.

6.8. Remuneration of the Board of Directors

6.8.1 Remuneration policy applicable to 2022

On 30 June 2021, the Ordinary Annual General Meeting of the Company, with 88.74% of votes in favour, approved the Directors' Remuneration Policy for the financial years 2021, 2022 and 2023, which had been prepared by the Board of Directors of the Company, at the proposal of the Appointments and Remuneration Committee.

Subsequently, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, agreed to develop the Corporate Governance Structure into a model where, in addition to maintaining the roles of Chairperson of the Board of Directors and Chief Executive Officer separate, the Chairperson would be Non-Executive, with no executive functions assigned, effective 30 April 2022. This model is in line with the recommendations of institutional investors and proxy advisors in Europe, which are being progressively adopted by listed companies. In this context, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, resolved to propose to the Ordinary Annual General Meeting of 21 June 2022 the re-election of the Chairperson, Mr. Juan José Bruguera Clavero, as a member of the Board of Directors with the category of "Other External", i.e., as a non-executive member of the Board of Directors.

The Board of Directors also agreed to abolish the position of Coordinating Director as of 30 April 2022. This position, which had been maintained as a counterbalance to mitigate the accumulation of power of the Executive Directors, is not considered necessary in the new Corporate Governance Structure.

As a result, at the Company's Ordinary Annual General Meeting held on 21 June 2022, the modification of the Remuneration Policy was approved, with 94.07% of votes in favour, including the following modifications:

i. Amending the maximum amount of the annual remuneration to be paid to all the Directors in their capacity as such, as set out in the Remuneration Policy for the Company's Directors approved by the Annual General Meeting held on 30 June 2021, to €2.5 million as a result of the change of status of the Chairperson of the Board of Directors from Executive to Non-Executive Director, the remuneration of Mr. Juan José Brugera Clavero being included in the annual remuneration payable to all the Directors in their capacity as such (all of the above without prejudice to the fact that, as provided for in the Remuneration Policy, this amount may be increased by 10% for each new member of the Board of Directors that implies an increase in the current number of members); and

ii. The remuneration linked to the executive duties of the Chairperson of the Board of Directors and to the position of Coordinating Director should cease to apply as a result of the Chairperson's executive duties ceasing to apply with effect from 30 April 2022, and that the Coordinating Director role should be removed.

Following the amendment agreed at the Ordinary Annual General Meeting of the Company held on 21 June 2022, the Directors' Remuneration Policy approved by the Ordinary Annual General Meeting of the Company held on 30 June 2021 will be defined here in as the Remuneration Policy (link).

With regard to the procedure for establishing the specific amounts and scope of the Remuneration Policy, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, has considered the following to be the basic principles guiding remuneration decisions at all levels of the Company:

> **Pay-for-performance**: Ensure that the remuneration received by the Chief Executive Officer, the Company's sole Executive Director, is commensurate with the overall results of the Company and the CEO's individual performance.

> **Alignment with stakeholder interests**: Align the interests of the Executive Directors with those of the Company's stakeholders, linking a significant portion of the 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 achievement of targets set out in the Decarbonisation and Emission Reduction Plan, within the framework of the Company's Sustainability Strategy.

- **Competitiveness**: The Company's long-term success will depend on the talent of its employees. Colonial's remuneration philosophy is focused, among other aspects, on attracting, appropriately motivating and retaining the best talent.

- **Transparency**: Transparency with Colonial's shareholders in relation to the Remuneration Policy, communicating the main conditions of the Remuneration Plans and, as appropriate, any actions taken in response to significant events.

In conclusion, the Remuneration Policy has robust governance processes that further reinforce our pay-for-performance philosophy.

Remuneration of Directors in their capacity as such

In accordance with the provisions of the Remuneration Policy, Colonial's Board of Directors determined, following a proposal from the Appointments and Remuneration Committee, the distribution of the fixed remuneration applicable to the Directors in their capacity as such. In this regard, the distribution of the fixed remuneration applicable to the Directors for their status as such during 2022 was as follows:

i. Directors are entitled to a fixed annual amount of €50,000.

ii. The Coordinating Director was entitled to receive an additional annual lump sum of €75,000. In this regard, and in view of the cessation of the Chairman's executive duties as of 30 April 2022, it was agreed to dispense with the post of Coordinating Director as of 30 April 2022 and to pay them the corresponding fixed annual amount, prorated for the first four months, of €25,000.

iii. Directors are entitled to an attendance fee of €5,000 for each Board meeting they attend.

iv. The members of the Executive Committee are entitled to an attendance allowance of €3,000 for each Executive Committee meeting they attend.

v. The Chairperson of the Audit and Control Committee and the Chairperson of the Appointments and Remuneration Committee are entitled to an additional annual fixed amount of €50,000 each.

vi. The remaining members of the Audit and Control Committee and the Appointments and Remuneration Committee are entitled to an additional annual fixed amount of €25,000 each.

vii. The Chairperson of the Audit and Control Committee and the Chairperson of the Appointments and Remuneration Committee are entitled to an attendance fee of €4,800 for each meeting of the Audit and Control Committee and the Appointments and Remuneration Committee attended, respectively.

viii. The remaining members of the Audit and Control Committee and the Appointments and Remuneration Committee are entitled to an attendance fee of €3,000 for each meeting of the Audit and Control Committee and the Appointments and Remuneration Committee attended, respectively.

ix. The Chairperson of the Sustainability Committee is entitled to an attendance fee of €4,800 for each meeting of the Sustainability Committee they attend. The other members of the Sustainability Committee are entitled to €3,000 for the same concept.

x. In addition, and as a new concept with respect to the previous year, in view of the Chairman's cessation of his executive duties effective 30 April 2022, the Board of Directors resolved, at the proposal of the Appointments and Remuneration Committee, that the fixed remuneration as Non-Executive Chairman of the Board of Directors shall be a fixed annual amount of €500,000. Thus, the annual fixed remuneration of the Chairman in their non-executive capacity was €333,333.33, i.e., the annual fixed remuneration (€500,000) pro rata for the number of months he held the position of Non-Executive Chairman.

Remuneration of Executive Directors

The Executive Directors (the Chief Executive Officer, and the Chairman for the first four months of 2022) did not receive any remuneration for their membership of the Board of Directors, neither a fixed annual amount nor remuneration for Board attendance fees.

In this respect, the Chief Executive Officer received the fixed remuneration established in his contract and the variable remuneration, which was determined by the Board of Directors at the proposal of the Appointments and Remuneration Committee, taking into account certain quantitative and qualitative parameters.

With regard to the Chairman of the Board of Directors, insofar as the Board of Directors of the Company agreed to the termination of their executive duties with effect from 30 April 2022, it was agreed that the fixed and variable remuneration established in their contract would be the result of the pro rata number of months they held the position of Executive Chairman. Therefore, the Company's Appointments and Remuneration Committee agreed to submit to Colonial's Board of Directors the variable remuneration in favour of the Chairman, and the payment of the corresponding indemnity, referring to the first four months of 2022, during which they held the position of Executive Chairman.

Furthermore, although the Remuneration Policy provides that the Board of Directors, at the proposal of the Appointments and Remuneration Committee, may grant extraordinary remuneration to Executive Directors for their participation in carrying out extraordinary corporate transactions, acquisitions, investments, restructuring or any other transaction, the Executive Directors did not receive any extraordinary remuneration in relation to the financial year 2022.

6.8.2 Annual variable remuneration: 2022

Ordinary variable remuneration

With regard to short-term variable components, under the Remuneration Policy in force in 2022, the contracts of the Chairman (in force up to and including 30 April 2022) and the Chief Executive Officer include clauses whereby they may receive as annual variable remuneration an amount of up to 140% of the annual fixed remuneration corresponding to each of them. The Board of Directors agreed that variable remuneration would be subject to the fulfilment of certain quantitative and qualitative parameters or objectives, with the former accounting for 80% of the variable remuneration and the latter for 20% of the qualitative objectives.

In particular, the Board of Directors determined the following metrics to be taken into account in determining the variable remuneration of Executive Directors corresponding to 2022:

Types of objectives	Weight	Metrics
80% economic-financial and creation of shareholder value	35%	> Net rental income and adjusted earnings per share. Based on the 2022 business plan.
	30%	> Net Asset Value (NAV) per share. Based on the 2022 business plan.
	15%	> Loan to Value (LTV). Based on the 2022 business plan. > Maintaining the investment grade.
20% non-financial	10%	> ESG objectives: (i) Maintain excellence in the ranking (2/3) of the following indices: GRESB 5 star, CPD "A", VIGEO "A1+"; and (ii) Meet the targets of the Decarbonisation and Emission Reduction Plan.
	10%	> Individual performance assessment focused on strategic initiatives.

In accordance with the above, and at the proposal of the Appointments and Remuneration Committee, Colonial's Board of Directors determined, at its meeting held on 27 February 2023, the amounts of the annual variable remuneration accrued by the Executive Directors in 2022. To determine this amount, the metrics indicated above, and the results achieved during the year, were taken into account. In this respect, and in relation to the quantitative or financial objectives, it is worth noting the over-achievement of the net income and earnings per share objectives. Likewise, and with regard to the qualitative or non-financial objectives, these were fully met, highlighting, among others: (i) the approval and validation of the objectives of the Decarbonisation and Emissions Reduction Plan, and the reporting of all Scope 3 categories, defined in the GHG protocol of the carbon footprint applicable to Colonial and its Group, (ii) the continuous improvement in recent years in the GRESB Standing Investments Rating, VIGEO (being the third best-positioned company out of the 97 in the sector), Sustainalytics (awarded for the second year with the highest ESG rating badge in the industry 2023 as well as regional), and MSCI (highlighting leadership in Corporate Governance practices); or (iii) the maintenance of Level A in CPD Rating, the highest level of rating in CPD.

Therefore, at the proposal of the Appointments and Remuneration Committee, the Board of Directors, resolved, with regard to the Chief Executive Officer, a weighted payout level of 78% of the target, in relation to the degree of achievement of financial and value creation targets, and a weighted payout level of 25% of the target, in relation to the degree of achievement of non-financial targets.

Likewise, at the proposal of the Appointments and Remuneration Committee, and with respect to the Chairman, the Board of Directors agreed a weighted level of payment, in relation to the degree of compliance with the financial and non-financial objectives, of 100% of the target calculated for the period of the first four months that he held the status of Executive Director.

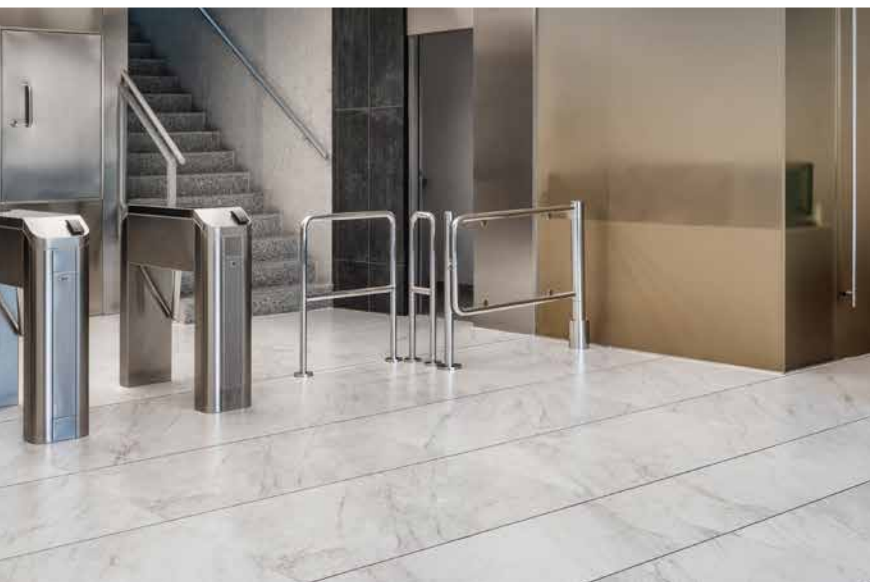
In this way, and with respect to the 2022 financial year, based on compliance with the above quantitative and qualitative criteria, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, considered that the ordinary variable remuneration to be received in the 2022 financial year should be 100% of the target level and of his annual fixed remuneration, calculated for the period of the first four months of the 2022 financial year, for the Chairman (period that they held the status of Executive Director), i.e., €250,000; and (ii) 102% of the target level and of his annual fixed remuneration for the Chief Executive Officer, i.e. €762,600. Such variable remuneration shall be paid in cash to each of them in 2023.

Non-Executive Directors did not receive any short-term variable remuneration components in 2022.

Extraordinary remuneration

> Colonial's Remuneration Policy provides that the Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall have the power to agree on the granting of extraordinary remuneration to Executive Directors for their participation in the performance of extraordinary corporate transactions, acquisitions, investments, restructuring or any other transactions, based mainly on the relevance, complexity and uniqueness of the corporate transaction that generates significant added value for the shareholders or generates an economic benefit or a significant increase in equity that reinforces Colonial's sustainability.

> The Executive Directors did not receive extraordinary variable remuneration in respect of the 2022 financial year.



6.8.3 Share Delivery Plan

In addition to the short-term variable remuneration, both the Chairman, during their term of office as Executive Chairman in the first four months of the 2022 financial year, and the Chief Executive Officer, were beneficiaries in the 2022 financial year of the Share Delivery Plan approved by Colonial's Annual General Meeting on 30 June 2021 (the **"Plan"**).

The main terms and conditions of the Plan are set out below:

> **Description**: The Plan consists of the delivery of Company shares to the beneficiaries of the Plan as long-term variable remuneration, conditional upon the fulfilment of certain multi-year objectives.

> **Beneficiaries**: The Chief Executive Officer, the Company's sole Executive Director at the current date, and such other Executives and employees of the Colonial Group as may be determined by the Company's Board of Directors. The delivery of the shares is in any case subject to the beneficiaries of the Plan being Executive Directors of the Company or having an employment or commercial relationship with any Colonial Group company on the dates on which the delivery takes place, without prejudice to special cases. As the Chairman of the Board of Directors ceased to have executive status as of 30 April 2022, he is not considered a beneficiary of the Plan for the second and third cycle.

> **Plan Duration**: The Plan will have a duration of five years and will be divided into three overlapping annual cycles, each independent among themselves (that is, with the delivery of shares corresponding to each cycle once three years have elapsed since the beginning of each cycle). In particular:

> > The Plan's **first cycle** corresponds to the three-year period between 2021 and 2023 (both inclusive). The target measurement period of this first cycle is the period from 1 January 2021 to 31 December 2023.

> > The Plan's **second cycle** corresponds to the three-year period between 2022 and 2024 (both inclusive). The target measurement period of this second cycle is the period from 1 January 2022 to 31 December 2024.

> > The Plan's **third cycle** corresponds to the three-year period between 2023 and 2025 (both inclusive). The target measurement period of this third cycle is the period from 1 January 2023 to 31 December 2025.

> **Maximum number of shares that may be allocated to the Plan**: the maximum number of shares that may be allocated under the Plan is 4,055,205 ordinary shares of the Company, representing 0.80% of the share capital, of which a maximum of 1,021,175 shares are allocated to Colonial's Chief Executive Officer.

In accordance with the Remuneration Policy, the maximum amount to which the Chief Executive Officer shall be entitled in each of his cycles, depending on the metrics and parameters established, shall consist of an amount equivalent to 300% of his fixed remuneration (€2,250 thousand euros). This amount takes into account the share price at the start date of the cycle and excludes any potential variance in the share price.

As a general rule, the maximum total number of Company shares which, in execution of the Plan, will be delivered to the beneficiaries of the Plan at the end of each cycle, will be the result of dividing the maximum amount above by the weighted average trading price of the Company's shares on the 30 trading days prior to 1 January of the first year of the relevant cycle (excluding this date). This means:

Beneficiary	Cycle	Maximum number of shares
Chief Executive Officer	2021-2023	275,399
	2022-2024	279,156
	2023-2025	376,254

The number of shares corresponding to each beneficiary of the Plan, in each of its cycles in accordance with the above will be increased by a number of shares equivalent to the amount of dividends per share distributed by Colonial to its shareholders during each cycle based on the number of shares assigned to the beneficiary in the cycle. For these purposes, the weighted average of Colonial's share price on the dividend payment dates in each of the years of the cycle will be taken as the reference value of the share.

> **Requirements and conditions for the settlement of each cycle**: The specific number of Colonial shares that, within the established maximum, will be delivered to the beneficiaries of the Plan at the end of each cycle will be conditional on the fulfilment of financial and shareholder value creation objectives. In addition, the Board of Directors may include as a metric the achievement of non-financial targets which, in no case, may exceed 30% for the determination of the maximum incentive.

Specifically, the determination of the long-term incentive for the first cycle (2021-2023) of the Plan will be based on the following metrics that are primarily associated with the creation of shareholder value:

Weight	Metrics	Justification
50%	Relative total shareholder return relative to a comparator group, and adjusted (upwards or downwards) for the absolute total shareholder return.	It measures performance against comparable companies and Colonial's own performance against a set target.
30%	NAV/share at 31 December 2023.	It measures the valuation of the total assets in the portfolio.
10%	Management of the pipeline: change in the appraised value of the assets included in the pipeline from the beginning to the end of the cycle, taking into account the CAPEX incurred during the 2021-2023 period.	It measures the creation of shareholder value generated by ongoing projects.
10%	Adjusted earnings per share in 2023.	It measures the achievement of one of the parameters for ensuring shareholder remuneration.

Total shareholder return ("TSR") is considered the metric for determining the generation of value in Colonial in the medium and long term, by measuring the return on investment for the shareholder, defined, for the purposes of the Plan and for each cycle, as the quotient (expressed as a percentage ratio) between the final value of a hypothetical investment in Colonial shares (reinvesting dividends at each moment) and the initial value of that same hypothetical investment.

In order to determine compliance with the TSR target and calculate the specific number of shares to be delivered for this concept, firstly, the development of the TSR of the Colonial's share is measured during the duration of each cycle, in relation to the TSR of an index (the "Index") made up of eleven companies in the sector, both domestic and foreign.

The Plan provides that the preliminary number of shares to be delivered associated with meeting this target will range from 50% of the theoretical number of shares allocated if Colonial's TSR performance is at least 75% of the TSR of the Index, 100% if Colonial's TSR is equal to the TSR of the Index, and 150% if Colonial's TSR is 125% or higher of the TSR of the Index. For intermediate values, the preliminary number of shares to be delivered shall be calculated by linear interpolation.

No shares associated with meeting this objective will be delivered in the event that Colonial's TSR represents less than 75% of the TSR of the Index.

For the second cycle (2022-2024) of the Plan, for which the measurement period started on 1 January 2022, the Board of Directors agreed that the metrics will be the same as those set for the first cycle (2021-2023) of the Plan, namely:

Weight	Metrics	Justification
50%	Total shareholder return relative to a comparison group, and adjusted (upwards or downwards) for the absolute Total Shareholder Return.	It measures performance against comparable companies and Colonial's own performance against a set target.
30%	NAV/share at 31 December 2024.	It measures the valuation of the total assets in the portfolio.
10%	Management of the pipeline: change in the appraised value of the assets included in the pipeline from the beginning to the end of the cycle, taking into account the CAPEX incurred during the 2022-2024 period.	It measures the creation of shareholder value generated by ongoing projects.
10%	Adjusted earnings per share in 2024.	It measures the achievement of one of the parameters for ensuring shareholder remuneration.

The determination of the degree of achievement of the total shareholder return will be made by applying the same methodology described for the first cycle and considering the target measurement period of the 2022-2024 cycle.

For the third cycle (2023-2025) of the Plan, for which the measurement period starts on 1 January 2023, the Board of Directors has agreed that the metrics will be:

Weight	Metrics	Justification
50%	Total shareholder return (TSR): > 15% TSR relative to a comparison group, and > 35% absolute TSR. Maximum weighting up to 200% of the target.	It measures performance against comparable companies and Colonial's own performance against a set target. Each of these metrics will be measured independently, and each metric determines a portion of the incentive.
20%	NTA/share at 31 December 2025: > 10% relative NTA. > 10% absolute NTA.	This measures the change in the valuation of the total assets in the portfolio on an absolute basis and with respect to comparable companies. Each of these metrics will be measured independently, and each metric determines a portion of the incentive.
20%	Adjusted earnings per share in the 2023-2025 measurement period.	It measures the achievement of one of the parameters for ensuring shareholder remuneration.
10%	Progress on the Decarbonisation and Emission Reduction Plan.	This measures the degree to which the targets of the Decarbonisation and Emission reduction Plan have been met.

In proposing the metrics and weightings for the 2023-2025 cycle, the Appointments and Remuneration Committee has considered, among other factors:

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

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall determine the payout levels after the close of the target measurement period of each cycle, based on its degree of compliance, and may adjust the level of payout to ensure that the outcome is fair and balanced, in light of the overall performance of the Company, taking into account any associated risks. In this regard, positive or negative economic effects arising from extraordinary events that could introduce distortions in the evaluation results may be eliminated when proposing the level of achievement of the quantitative objectives. The evaluation of results and the determination of payment for some metrics may be made on the basis of data provided by external consultants.

In any case, in the event of a change in the number of Colonial shares, due to a decrease or increase in the nominal value of the shares, or an operation of equivalent effect such as a merger, integration or spin-off, the maximum number of shares to be delivered shall be adjusted, where appropriate, so that the equivalence of the Plan's benefits is maintained.

In addition, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall have the power to propose the cancellation (malus) or recovery (clawback) of all or part of the shares to be delivered to the beneficiaries of the Plan if: (i) the Company suffers significant losses and the Board of Directors understands that this is due to major failures in the management of risks committed by the Company, to which the wilful or grossly negligent conduct of the Executive Director has contributed; (ii) there is a serious breach by the beneficiary of the Company's internal regulations and policies; (iii) there is a restatement of the Company's financial statements, provided that such restatement is confirmed by the External Auditors and is not the result of a change in accounting regulations, and provided that, pursuant to such restatement, the variable remuneration to be paid is lower than that initially accrued or no remuneration has been paid in accordance with the Company's variable remuneration system; and (iv) the remuneration paid had been calculated on the basis of data that subsequently proved to be inaccurate and resulted in a variable remuneration to be paid that was lower than that initially accrued or no remuneration had been paid in accordance with the Company's variable remuneration system. The clawback clause may be applied by the Board of Directors during the two years following the payment of the variable remuneration in question.

> **Holding of shares**: the Chief Executive Officer shall be obliged to retain the Colonial shares delivered to them under the Plan for at least one year after their delivery, without prejudice to the fact that, in accordance with the Remuneration Policy, he is obliged to comply with the requirement to hold a number of shares equivalent to two annuities of the fixed remuneration.

> **Date of delivery of the shares**: the delivery of the Company's shares corresponding to each cycle of the Plan will take place after the end of the corresponding cycle, i.e., in 2024 for the first cycle, in 2025 for the second cycle and in 2026 for the third cycle, after the audited financial statements for the financial years 2023, 2024 and 2025, respectively, have been prepared. The specific date of delivery of the shares shall be determined by the Board of Directors or by the person to whom the Board of Directors has delegated the relevant powers for this purpose. In addition, the beneficiaries of the Plan will be charged any payments on account or, where applicable, withholdings. In any event, the Board of Directors is empowered, where appropriate, to decide, on a reasoned basis, not to execute, cancel, liquidate or terminate early all or part of the Plan or any of its cycles when circumstances so advise.

However, in the event that, in accordance with the applicable regulations, a takeover bid is made for Colonial, the successful outcome of which implies a change of control of the Company and, in addition, the termination for any reason of the relationship of any of the beneficiaries of the Plan with Colonial within six months of the settlement of the takeover bid, the Plan will be settled early for all the beneficiaries of the Plan who have terminated their relationship with Colonial within the stipulated period, and the maximum number of shares assigned to them in each of the Plan's life cycles will be delivered.

Furthermore, in the event that, during the term of the Plan, the Chief Executive Officer is removed from office without just cause, the General Meeting does not extend his term of office or there is a substantial change in his functions (including the loss of executive status), he shall be entitled to early settlement of the Plan as set forth below (which has occurred with respect to the Chairman, effective 30 April 2022, he ceased to hold the status of Executive Director, as set forth in Section B below).

If the event giving rise to the early settlement of the Plan occurs within the first 18 months of one of the Plan cycles, the Executive Director shall be entitled to receive the target number of shares corresponding to them in such Plan cycle pro rata for the number of days between the starting date of the cycle in which the event giving rise to the early settlement of the Plan occurred and the effective date of termination, non-extension or substantial modification of their duties. In the event that the event giving rise to the early settlement of the Plan occurs in the second half of the target measurement period of a cycle, they will be entitled to receive the target number of shares corresponding to that cycle.

The beneficiaries of the Plan shall lose their right to the delivery of shares in the event of fair dismissal except for objective reasons, termination of their contract with just cause or in the event of resignation on their own initiative, as well as in the event of a breach of contract with regard to confidentiality, prohibition of offering services or competition. In such cases, the beneficiaries shall also forfeit any rights to the shares granted.

For the 2022 financial year, and due to the termination of the Chairman's executive duties as of 30 April 2022, the proportional settlement of the first cycle of the long-term incentive with respect to this amounted to 40,660 shares plus 1,031 shares deriving from the dividend that would have corresponded to the aforementioned number of shares, making a total of 41,691 shares. Furthermore, to the extent that the Chairman of the Board of Directors is no longer an executive, they will not participate in the second and third cycle of the Plan.

6.8.4 Long-term savings schemes

The Chief Executive Officer and the Chairman of Colonial (for the first four months of the financial year 2022, i.e., while they held the position of Executive Chairman) were beneficiaries of a defined contribution pension plan covering retirement, disability and death, for an amount for each of them corresponding to 15% of their fixed remuneration.

This employee welfare system for the Executive Directors recognises the consolidation of the economic rights in the event of the termination or extinction of the professional relationship prior to the occurrence of the covered contingencies unless such terminations or extinction is due to just cause. Furthermore, such long-term savings schemes are compatible with any compensation that may be due.

As the Company's Board of Directors agreed that the Chairman of the Board of Directors would cease to perform his executive duties as of 30 April 2022, the contribution to the pension plan was only made for the first four months of the 2022 financial year. This contribution is equivalent to €37,500, to which was added that corresponding to the settlement of the pension plan as at 31 December 2021, i.e. €497,287.22. As of 1 May 2022, the Chairman has held the position of Non-Executive Chairman and therefore has ceased to be a beneficiary of the above-mentioned pension scheme.

6.8.5 Compensation or other payments resulting from early termination

In 2022, no severance or other payments were accrued or received as a result of the early termination of Colonial's Directors, except for those received by the Chairman.

In this respect and following the termination of his executive duties effective 30 April 2022, the Chairman received a severance payment equivalent to twice his annual base salary and the target of his annual variable remuneration, i.e., €3,000,000.

6.8.6 Significant changes to the Executive Directors' contracts

In 2022, in accordance with the Remuneration Policy, the contracts of the Executive Directors did not undergo any substantive changes. Notwithstanding the above, with effect from 30 April 2022, the Chairman of the Board of Directors was removed from his executive duties and, therefore, as of that date, the contract signed between him and the Company in his capacity as Executive Chairman became null and void.

6.8.7 Remuneration in kind

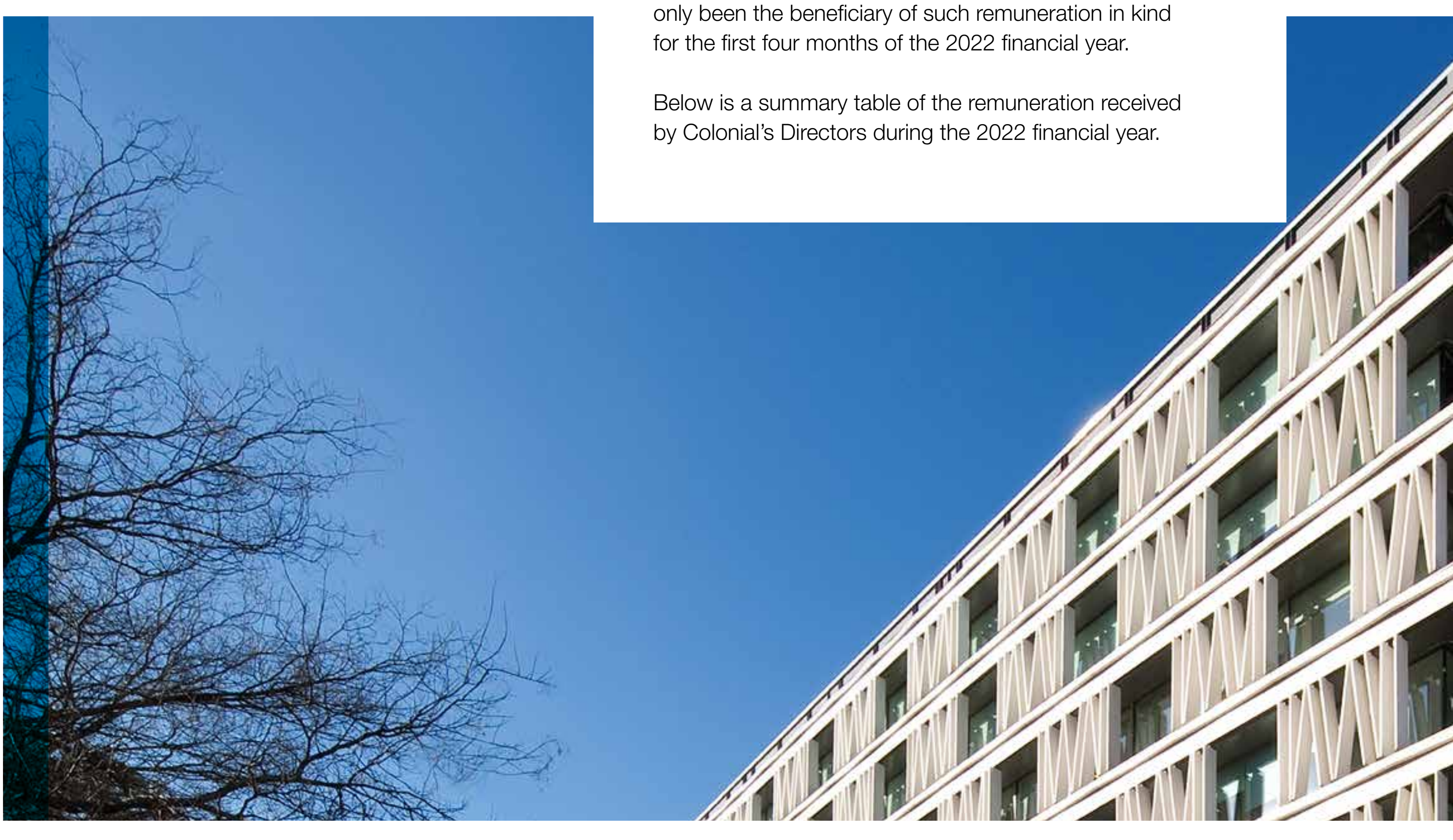
All the Directors are beneficiaries of the Group's Civil Liability Insurance Policy taken out by Colonial, which covers liability for the acts and conduct of the members of the Board of Directors and Company Executives as a result of the performance of the activities inherent to their duties, as well as claims arising from cybersecurity attacks or failures.

The cost of this insurance policy is not included in the maximum amount of annual remuneration for all Directors. In the 2023 financial year, the amount of the Group Liability Insurance Policy is expected to be €417,276.52.

In addition, the Company pays its Executive Directors other remuneration in kind, different to the long-term savings systems customary in the sector, such as, mainly, the use of a Company vehicle, life insurance, family health insurance, disability and accident insurance. In 2022, the amount of this remuneration in kind amounted to €63,425.

Notwithstanding the above, insofar as the Board of Directors of the Company resolved to terminate the executive duties of the Chairman of the Board of Directors effective 30 April 2022, the Chairman has only been the beneficiary of such remuneration in kind for the first four months of the 2022 financial year.

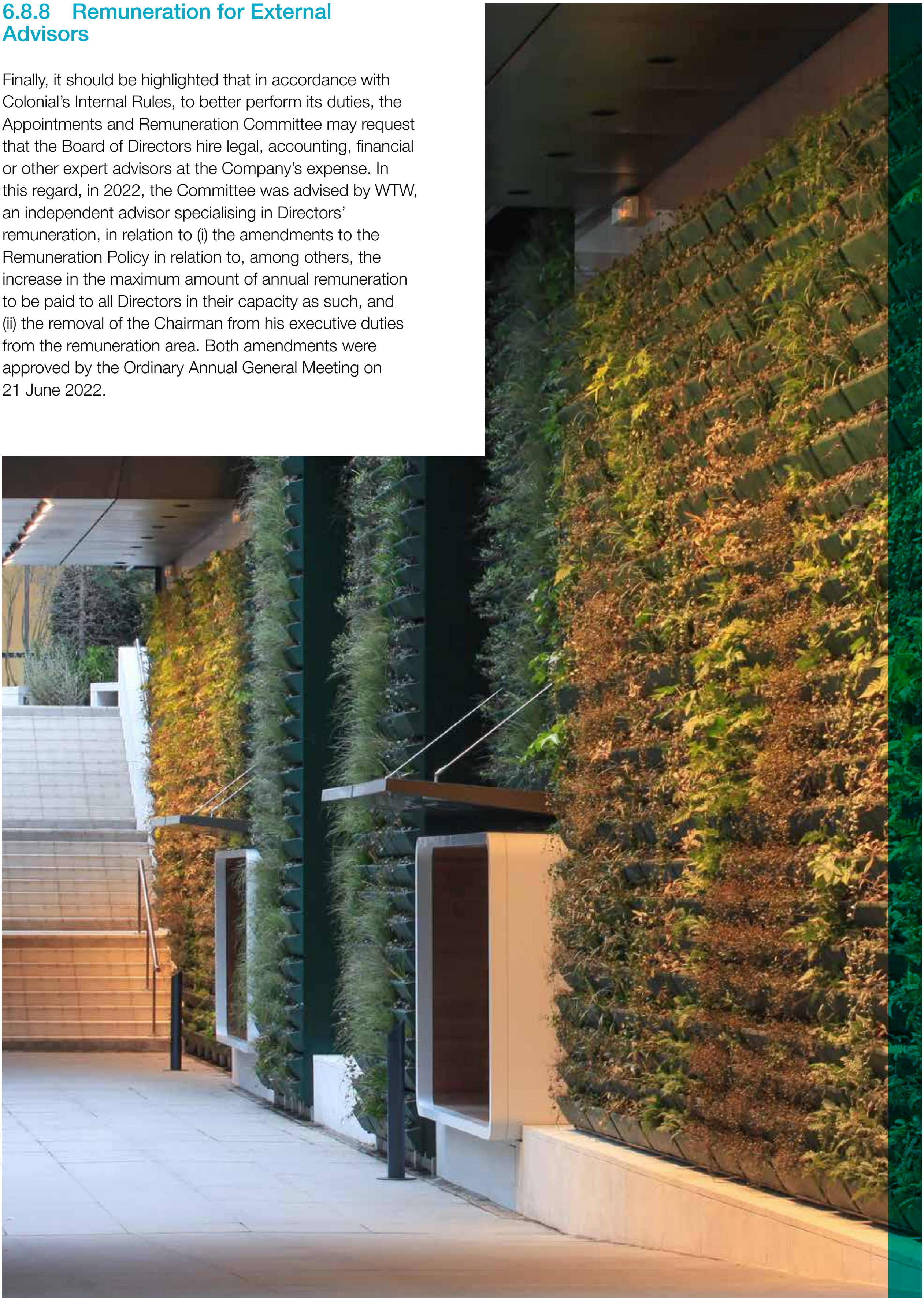
Below is a summary table of the remuneration received by Colonial's Directors during the 2022 financial year.



Thousand of euros	Accrued remuneration at the Company					Accrued remuneration at Group companies				
Name	Total cash remuneration	Gross profit from consolidated shares or financial instruments	Remuneration by savings schemes	Remuneration for other items	Total 2022 from the Company	Total cash remuneration	Gross profit from consolidated shares or financial instruments	Remuneration by savings schemes	Remuneration for other items	Total 2022 from the 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 López Casado	101	–	–	–	**101**	–	–	–	–	**101**
Mr. Luis Maluquer Trepat	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**
Total	**6,949**	**275**	**150**	**63**	**7,437**	**52**	**518**	**–**	**–**	**8,007**

6.8.8 Remuneration for External Advisors

Finally, it should be highlighted that in accordance with Colonial's Internal Rules, to better perform its duties, the Appointments and Remuneration Committee may request that the Board of Directors hire legal, accounting, financial or other expert advisors at the Company's expense. In this regard, in 2022, the Committee was advised by WTW, an independent advisor specialising in Directors' remuneration, in relation to (i) the amendments to the Remuneration Policy in relation to, among others, the increase in the maximum amount of annual remuneration to be paid to all Directors in their capacity as such, and (ii) the removal of the Chairman from his executive duties from the remuneration area. Both amendments were approved by the Ordinary Annual General Meeting on 21 June 2022.



6.9. Business ethics

Since 2011, Colonial has had a robust regulatory compliance model in place, which is in continuous improvement.

Highlights 2022

Code of Ethics

- The Code of Ethics and Corporate Policies were provided to new employees.
- All employees reaffirmed their commitment to the principles of the Code of Ethics.

Ethics Channel

- Dissemination of the Ethics Channel to all Colonial and Utopicus employees.
- No complaints were received in 2022.

Crime prevention

- Update on criminal risks and controls.
- Implementation of the Archer tool.
- Employees reaffirmed their commitment to compliance with the Anti-Corruption Policy.
- All donations and sponsorships were jointly approved by the Chairman and CEO.

Prevention of money laundering

- External Expert Report on internal control and communication procedures, and bodies established to prevent money laundering.

Prevention of market abuse

- Replacement of the ISC (Internal Standards of Conduct for Securities Markets) by two specific policies:
  - Processing and Dissemination of Inside Information and Other Relevant Information Policy.
  - Treasury Stock Policy.

Multi-Year Training Plan

- Approval of the Multi-Year Training Plan for 2022, 2023 and 2024.
- Sessions held in 2022:

Subject	Trainer	For employees
Privacy	EY	Colonial and Utopicus
Prevention of money laundering and of the financing of terrorism	Cuatrecasas	Colonial
Crime Prevention / Business Ethics	RCU	Colonial
Market abuse	Ramón y Cajal Lawyers	Colonial and Utopicus

6.9.1 Code of Ethics

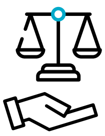
- **Approved in 2011.**
- **Available on the corporate website for all Colonial's stakeholders.**
- **The Code of Ethics and Corporate Policies are provided to new employees of Colonial and Utopicus.**
- **In 2022 all Colonial and Utopicus employees reaffirmed their commitment to the principles of the Code of Ethics.**

In 2011, the Company's **Code of Ethics** was approved, in line with the Good Governance Recommendations generally recognised in international markets and the Principles of Social Responsibility accepted by the Company. This document embodies Colonial's commitment to the Principles of Business Ethics and Transparency, establishing the basic values that should guide the activities of Colonial's professionals.

The Code of Ethics is provided to all employees, as part of the welcome program. Training sessions on the subject are held annually and a commitment to comply with the contents is given by the participants. In 2022, a total of 46 contracts

Principles of the Code of Ethics

Action lines	Relations with and between the Group's professionals	Commitments to third parties and the market
> Respect for the law	> Non-discrimination, mutual respect and equal treatment	> Free competition
> Professional integrity	> Equal opportunities	> Integrity in management
> Respect for the environment	> Work-life balance	> Client relations
	> Right to privacy	> Relations with contractors and suppliers
	> Health and safety at work	> Shareholder relations
		> Restricted and confidential information
		> Protection of corporate assets
		> Conflicts of interest
		> Neutrality
		> Company commitment
		> External activities



were signed in Spain, and in all of them, the Code of Ethics was provided and the corresponding acceptance of its content and compliance commitments were received.

The Code of Ethics is available to all Colonial's stakeholders on its website, and its contents include the following commitments, which in turn are developed through the various Corporate Policies that are updated on a recurring basis:

- In relation to the **principle of neutrality**, Colonial develops its business model without interfering or participating in the political processes of the countries and communities in which it operates. Any relationship between Colonial and governments, authorities, institutions and political parties is based on the principles of legality and political neutrality. In this regard, in accordance with the Code of Ethics and the Anti-Corruption Policy, Colonial is prohibited from making donations to political parties and their related foundations.

- With regard to **free competition**, in accordance with the Code of Ethics and Development Policies, Colonial undertakes to compete fairly in the markets in compliance with the antitrust laws applicable in the countries where it carries out its activities. Furthermore, the Group shall not engage in advertising that is misleading or denigrates its competitors or third parties.

- With regard to **professional integrity**, both the Code of Ethics and the Anti-Corruption Policy prohibit the direct or indirect acceptance of any gift of any amount, the purpose of which is to favour a person or entity in the procurement of goods or services.

- In relation to the principle of **management integrity**, the Board of Directors is committed to accurate, valid, timely, relevant and complete financial reporting. The Company has a general policy regarding the publication of economic-financial, non-financial and corporate information that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Policy on communication of economic-financial, non-financial and corporate information with shareholders, institutional investors and proxy advisors is available for consultation here

6.9.2 Ethics Channel

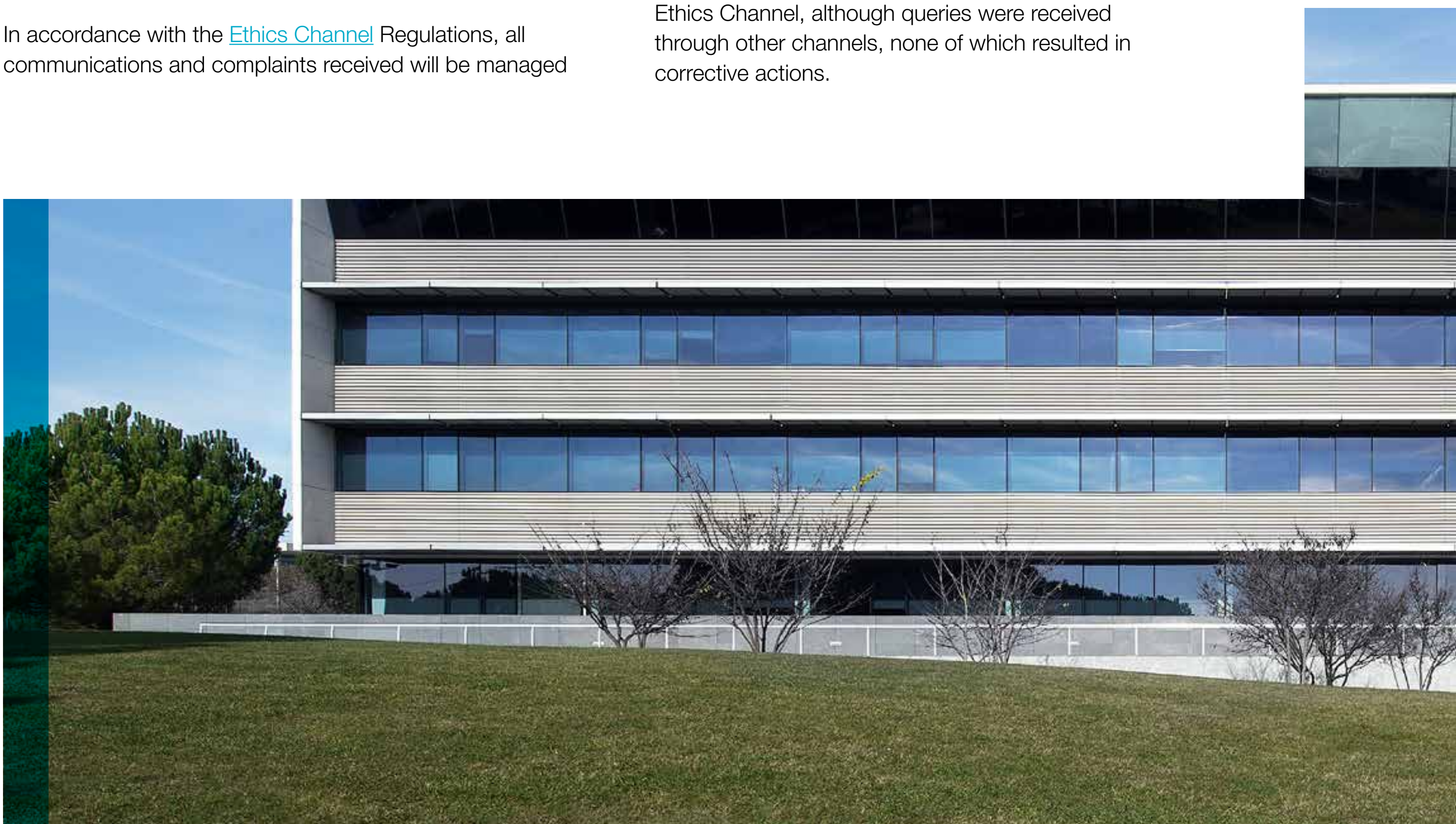
- The Ethics Channel was created in 2011 and improvements have been made over time, extending it to Directors, employees, shareholders, suppliers, contractors and subcontractors.
- Available on the corporate website in the languages to which it applies: Spanish, Catalan and English.
- Managed by the Regulatory Compliance Unit (RCU): a financially independent body reporting directly to the Audit and Control Committee (ACC).
- Dissemination of the Ethics Channel to all Colonial and Utopicus employees.
- No complaints were received in 2022.

Colonial has had an Ethics Channel since 2011. The Ethics Channel is currently available on the Colonial and Utopicus corporate websites, in Spanish, Catalan and English, and is open to receive all types of communications and queries regarding the Code of Ethics from Colonial and/or Utopicus employees, Directors, shareholders, suppliers, contractors and subcontractors.

In accordance with the Ethics Channel Regulations, all communications and complaints received will be managed by a unit that is organically and financially independent from the Executive Committee, which is the Regulatory Compliance Unit. Communications or complaints can be submitted anonymously and will be treated confidentially by the Unit.

The Ethics Channel is available 24/7, and persons who make any kind of query or complaint, provided they do so in good faith, are protected against any form of reprisal, threat, extortion, discrimination or criminalisation on the basis of the disclosures made. Colonial will sanction any kind of retaliation against the interested party in good faith. In addition, the Regulatory Compliance Unit is the body responsible for processing and managing any other facts of which it becomes aware by any other means, with the advice and legal assistance of external counsel if necessary. Likewise, as established in the Regulation, the Ethics Channel is set up fully in accordance with the different legally established data protection requirements, in order to duly protect the privacy and intimacy of the persons involved and, in particular, to guarantee the confidentiality of the person making a complaint. In this regard, the Data Protection Officer (DPO) is responsible for its continuous compliance and may rely on specialised external advice.

In 2022, no complaints were received through the Ethics Channel, although queries were received through other channels, none of which resulted in corrective actions.



Operation of the Ethics Channel

Colonial provides all its employees with an **Ethics Channel** where they can report (confidentially and anonymously) any alleged irregularities of which they have or may become aware.

What behaviours can be reported?

- Those that pose a risk of committing a crime.
- Those contrary to the Code of Ethics.
- Those contrary to the Anti-Corruption Policy.

...which have been committed by any employee, officer or member of the Board of Directors

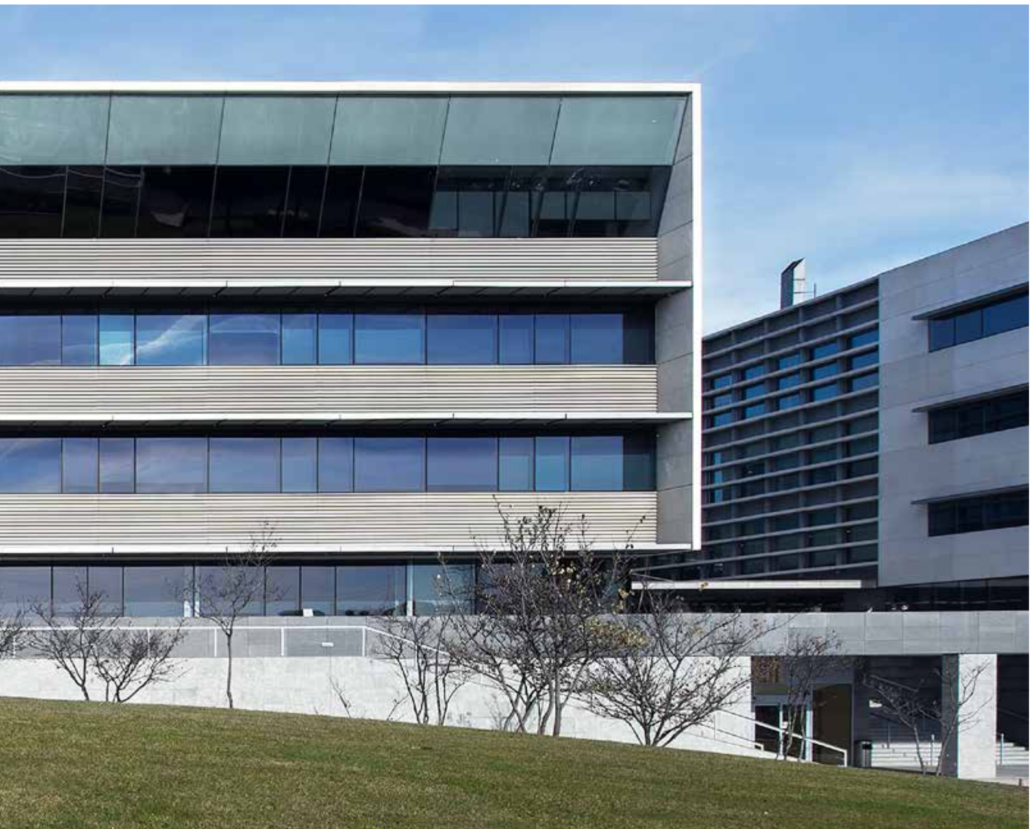
How to make a report

Complaints are made electronically through the Ethics Channel available on the corporate website and will be received directly by the **RCU**, which will treat them confidentially.

Who receives and manages the complaints?

The group in charge of **managing and investigating the complaints** received is the **Regulatory Compliance Unit**, which is obliged to promote and preserve the following aspects, among others:

- **Confidentiality**
- **Fast and efficient response time**
- **Reliability, transparency, and traceability of actions**



6.9.3 Crime prevention

- A criminal risk prevention manual has been available since 2015.
- Update on criminal risks and controls.
- Implementation of the Archer tool.

Within the framework of Colonial's Compliance Model, which was established in 2011, Colonial has had a Criminal Risk Prevention Manual since 2015, which is reviewed on a recurring basis by the Regulatory Compliance Unit in order to adapt it to new circumstances as they arise. Likewise, in 2020 the Audit and Control Committee approved a Compliance Policy, available on the corporate website at the following link, the purpose of which is to formally affirm Colonial's commitment to promote a culture of regulatory compliance that allows for the development of honest, upstanding and transparent professional conduct. In addition, it affirms Colonial's commitment to "zero tolerance" and a firm condemnation of committing any kind of illegal act, particularly in the criminal sphere, without any justification being given for it on the basis of being a benefit for the Company. This policy defines the control mechanisms established by the Company.

In 2022 a review of the criminal risks and associated controls was carried out, for which the Regulatory Compliance Unit received external advice (Deloitte) and all the Company's employees were involved. For the follow-up and monitoring of the controls associated with the risks, the Regulatory Compliance Unit has implemented a compliance module within the Archer tool.

In addition to the above, on a recurring basis, Colonial reviews the internal and external regulations applicable to it, through the Regulatory Compliance Unit, as well as external advisors and lawyers, in order to ensure full and correct compliance.

6.9.3.1 Anti-corruption policy

> **In accordance with Colonial's commitment to managing its assets with integrity, the Company has an Anti-Corruption Policy applicable to all its employees.**

> **Colonial and Utopicus employees have reaffirmed their commitment to comply with Colonial's Anti-Corruption Policy.**

> **The Anti-Corruption Policy sets out a clear procedure for the acceptance of gifts.**

Colonial, in line with the Sustainable Development Goals (SDGs), and more specifically SDG 16, aims to promote just, peaceful and inclusive societies and to radically reduce corruption and bribery in all its forms by 2030.

In this regard, Colonial's Anti-Corruption Policy was formalised in 2021 and approved by the Board of Directors at its meeting on 7 October 2021. In 2022, Colonial implemented a procedure to ensure that, on an annual basis, all Colonial and Utopicus employees are aware of and accept both the Code of Ethics and the Anti-Corruption Policy.

In accordance with Colonial's Code of Ethics and Anti-Corruption Policy, any form of corruption is totally contrary to its principles and values, and any kind of behaviour related to any form of bribery is prohibited. In accordance with the above, Colonial expressly rejects bribes to authorities and public officials and prohibits its employees from giving to third parties, or receiving from third parties, undue payments of any kind, or gifts, handouts or favours that are outside market usage or which, due to their value, characteristics or circumstances, may reasonably alter the development of commercial, administrative or professional relations involving the Group's companies.

Furthermore, within the Anti-Corruption Policy, a procedure has been established in relation to the delivery and acceptance of gifts:

It is forbidden to accept, directly or indirectly, any gift of any amount that the purpose of which is for the subject person to favour, directly or indirectly, the person or bank that grants it in the contracting of goods or services.

For the acceptance of gifts:

(i) The value of the gift may not exceed €250 and must be in accordance with social customs and sectoral standards.

(ii) Exceptionally, for gifts exceeding the aforementioned amount of €250, authorisation may be requested from the Regulatory Compliance Unit when there are circumstances that justify it".

In addition to the aforementioned precepts for the fight against corruption, the Company has a model of segregation of duties and a purchasing authorisation system, to increase controls in this area which are applied throughout the Group. No significant corruption-related risks have been identified during 2022 through the mechanisms described above.

6.9.3.2 Grants, sponsorships and donations

> **Donations to political parties and their related foundations are prohibited.**

> **All donations and sponsorships have been jointly approved by the Chairman and CEO.**

Colonial's Anti-Corruption Policy, approved by the Board of Directors at its meeting of 7 October 2021, regulates the processing of donations, sponsorships and subsidies.

The term donation shall be understood as any voluntary contribution (monetary or otherwise) made by the Colonial Group to an entity or legal person with no intention of receiving anything in return and for the sole purpose of participating in and contributing to the activities of the recipient, i.e., without expecting to obtain any profit in return. Donations must be justified by the Colonial Group's activity and be in line with the lines of action set by the Company and/or its ESG commitments. The Chairman of the Board of Directors and the Chief Executive Officer shall be responsible for deciding on donations and the amounts to be donated. The Board of Directors shall also be informed annually of all donations made, if any, during the financial year.

The term sponsorship refers to any agreement whereby the Colonial Group provides financial (or other) support to an entity or legal person or a specific initiative, in exchange for promoting, directly or indirectly, the name of the Colonial Group as a sponsor in its activities. Strategic alignment of sponsorships will be ensured, and appropriate procedures will be put in place. The Chairman of the Board of Directors and the Chief Executive Officer shall decide on the amounts and activities to be sponsored. The Board of Directors shall also be informed annually of all sponsorships made during the financial year.

In this regard, donations to political parties and their related foundations are prohibited. Any relationship between Colonial and governments, authorities, institutions and political parties will be based on the principles of legality and political neutrality. Furthermore, in accordance with the provisions of the Anti-Corruption Policy, the Chairman of the Board of Directors and the Chief Executive Officer shall jointly decide on the amounts and activities subject to sponsorship, as well as on the donations and the amounts allocated to them.

With regard to the 2022 financial year, RCU has monitored the donations and sponsorships made during the financial year and all the sponsorships and donations granted by Colonial have the formal joint approval of the Chairman and CEO.

In this regard, within the framework of the Colonial Group's ESG Strategy, the Company plans to increase its involvement in specific actions that promote social integration, philanthropic activities and greater participation of society in Colonial's activities. These initiatives are consistent with Colonial's commitment to promote and achieve the Sustainable Development Goals (SDGs), more specifically SDG 17: "Revitalize the Global Partnership for Sustainable Development", which is indispensable for the success of the UN 2030 Agenda for Sustainable Development.

6.9.4 Prevention of money laundering and the financing of terrorism

> **An Anti-Money Laundering and Terrorist Financing Prevention Manual is available.**
>
> **An Independent Expert has issued an External Expert's Report on the Internal Control and Communication Procedures and bodies established to prevent money laundering.**

Although Colonial's main activity is the leasing of real estate, which it carries out in Spain (mainly in Barcelona and Madrid) and in Paris, through its subsidiary Société Foncière Lyonnaise, the performance of this activity as such does not make it a regulated entity. With regard to the prevention of money laundering and of the financing of terrorism, Colonial also carries out real estate development activities, which consists of purchasing buildings for refurbishment and their subsequent leasing, and Colonial can therefore be considered a regulated entity for the purposes of Article 2.1 l) of the Money Laundering Prevention Act.

In this regard, Colonial has an Anti-Money Laundering and Terrorist Financing Prevention Manual, and a system for the prevention of money laundering and the financing of terrorism aligned with the applicable regulatory requirements, as well as an Internal Control and Communication Body (OCIC) in which all of Colonial's business areas are represented. Specifically, Colonial has computerised money laundering tools that are ideal for risk mitigation, enabling the appropriate identification of clients, and it receives external advice from reputable law firms, allowing it to reinforce its monitoring tasks, as well as a system for classifying clients according to risk.

In 2022, the Anti-Money Laundering and Terrorist Financing Prevention Manual was updated in order to adapt it to incorporate the recommendations of the External Expert in its report issued in 2021, and in 2022 a report was again issued by an Independent Expert on all the procedures established and activities carried out by the Company and by the Internal Control and Communication Body, of which both the Audit and Control Committee and the Board of Directors were informed.

Finally, within the framework of its activity, in 2022, identification tasks were carried with regard to the prevention of money laundering in the three disposals carried out by the Company in financial year 2022, with the collaboration of an External Advisor and training was provided in this area.

6.9.5 Market abuse

- **Replacement of the ISC (Internal Standards of Conduct for Securities Markets) by two specific policies:**
  - Processing and Dissemination of Inside Information and Other Relevant Information Policy.
  - Treasury Stock Policy.
- **Both policies:**
  - Are available on the Company's corporate website.
  - Apply to all employees.
  - Have been communicated to all employees.
  - All employees have received training in this area.

In the financial year 2022, the Internal Standards of Conduct (ISC) continued to be communicated to Colonial's new hires that were considered affected persons until 14 December 2022, the date on which the ISC was repealed.

In line with market abuse regulations, the Internal Standards of Conduct for Securities Markets (ISC), was replaced on 14 December 2022 by the following policies:

- Processing and Dissemination of Inside Information and Other Relevant Information Policy
- Treasury Stock Policy

These two policies apply to all employees and are available on the corporate website.

All employees were informed about both policies and received training on these matters.

As explained in the section on "Multi-Year Training Plan", training on the Processing and Dissemination of Inside Information and Other Relevant Information Policy was given on 26 January 2023 by Ramón y Cajal Abogados. It was attended by 105 employees and end-of-training evaluations were received from 81 of them.

Furthermore, in accordance with the provisions of this Policy, on 2 and 3 February 2023, the RCU sent out communications to the employees and the Company's employees with reporting obligations, as well as to the Management Team and Directors of the Company and SFL. Finally, on 1 February 2023 a reminder about blackout periods was sent.

6.9.6 Privacy

> The Company has a number of procedures in place to comply with the GDPR (General Data Protection Regulation).

> It has had a DPO (Data Protection Officer) since 2020, who holds regular follow-up meetings with an External Advisor (EY) and with Colonial's Security Committee to review the policies and other aspects.

Since 2018, the Company has had a number of procedures in place to comply with the GDPR (General Data Protection Regulation), including:

- Information Security Policy.
- Information Access Control Policy.
- Information Security Incident Management Policy.
- Information Classification Policy.
- Asset and Resource Use Policy.
- Security Breach Management Procedure.
- Non-Automated Data Processing Procedure.
- Affected Person Management Procedures.

In addition, since 2020, the Company has had a DPO (Data Protection Officer), who holds regular follow-up meetings with an External Advisor (EY) to review policies and other aspects. In addition, the DPO also forms part of Colonial's Security Committee, which meets monthly to deal with different aspects related to the Company's cybersecurity.

During 2022, the DPO participated in 49 follow-up meetings with the External Advisor, five reports were prepared on the compliance status of the different areas and 66 legal and technical queries were resolved. The relevant data protection impact assessments and legal impact assessments have also been carried out.

6.9.7 Multi-Year Training Plan

> **Approval of a Multi-Year Training Plan for 2022, 2023 and 2024 for all Colonial employees. Approved by the ACC (Audit and Control Committee) on 22 March 2022.**

In 2022, Colonial formally established a Multi-Year Compliance Training Plan for its employees. This Plan which covers 2022, 2023 and 2024 was approved by the Audit and Control Committee at its meeting held on 22 March 2022, and contains annual training courses on ethics, market abuse, prevention of money laundering, crime prevention (including corruption and bribery) and privacy for all Colonial employees.

During 2022, the following training sessions assigned to the 2022 financial year were carried out:

- On 22 July 2022, a training pill on data protection was distributed to all Colonial and Utopicus employees. The content of this training was prepared by EY, an expert that collaborates with Colonial's DPO. The Security Committee also carries out awareness-raising by randomly sending out monthly security pills to different groups of Colonial and Utopicus employees.
- On 29 September 2022, all Colonial employees were sent a training pill on the Prevention of Money Laundering, prepared by a prestigious law firm.
- On 20 December 2022, all Colonial and Utopicus employees were informed of the general principles of behaviour set out in the Code of Ethics and the functioning of the Ethics Channel, as a means of reporting irregularities confidentially and anonymously, as well as the principles of action of the Anti-Corruption Policy. Employees have electronically affirmed their commitment to these principles and to compliance with the Policy. This training activity was carried out directly by the Regulatory Compliance Unit.

Summary of training sessions held in 2022

Subject	Trainer	For Employees
Privacy	EY	Colonial and Utopicus
Prevention of Money Laundering and the Financing of Terrorism	Cuatrecasas	Colonial
Crime Prevention / Business Ethics	RCU	Colonial
Market abuse(*)	Ramón y Cajal Lawyers	Colonial and Utopicus

(*) At the end of 2022, a mandatory training session was prepared for all employees on the new Processing and Dissemination of Inside Information and Other Relevant Information Policy, which was given on 26 January 2023 by Ramón y Cajal Abogados.

6.9.8 Engagement in lobbying activities

Colonial has a Corporate Social Responsibility Policy that must be complied with by all employees of the Group, as well as by the Group's Directors and representatives. One of the commitments set out in the Policy is that Colonial's activities are carried out ethically, transparently and in line with regulatory requirements.

For all these reasons, Colonial has developed a regulatory compliance system with instruments such as the Code of Ethics, the Regulatory Compliance Unit and a series of Policies that develop Colonial's commitment to ethics and compliance. Under this system, Colonial develops its business model without interfering or participating in the political processes of the countries and communities where it operates. Any relationship with governments, authorities, institutions and political parties is always based on the principles of legality and political neutrality.

Colonial is therefore committed to transparency and integrity in its possible lobbying activities, which involves actions such as the following:

- The follow-up of international conventions and treaties on the subject.
- The rejection of any form of corruption in the development of its business activity, whether in the public or private sector.
- The prohibition of committing illegal acts or acts that violate existing regulations under the justification that the person is acting in the best interests of the company.
- Information disclosed by the Company to shareholders, investors, analysts and the market shall be truthful and complete, and shall accurately describe the Company and the Group and its business activities and strategies.
- The prohibition of donations to political parties and their related foundations.

Finally, and as a sign of our commitment, it should be noted that Colonial has never invested any sum of money in this type of activity.

6.10. Organisation of the Group

Colonial

GAV 12/22: €13,005m
GAV incl. transfer costs 12/22: €13,727m

50%
Inmocol Torre Europa, S.A.

100%
Assets Spain

98.3%
SFL

100%
Washington Plaza

100%
Parholding

51%
New Joint Ventures

49%
PREDICA

6.11. Management Team

Mr. Juan José Brugera Clavero
Chairman

Mr. Pere Viñolas Serra
CEO

Ms. Carmina Canyet i Cirera
Corporate Managing Director

Ms. Nuria Oferil Coll
Chief Legal Officer

Mr. Albert Alcober Teixidó
Chief Operating Officer

Ms. Begoña Muñoz López
Chief Human Resources

Ms. Àngels Arderiu Ibars
Chief Financial Officer

Mr. Juan Manuel Ortega Moreno
Chief Investment Officer

Mr. Carlos Krohmer
Chief Corporate Development Officer

7

Colonial portfolio

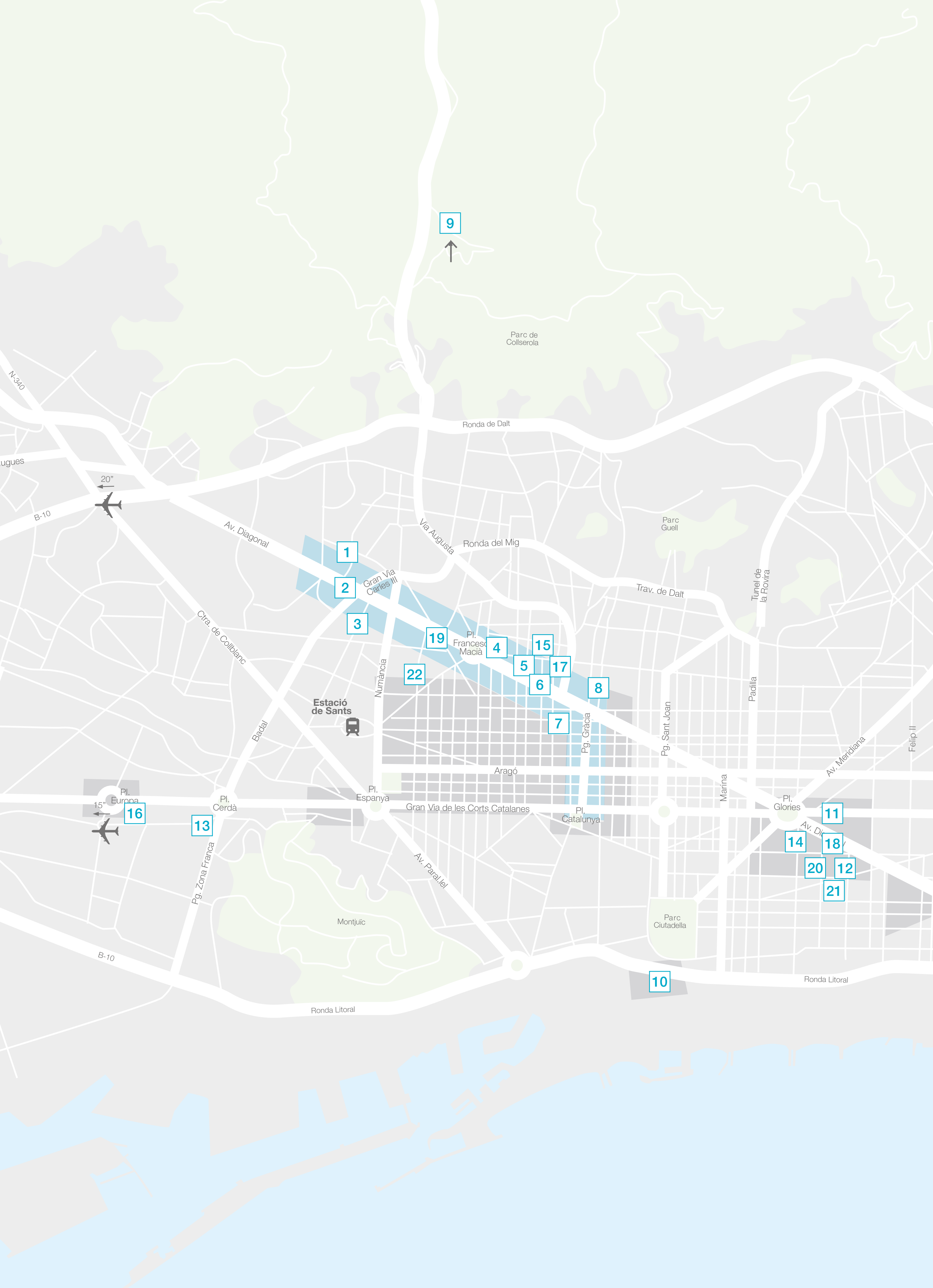
7.1. Location of assets

Barcelona

1. Paseo de los Tilos, 2-6
2. Av. Diagonal, 682
3. Av. Diagonal, 609-615
4. Travessera de Gràcia, 11
5. Amigó, 11-17
6. Av. Diagonal, 530-532
7. Av. Diagonal, 409
8. Vía Augusta, 21-23
9. Complejo de oficinas San Cugat Nord
10. Torre Marenostrum
11. Diagonal Glòries
12. Complejo de oficinas Illacuna
13. Torre BCN
14. Parc Glòries (Ciutat de Granada, 150)
15. Travessera de Gràcia, 47-49
16. Plaza Europa, 34
17. Gal·la Placídia
18. Av. Diagonal, 197
19. Av. Diagonal, 523-525
20. Sancho Ávila, 110-130
21. WittyWood (Llacuna, 42)
22. Buenos Aires, 21

Prime Central Business District

Business District


9
Parc de Collserola
Ronda de Dalt
N-340
20"
B-10
Av. Diagonal
Via Augusta
Ronda del Mig
Parc Guell
Trav. de Dalt
Tunel de la Rovira
Gran Via Carles III
1
2
3
19
Pl. Francesc Macià
4
15
5
17
6
8
22
7
Numància
Ctra. de Collblanc
Estació de Sants
Badal
Pg. Gràcia
Pg. Sant Joan
Padilla
Marina
Av. Meridiana
Felip II
Aragó
Pl. Europa
15"
16
13
Pl. Cerdà
Pl. Espanya
Gran Via de les Corts Catalanes
Pl. Catalunya
Pl. Glories
11
14
18
20
12
21
Av. Paral.lel
Pg. Zona Franca
Montjuïc
Parc Ciutadella
10
Ronda Litoral
B-10
Ronda Litoral

Madrid

MADRID – Centro & CBD

1 Paseo de Recoletos, 37-41
2 Génova, 17
3 Paseo de la Castellana, 52
4 Paseo de la Castellana, 43
5 Miguel Ángel, 11 (sold in 2023)
6 José Abascal, 56 (sold in 2023)
7 Santa Engracia
8 Poeta Joan Maragall, 53
9 Discovery Building
10 López de Hoyos, 35
11 The Window
12 Francisco Silvela, 42
13 Ortega y Gasset, 100
14 Ramírez de Arellano, 37
15 MV49 Business Park
16 Alfonso XII, 62
17 José Abascal, 45
18 Serrano, 73
19 Santa Hortensia, 26-28
20 Paseo de la Castellana, 163
21 Arturo Soria, 336
22 Campus Méndez Álvaro
23 Ramírez de Arellano, 15
24 Manuel de Falla, 7
25 Sagasta, 31-33
26 Almagro, 9 (sold in 2023)
27 Miguel Ángel, 23
28 Velázquez-Padilla, 17
29 Don Ramón de la Cruz, 82
30 Paseo de Recoletos, 27

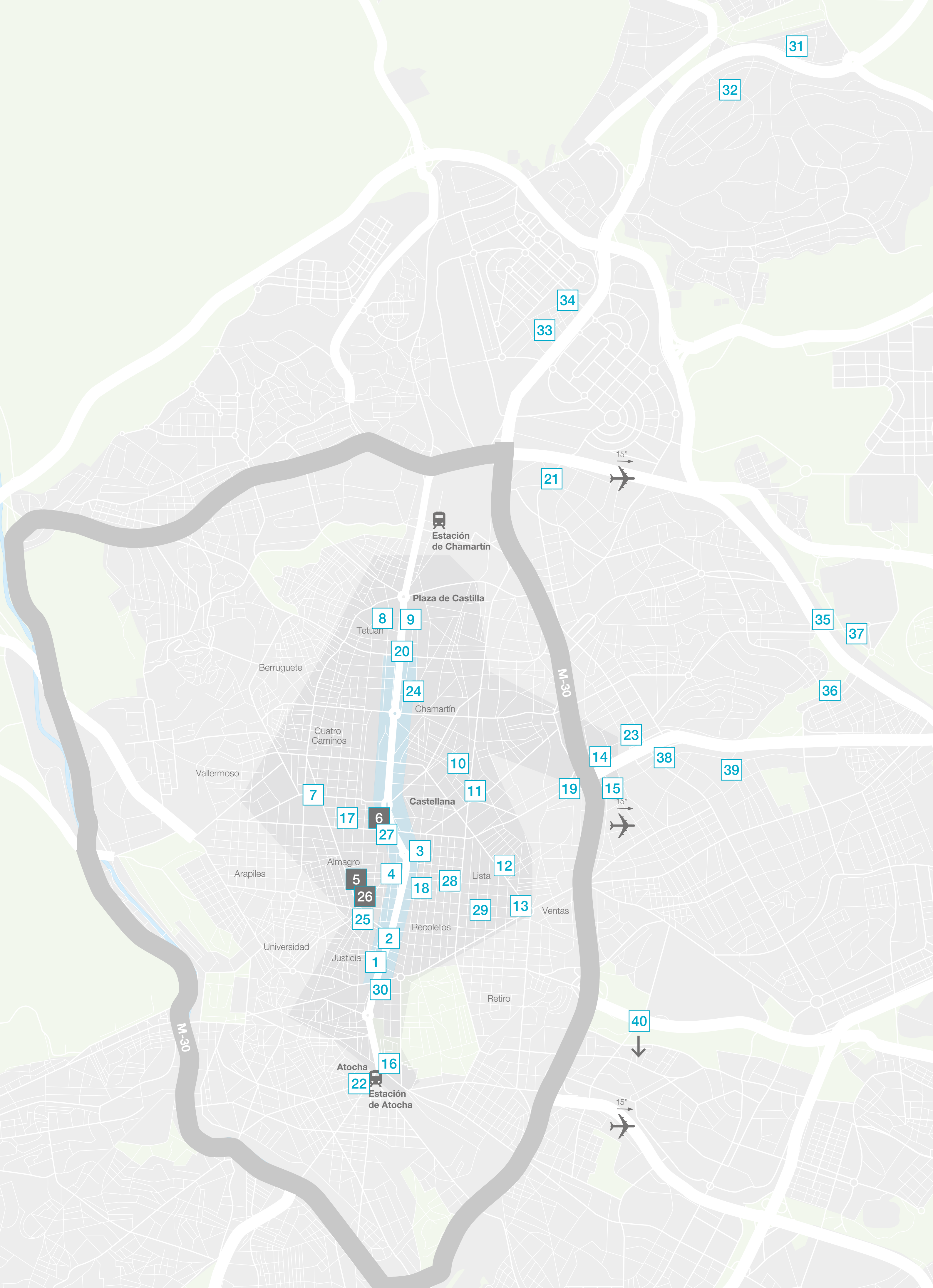
NORTH MADRID
Arroyo de la Vega & Las Tablas

31 Francisca Delgado, 11
32 Cedro - Anabel Segura, 14
33 Puerto de Somport, 8
34 Puerto de Somport, 10-18

EAST MADRID
Campo de las Naciones & A2

35 Ribera del Loira, 28
36 Tucumán
37 EGEO - Campo de las Naciones
38 Josefa Valcárcel, 40
39 Luca de Tena, 7
40 Viapark

Prime Central Business District
Business District



31
32
34
33
15"
21
Estación
de Chamartín
Plaza de Castilla
8
9
Tetuan
35
37
20
Berruguete
36
24
Chamartín
M-30
Cuatro
Caminos
23
14
38
39
Vallermoso
10
7
11
19
15
Castellana
17
6
27
3
Almagro
Arapiles
5
4
28
Lista
12
18
26
29
13
Ventas
25
Recoletos
2
Universidad
Justicia
1
30
Retiro
40
M-30
Atocha
16
22
Estación
de Atocha

Paris

1 Louvre Saint-Honoré

2 Washington Plaza

3 Galerie des Champs-Élysées

4 90 Champs-Élysées

5 92 Champs-Élysées Ozone

6 Cézanne Saint-Honoré

7 Édouard VII

8 176 Charles de Gaulle

9 Rives de Seine

10 Marceau

11 131 Wagram

12 103 Grenelle

13 104-110 Haussmann Saint-Augustin

14 6 Hanovre

15 #Cloud

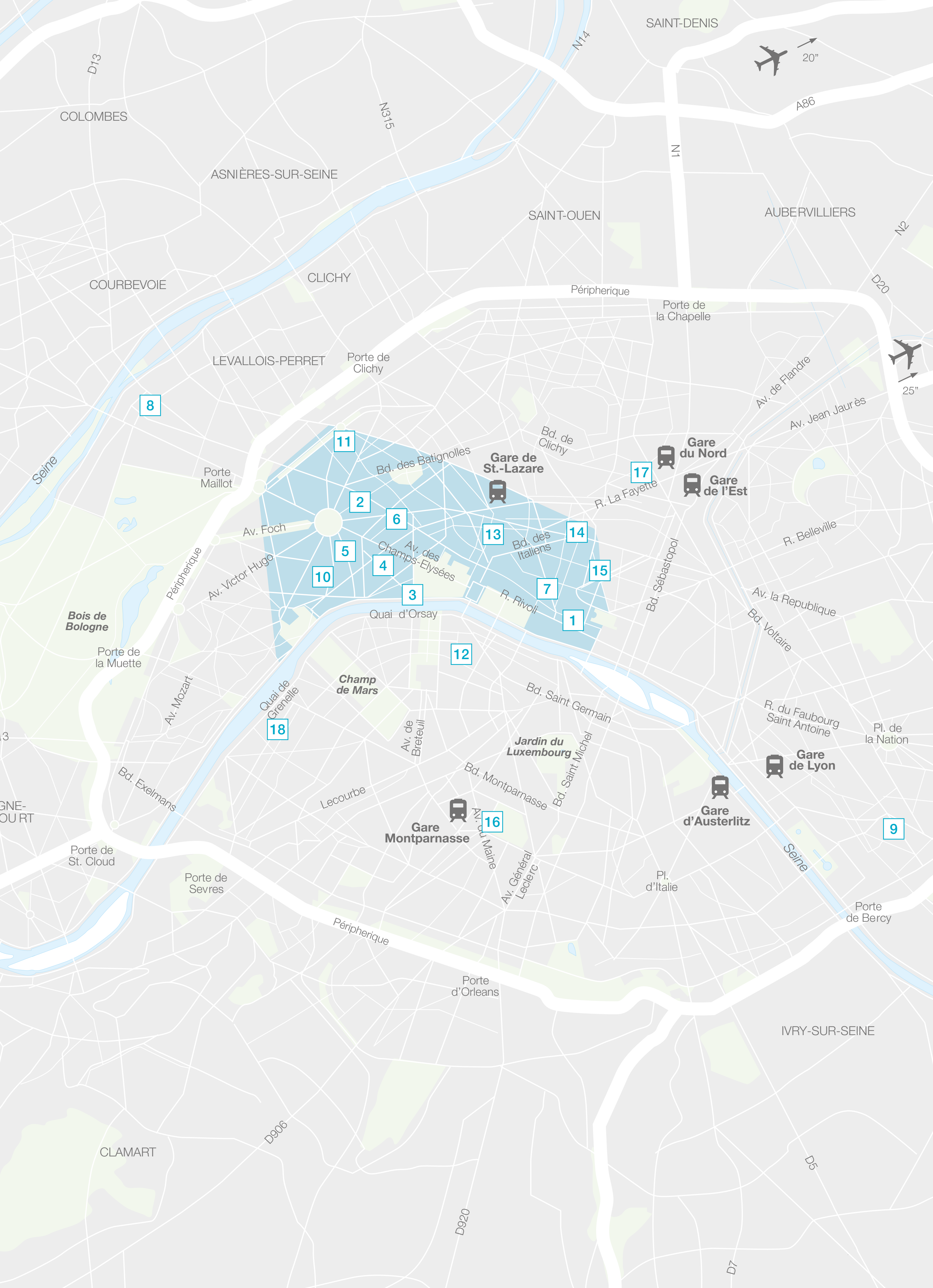
16 Pasteur

17 4-8 Rue Condorcet

18 Biome

Prime Central Business District

Business District



SAINT-DENIS
20"
A86
N14
D13
COLOMBES
N315
N1
ASNIÈRES-SUR-SEINE
SAINT-OUEN
AUBERVILLIERS
N2
COURBEVOIE
CLICHY
Périphérique
Porte de
la Chapelle
D20
LEVALLOIS-PERRET
Porte de
Clichy
Av. de Flandre
25"
Av. Jean Jaurès
8
Seine
11
Bd. des Batignolles
Bd. de
Clichy
Gare
du Nord
Porte
Maillot
Gare de
St.-Lazare
17
Gare
de l'Est
R. La Fayette
2
6
Av. Foch
13
Bd. des
Italiens
14
R. Belleville
5
Av. des
Champs-Elysées
4
Périphérique
Av. Victor Hugo
10
15
7
Bd. Sébastopol
3
R. Rivoli
Av. la Republique
Bois de
Bologne
Quai d'Orsay
1
Bd. Voltaire
Porte de
la Muette
12
Champ
de Mars
Bd. Saint Germain
Quai de
Grenelle
Av. Mozart
18
Av. de
Breteuil
R. du Faubourg
Saint Antoine
Pl. de
la Nation
Jardin du
Luxembourg
Bd. Saint Michel
Gare
de Lyon
Bd. Exelmans
Bd. Montparnasse
Lecourbe
Gare
d'Austerlitz
16
Av. du Maine
9
Gare
Montparnasse
Porte de
St. Cloud
Seine
Porte de
Sevres
Av. Général
Leclerc
Pl.
d'Italie
Porte
de Bercy
Périphérique
Porte
d'Orleans
IVRY-SUR-SEINE
D906
CLAMART
D5
D920
D7

Barcelona

1 Paseo de los Tilos, 2-6

A fully refurbished office building located in one of Barcelona's most exclusive residential neighborhoods. Due to its proximity and easy access to the Ronda de Dalt and the Diagonal business district it is has excellent transport links, it is close to Av. Diagonal and just 20 minutes from the airport. The building has five open-plan floors and a total leasable area of 5,143 sqm, in addition to two underground floors with its own parking garage. Floors with high-quality interiors and finishes, offering an average per-floor area above 1,000 sqm.

2 Av. Diagonal, 682

Diagonal 682 is a fully refurbished building which offers a modern and functional work environment. It has an open structure, completely street-facing and with well-lit areas and spectacular views of Barcelona. The building is located in one of the city's major business districts, making it an ideal base for company offices. The standard layout offers a leasable area of 644 sqm, divisible into two independent modules of 322 sqm each. The building has its own parking area and two commercial premises on the ground floor with direct street access.

3 Av. Diagonal, 609-615

The Diagonal 609-615 office building is in one of the most cosmopolitan parts of Avenida Diagonal, in an area that combines financial and commercial activity. Very good transport links both with the center of Barcelona and the train station and airport. Of particular note in this complex is the building popularly known as "El Dau", along with the "Prisma" building. Known as "El Dau" due to its straight architectural lines, it has nine completely street-facing floors, divided into eight modules with leasable areas of 217 sqm and up. The "Prisma" building has nine completely street-facing floors, divided into four modules with leasable areas of 124 sqm and up. These buildings are constructed and decorated with the highest quality materials. They have access control from the lobby with security services and their own parking area.

4 5 Travessera de Gràcia, 11 / Amigó

Located at the intersection of Travessera de Gràcia and Amigó, this building is in a busy commercial area, with excellent transport connections, being just a few meters away from Av. Diagonal and Plaza Francesc Macià. It holds a LEED GOLD environmental certification and consists of 2 buildings accessible from Travesera de Gràcia and Amigó. The two buildings share four underground floors of parking. The building's facade stands out for the special Geoda glass which changes color tone depending on the exterior light. The interior is characterized by spacious areas with steel-encased raised floors, metallic false ceilings and quality curtains installed in the facade. State-of-the-art elevators are in operation, which aim to reduce waiting time. The building is lit by LED lighting adjustable in relation to the amount of external light.

6 Av. Diagonal, 530-532

The Diagonal 532 office block is located on Avenida Diagonal between Aribau and Tuset. It comprises nine completely street-facing and open-plan floors of up to 1,370 sqm, divisible into modules of 268 sqm and up; it also offers elegant and stylish communal areas. It has undergone a profound transformation, with a total remodeling of facilities, facades, and incorporation of innovations in the field of technology and sustainability. On the 2nd and 3rd floors of the building are the flexible spaces of Utopicus, which offer a 5-star experience to users. The building is BREEAM certified and has hi-tech installations, including a modular climate- control system and a vertical access core of three elevators and a freight elevator. The building also has its own parking area.

7 Av. Diagonal, 409

Architecturally-unique building with seven open-plan floors, which are completely street- facing, thanks to its design, providing office space from 500 sqm upwards. Recently renovated building, which has plenty of light and is conveniently located at the intersection of Av. Diagonal and Balmes. It has been awarded the LEED GOLD certificate and is an ideal option for companies wishing to combine classic elegance with the functionality of the most modern office building.

8 Vía Augusta, 21-23

Located a few meters from the intersection of Vía Augusta and Av. Diagonal, in a busy commercial area, with excellent transport connections. High-quality facilities and finishes, with raised access floors. Open-plan floors with 215 sqm to 670 sqm of leasable space, easily adaptable to the client's needs. Highly emblematic commercial premises with direct access from Vía Augusta. Concierge service. Parking in building annex.

9 Complejo de oficinas Sant Cugat Nord

The Sant Cugat Nord office complex is located within the Barcelona metropolitan area and comprises 3 modern buildings offering leasable office space, all with a BREEAM rating of Very Good. This complex, surrounded by an extensive garden area, stands out for its high- quality provision: over 27,000 sqm, with paddle tennis courts, fitness rooms, restaurant service and parking. Every floor has 3,000 sqm modulable according to the needs of each client and containing the latest technology. A simple and elegant design has been chosen for the communal areas, making it the perfect place to set up a corporate headquarters or office.

10 Torre Marenostrum

Torre Marenostrum is one of the most unique and significant buildings erected in the city. What makes this building so spectacular is its location, on the city's waterfront, along with its sinuous, modern architecture, and its rocky, crystal shape, inspired by the wind and water of the Mediterranean shore. All of these features make it a landmark of the Barcelona skyline.
In building B of Torre Marenostrum, you will find Utopicus, flexible spaces to work with sea views, a 3.856 sqm space with flexible offices. This centre represents the integration between the city and the sea.

11 Diagonal Glòries

Located in Avenida Diagonal, just a few meters from Plaza de las Glorias and right in the middle of the 22@ district. It consists of three separate buildings and has a total of 11,672 sqm of leasable office space. Distributed over four floors, the office spaces range from 324 sqm to 2,918 sqm per floor. The area is easily accessible, and in the immediate vicinity major urban projects are being carried out, further raising the area's profile within the city. The building has a large number of amenities, as it is located above the Glòries shopping mall. Parking area within the building.

12 Compejo de oficinas Illacuna

The Illacuna office complex is located in the heart of the 22@ district, in the Eix Llacuna neighborhood. With an area of 20,500 sqm, it comprises three buildings offering different standard layouts that house offices with an avant-garde design. The combination of different sizes in the split-level building gives a sensation of lightness and visual dynamism to this spacious building, which stands out for its originality and grandeur. The complex also has a special storage area for documents, which helps free up work space in the offices. The high ceilings give a sense of spaciousness and the decoration was done using quality, durable and elegant materials. The complex has its own parking area and a 24-hour concierge service.

13 Torre BCN

Torre BCN is an office building situated in the Plaça Ildefons Cerdà immediately on the point of entry to Barcelona. Its spectacular four-sided facade, with a completely glass curtain wall, stands out on the urban skyline. It consists of twelve open-plan floors, which are spacious and light, and offer a total modulable area of 800 sqm along with its own parking area. Spaces upwards of 155 sqm can be leased. The refurbishment process enabled this emblematic building to be updated with the latest installations and to be redecorated in a simple and functional style.

14 Parc Glòries (Ciutat de Granada, 150)

Emblematic office building in the most sought-after location of the 22@ district, with highly sustainable and top grade finishes and technical specifications. Ciutat de Granada 150 will become an important landmark in the city, designed by Batlle and Roig It offer 24,000 square metres distributed over 17 floors. The building, stand out for open floors each measuring 1,800 square metres. Located at the heart of Barcelona's newest and most modern business district, next to Plaza Glòries and adjacent to Avenida Diagonal.

15 Travessera de Gràcia, 47-49

An 8-story building above ground, located in the neighborhood of the Eixample in Barcelona, a few metres away from Avenida Diagonal and Vía Augusta, two of the main arteries of the city. It is a corner-shaped building with an interior patio, with great visibility and a privileged location. With an impressive façade to Travessera de Gràcia, the entire perimeter of the office area is external, guaranteeing natural light on all of the floors. Due to its privileged location, it benefits from proximity to all the basic services, public transportation, connections and infrastructures and commercial urban life.

16 Plaza Europa, 34

Singular project of a new office building, located in the dynamic area of Plaça Europa, in L'Hospitalet del Llobregat. It has been designed by the architecture studio GCA Architects, to become a new reference in its environment for its visual identity and versatility, it will have a total of approximately 15,000 sqm, distributed in 20 floors plus a low level, and 171 parking spaces. Plaça Europa area has excellent communications to the center of Barcelona and El Prat Airport, and it's 2 minutes away from the access to the new Metro Line, nº 9 (direct to El Prat Airport).

Designed to obtain LEED Gold environmental certification.

17 Gal·la Placídia

The Gal·la Placídia Building is located a few meters from the confluence of Vía Augusta and Avda. Diagonal, on a corner with very good visibility, in an area of intense commercial activity and excellent communication. It is an emblematic building of more than 4,000 sqm and a ground floor of 277 sqm, it also has an original 854 sqm terrace and its own parking. This property fully houses the complete Utopicus coworking space, designed by Proyecto Singular, and includes meeting and training rooms, private offices, event spaces and flexible work areas.

18 Av. Diagonal, 197

Singular office tower located on Avenida Diagonal, the main artery of Barcelona. Located in the 22@ district, very close to the strategic Plaça de les Glòries and the Glòries commercial hub, it enjoys excellent transport connections and impressive views of the city of Barcelona and the Mediterranean Sea. This impressive 17-storey building was designed by David Chipperfield and has a 15,531 sqm GLA and 222 parking spaces distributed over three underground floors, as well as 29 motorcycle parking spaces.

19 Av. Diagonal, 523-525

Office building located in Barcelona's prime CBD at Avenida Diagonal 525, at the Avenida Sarriá intersection. It's 5,800 sqm above ground and 1,200 sqm below ground are arranged over a ground floor and nine upper floors. Its recent comprehensive refurbishment, designed by the Sanzpont architectural studio, has been widely recognised internationally with various awards, and has led it to become one of the most emblematic office buildings in Barcelona's central business district, standing out for its high performance in terms of sustainability. Located in a point of intense business and commercial activity, it has numerous services in the same area and public transport connections to all areas of the city.

20 Sancho de Ávila, 110-130

The office building sits in one of Barcelona's most bustling and well-known centres of activity, the 22@ District. This area offers the ideal balance between its facet as a hub of innovation and its quality as a place with its own unique personality, featuring public spaces, green zones and matchless connections with both public and private transport. A building that currently houses the headquarters of the company T-Systems, with large terraces on the uppermost floors, and where innovation, technology and sustainability are the pillars of a new conception of space to the service of the people.

21 WittyWood (Llacuna, 42)

Wittywood is the first office building built in wood in the city of Barcelona. A new project with a signature design that gives rise to the future of new workspaces, with prime finishes, the latest innovations in sustainability and technology, totally efficient in terms of surfaces, and with great luminosity in all its spaces. A 4,100 sqm building equipped with the latest technologies in one of the most dynamic and forward-looking areas of Barcelona, which will be built exclusively in wood, creating a natural working environment focused on the user's wellbeing. These aspects allow the building to obtain LEED Platinum and WELL Platinum ratings.

22 Buenos Aires, 21

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

Madrid

1 Paseo de Recoletos, 37-41

This office building with more than 17,000 sqm distributed among the floors with spaces of up to 1,910 sqm, is located in one of the central points of Madrid. A unique setting characteri-sed by its thriving economic activity and for the abundance of unique office buildings representing multinational companies, four and five star hotels and luxury residential bui-ldings. The exquisite complete renovation of this building has converted it into an architectural benchmark along the Recoletos-Prado tho-roughfare, as well as a privileged site to house of-fices of the highest quality.

2 Génova, 17

The office building at Génova 17 is located on one of the most central streets of Madrid, with excellent links, parking for cars and an area specifically for bicycles. It is an avant-garde building, recently fully renovated with the best quality materials and an internal design and functioning, bringing it more in line with what a latest generation office building would be. Génova 17 has utilities that can be monitored and accessible by the users, efficient and flexible spaces, an entrance with a height of over five metres and open plan offices, with no columns to make maximum use of the work spaces. The maple drop-ceiling comes with built-in low energy consumption light fittings, high efficiency and low-glare lighting. The flooring is raised to facilitate the laying of cables for workstations. The air conditioning system is of the latest generation VRV variety, which makes if possible to have different temperatures in different areas of the office.

3 Paseo de la Castellana, 52

Unique building at Paseo de la Castellana 52, one of Madrid's main financial and commercial thoroughfares. Its corner façade stands out for is large vertical windows, crowned by semi-circular arches, and are suggestive of an architectural line inspired by a combination of art deco and futurism. The spaces, wide, open and bright, can be divided into modules to adapt to the needs of each customer, with spaces to let ranging from 407 to 928 sqm.

4 Paseo de la Castellana, 43

Renovated office building, with LEED GOLD certification, located on the main business thoroughfare of the city, boasting excellent public and private transport links. Its excellent location on the chamfered corner of Paseo de la Castellana and General Martínez Campos, and its wide and elegant façade combining granite and glass, make this building a mandatory visual point of reference on the Glorieta de Emilio Castelar. The floors are open plan with spaces to let of up to 765 sqm, both flexible and functional, which, as a result of the high level of brightness, allow for a very efficient distribution on the spaces. It also has its own car park.

5 Miguel Ángel, 11

Located in the Madrid business district, at the junction of calle Miguel Ángel with Paseo del General Martínez Campos, a few metres from Paseo de la Castellana. With a magnificent double glazed façade, this corner property with seven floors is guaranteed natural light throughout the day. The offices are structured around a central core with three elevators, in a space to let of up to 800 sqm. A line of modern finishes was chosen for the lobby, stylishly and elegantly combining blacks and whites. The ground floor is divided into three commercial premises with direct street access and the car park is located in the below grade floors.

6 José Abascal, 56

Office building located in the Madrid business district, a short distance from Paseo de la Castellana. The exterior image is marked by a façade formed of horizontal strips of granite alternating with the glass of its large windows, which allow a large amount of light to enter the interior. The open and versatile floors with spaces to let from 640 sqm to 937 sqm, make this building an ideal place to locate offices as it is characterised by intelligent and functional architecture. It has commercial premises of 1,450 sqm on the ground floor with independent access to the street and its own car park.

7 Santa Engracia

Office building right in the heart of the Madrid business district, with an above grade surface area of more than 13,430 sqm and 180 parking spaces. The floors of the building vary between 1,500 sqm and 2,000 sqm and its uniqueness and location make it a highly visible property in the Madrid business centre. Colonial has made a significant investment in the refurbishment of the building. It now commands a strong market positioning, with maximum energy efficiency and sustainability.

8 Poeta Joan Maragall, 53

Exceptional office building located in the Madrid business district, next to Paseo de la Castellana. Rectangular building with breathtaking façades. Fully exterior open plan floors with spaces to let of 1,315 sqm. Attractive and quality facilities and finishes. Offers excellent infrastructures and communications, as well as parking spaces in the same building. There is also an independent annex building accessible from the main entrance hall. There are also two ground floor commercial premises with street access.

9 Discovery Building (Estébanez Calderón, 3-5)

New office building with characteristics of prime quality, created by the prestigious Estudio de Arquitectura Lamela. A unique space of more than 10,000 sqm, with open plan and flexible floors, located on the Castellana Norte thoroughfare, in the established heart of the Madrid business district. Estébanez Calderón, 3-5 is a building aimed at housing companies looking for the best location, maximum comfort for their employees and the best energy efficiency for their corporate headquarters. It boasts optimum brightness with 22 meters between its north and south façade, maximum flexibility in the creation of modules and an original roof top terrace with a garden area for common use. By perfectly balancing aesthetics and efficiency, it offers a floor of 1,000 sqm as well as completely open plan floors with a single line of central pillars. This new, exceptional property has also two ground floor commercial premises with direct access to the street as well as 101 parking spaces.

10 López de Hoyos, 35

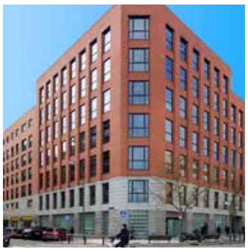
The offices to let at López de Hoyos 35 are located in an area combining residential properties and offices of the most important companies. The building, with its six floors and surface area of 7,000 sqm, stands out for its impressive artificial stone façade and curtain walling profile. The building has a modern reception and an interior patio designed to offer flexible spaces and comfort to the users of the property. With no adjacent buildings, all the floors enjoy bright, natural light. There are large gardens next to the building. Equipped with the latest technology, the interior lines of the López de Hoyos, 35 building are simple, elegant and modern. The floors can be divided into modules ranging from 575 sqm to 1,383 sqm.

11 The Window (Príncipe de Vergara, 112-114)

New office building under construction in Madrid's Zona Este business district, with prime quality characteristics, designed by the prestigious Estudio de Arquitectura Ortiz y León. This is a new property with a GLA of 11.300 sqm and 115 parking spaces. The project is due to be completed by the summer of 2018. Leed Gold certification in process. It will consist of completely open plan floors with a single line of central columns, with optimum brightness and façades facing all four directions. It will be a detached building, ideal for a single corporate headquarters, with large terraces for private use.

12 Francisco Silvela, 42

Office building that stands out for its impressive glass curtain walling. The seven floors at Francisco Silvela, 42 have up to 981 sqm of floor space to let, distributed in open plan format with top of the range installations and finishes. Its façade on three streets results in an extraordinarily bright interior. The building also has its own parking lot and an innovative Utopicus coworking center, measuring more than 3,000 sqm, with private offices, meeting and training rooms, and all the services for the development of organizations of all sizes, in an inspiring environment with its own personality.



13 Ortega y Gasset, 100

Completely refurbished office building, located in the business district of Madrid, in the heart of the Salamanca district, in the area with the highest commercial prestige in the city. Its unique facade and its seven floors, measuring a total area of 7,800 sqm, makes this building ideal for office space. Perfectly connected by bus and metro and with an exit close to the M-30, it has its own parking.

14 Ramírez de Arellano, 37

A perfectly located building at the junction of the M-30 with Avenida de América, a well established area just minutes away from the airport and city centre. Its configuration, architectural design and strategic location are, without a doubt, a point of reference of Madrid's urban landscape. It offers fully open plan spaces, which are functional and totally exterior, as well as its own car park, which makes it ideal as a corporate headquarters.

15 MV49 Business Park

At calle Martínez Villergas, 49, next to the junction of the M-30 with Avenida América, stands this property complex comprising two independent buildings, M and V, separated by an open air square. The breathtaking façades of this Business Park, exposed to the four winds, exalt the privileged position of this office complex in Ciudad Lineal. With gardens, world class sports facilities, its own parking spaces and a strategic location a few minutes from the airport. Furthermore, the offices to let at the Business Park at calle Martínez Villergas 49 have been constructed using material compliant with current regulations, with first class functionalities and open plan spaces that stand out from other architectural groups in the zone. As a result of the complete retrofit of building M and the construction of building V, a complex equipped with finishes and technical characteristics of the highest quality has been achieved.

16 Alfonso XII, 62

This unique office building is located in the very heart of Madrid, opposite the Retiro park and scarcely a few metres from the Castellana thoroughfare. Its large windows, in addition to offering breathtaking views of Madrid, guarantee natural light in an open and versatile space, designed to create an optimum working environment. The eight floors at Alfonso XII 62 offer multiple and excellent possibilities: the first four can be subdivided into two modules, thus creating two independent office zones. It's structure allows the space to be distributed according to the current and future needs of each company. The common areas, crowned by a magnificent glass atrium, are attractively designed using materials of the highest quality. These offices to let also have a car park in the same building.

17 José Abascal, 45

Located in the Chamberí district between calle Modesto Lafuente and calle Fernández de la Hoz, scarcely 350 metres from the Paseo de la Castellana and just 11 minutes from the airport by car, this office building has a surface area of 5,300 sqm divided up between eight floors above ground and two below. The classic, stately building has been fully refurbished. The original façade and stained glass windows have been maintained, providing the José Abascal 45 with a unique personality. There is an inside, 2-storey car park with 54 spaces with changing rooms and showers.

18 Serrano, 73

The Serrano 73 building, located on one of the Spanish capital's most emblematic streets and in the heart of the Salamanca district, is renowned for its avant-garde design, with lights on three façades. Its strategic location affords panoramic views of the calle Serrano and the Paseo de la Castellana. Refurbished in 2004, the building is noted for its elegant and balanced designed, top-quality materials involving wood and natural stone. It has 4,242 sqm of surface area on six above-ground floors of offices and a ground-floor for commercial use. The building has a private underground car park with 89 spaces for cars and 11 for motorcycles.

19 Santa Hortensia, 26-28

Located in downtown Madrid in an area adjacent to Avenida de América, Santa Hortensia is one of Madrid's seven largest buildings. It is currently home to IBM's headquarters in Spain. Built in 1989, it has a surface area of 46,928 sqm divided up between 10 above-ground floors and nearly 950 parking spaces in three below-ground floors. The Santa Hortensia building is ideally located, just five minutes by car from the Paseo de la Castellana, Madrid's main artery, 10 minutes by car from the airport and 5km from the Atocha railway station. The building has 13 lifts, four of which are central lifts.

20 Paseo de la Castellana, 163

Building recently refurbished, in the CBD area of Madrid, with an H-shaped floor plan with two entrances, one with a facade to Castellana and the other to Poeta Joan Maragall. It has a surface area above ground of 11,552 sqm distributed between 12 completely open-plan office floors, a terrace, and a ground floor with two retail units. Located in the business hub of Castellana, with excellent communications by public transport and the main accesses to the city. Currently, the property houses an interesting combination of traditional and flexible workspaces, since there is a Utopicus flexible space.

21 Arturo Soria, 336

Arturo Soria 336 has an excellent location in an iconic Street in Madrid, near transport links to the city centre and the main arteries in Madrid. It is surrounded by extensive green areas and a wide variety of services. The white exterior gives it visibility and representativeness. In addition, the spacious interior patio as well as the four glass facades bring great luminosity into the interior areas. The size and design of the floors, with a surface area of 1,045 sqm, enables the optimization of space.

22 Campus Méndez Álvaro

The Méndez Álvaro Campus is a Colonial project that incorporates all of the latest real estate trends in terms of energy efficiency, layout, mix of uses and PropTech initiatives. Located in the south of Madrid's CBD and just a stone's throw from Atocha train station, the project comprises an above-ground area of 90,000 sqm. The area benefits from excellent public and private transport links – it is within walking distance of Madrid city centre, is served by several train lines and bus routes, and also boasts easy access to the M-30.

23 Ramírez de Arellano, 15

Independent office building completely renovated in 2016, with high standards, and which has been awarded the LEED Gold certification. The building, located on Madrid's A-2 motorway, has 6,832 sqm of office space, distributed over a ground floor and six upper floors. The surface area of each floor is approximately 1,025 sqm, and can be divided into two modules. The building also has an underground car park with 112 parking space.

24 Manuel de Falla, 7

This independent office building, located in the Madrid central business district, very close to Paseo de la Castellana, has floor-ceiling windows that provide excellent natural light. The building was recently completely renovated. It has a GLA of 6,252 sqm distributed over four floors, as well as an underground area with 41 parking spaces. This singular building with 91 metres of facade, has been designed with the highest standards by architect Gabriel Allende and has obtained the LEED Gold certificate. It offers spacious, flexible and rectangular floors with an average surface area of 1,600 sqm.

25 Sagasta, 31-33

Prime office building, located in one of the most exclusive areas of Madrid's CBD, just 8 minutes from Plaza de Colón. It consists of two adjoining buildings, with independent accesses from the street and a total of five floors per building. It has a GLA of 7,054 sqm and two floors of underground parking with 93 parking spaces. It has plenty of natural light thanks to its corner location, its large number of windows and its three interior courtyards.

26 Almagro, 9

Prestigious office building located in Calle Almagro, in the heart of Madrid's CBD. It has been completely refurbished by the architect Antonio Ruíz Barbarín. With a GLA of 15,094 sqm distributed over eight floors and 201 underground parking spaces, excellent natural light and interesting open waiting areas as well as an auditorium for 140 people. The building has an outstanding architectural design and is bathed in natural light thanks to its three glazed façades and private interior courtyard.

27 Miguel Ángel, 23

Prime office building, under refurbishment, with a GLA of 8,328 sqm distributed over seven open floors and a standard surface area of 1,117 sqm. It has 109 underground parking spaces and a commercial premises of more than 800 sqm. It is located in the Madrid central business district, and its corner location gives it excellent visibility from Paseo de la Castellana.

BREEAM Very Good certification in process.

28 Velázquez-Padilla, 17

Prime office building located on a prominent corner in the heart of the exclusive Salamanca district of Madrid's CBD. Particularly strong points are its floors with more than 2,000 sqm, unusual in the area, as well as an underground car park with 155 spaces. Its interesting corner location gives the building an excellent level of natural light, very good visibility and great potential for corporate headquarters.

29 Don Ramón de la Cruz, 82

A large corner office building with high visibility, it has a GLA of 9,339 sqm, as well as an underground car park with 91 parking spaces. Large areas per floor of 2,100 sqm and 3.4 m free height per floor. Exceptional building in central Madrid, close to Serrano, Velázquez and Paseo de la Castellana. The building was completely restored in the first half of 2017 and is LEED Platinum environmentally certified. Its characteristic curtain wall façade provides floor- to-ceiling windows that provide abundant natural light.

30 Paseo de Recoletos, 27

2,000 sqm of offices have been acquired in Recoletos 27, a prime area of the CBD in Madrid. This acquisition corresponds to three floors of 700 sqm with great luminosity in a corner building close to Plaza Colón.

31 Francisca Delgado, 11

Complex built in 2001 consisting of three interconnected buildings. It has five floors and provides flexible office space with modules from 300 to 3,000 sqm. The car park is distributed in two underground floors and has 334 parking spaces, with another 77 outside. The building has great visibility and is located in the Madrid office area of Arroyo de la Vega on the A1 motorway.

32 Cedro - Anabel Segura, 14

Singular office building, located in the Madrid office area of Arroyo de la Vega on the A1 motorway. The building has undergone a major refurbishment, providing it with the most innovative services and technology, as well as the latest improvements in the field of sustainability. Cedro has five floors and it has wide and open spaces with an average surface area per floor of 2,310 sqm, and 381 parking spaces distributed in two levels.

33 Puerto de Somport, 8

A singular, independent building built in 2011. The offices are located on the first, second and third floors, while the ground floor hosts a car dealership. Located in the area of Las Tablas in Madrid, with an excellent location and surroundings with residential properties and business areas.

34 Puerto de Somport, 10-18

New project under construction for a complete business campus located in the office area of Las Tablas in Madrid, very close to the A1 motorway. On a plot of 17,300 sqm, it has a surface area of over 23,200 sqm on four floors above ground level with an additional 22,200 sqm on two basement floors for two car parks with a total of 529 parking spaces. The outdoor areas have meeting spaces, outdoor work areas, resting or exercise areas and has exterior terraces that look on to the office areas. The campus has premises for the common use of the two buildings and value-added services for users such as a gymnasium with changing rooms and a cafeteria. Each building has common areas such as meeting rooms, courtyard areas, co- working areas and a breastfeeding room on the ground floor of each building. In terms of both habitability and functionality, the building has passed the requirements for the WELL Gold and LEED Platinum certification.

35 Ribera del Loira, 28

Modern office building built in 2002 and located in a prominent area off the M40 ring road in Madrid's Campo de las Naciones office area. The six-storey building has 12,822 sqm of U-shaped space distributed around a central atrium. It is equipped with 370 parking spaces distributed in two underground floors.

36 Tucumán

Independent office building built in 2006, located in the Campo de las Naciones area. It has five floors of offices of approximately 1,000 sqm each, as well as a large commercial area of 1,241 sqm and an underground car park with 170 parking spaces. The building enjoys excellent visibility and a good level of natural light due to its outstanding corner position.

37 EGEO - Campo de las Naciones

The Egeo building has been recently refurbished and is located at 4-6 Partenón Avenue, an excellent location in the periphery of Madrid. It is also well-connected by public transport. It is distributed in two independent wings connected by an attractive central hall, which provides a lot of light to all of the common areas and the interior of the entire building, thanks to a large glass dome. In this luminous central hall where both wings come together, the elevator and escalator halls are located, which provide access to all the floors in the building. The fully glazed facade enables natural light to reach the interior of the offices, and the spaciousness and flexibility of the floors, divisible into up to 8 modules, make it possible to accommodate various users.

38 Josefa Valcárcel, 40

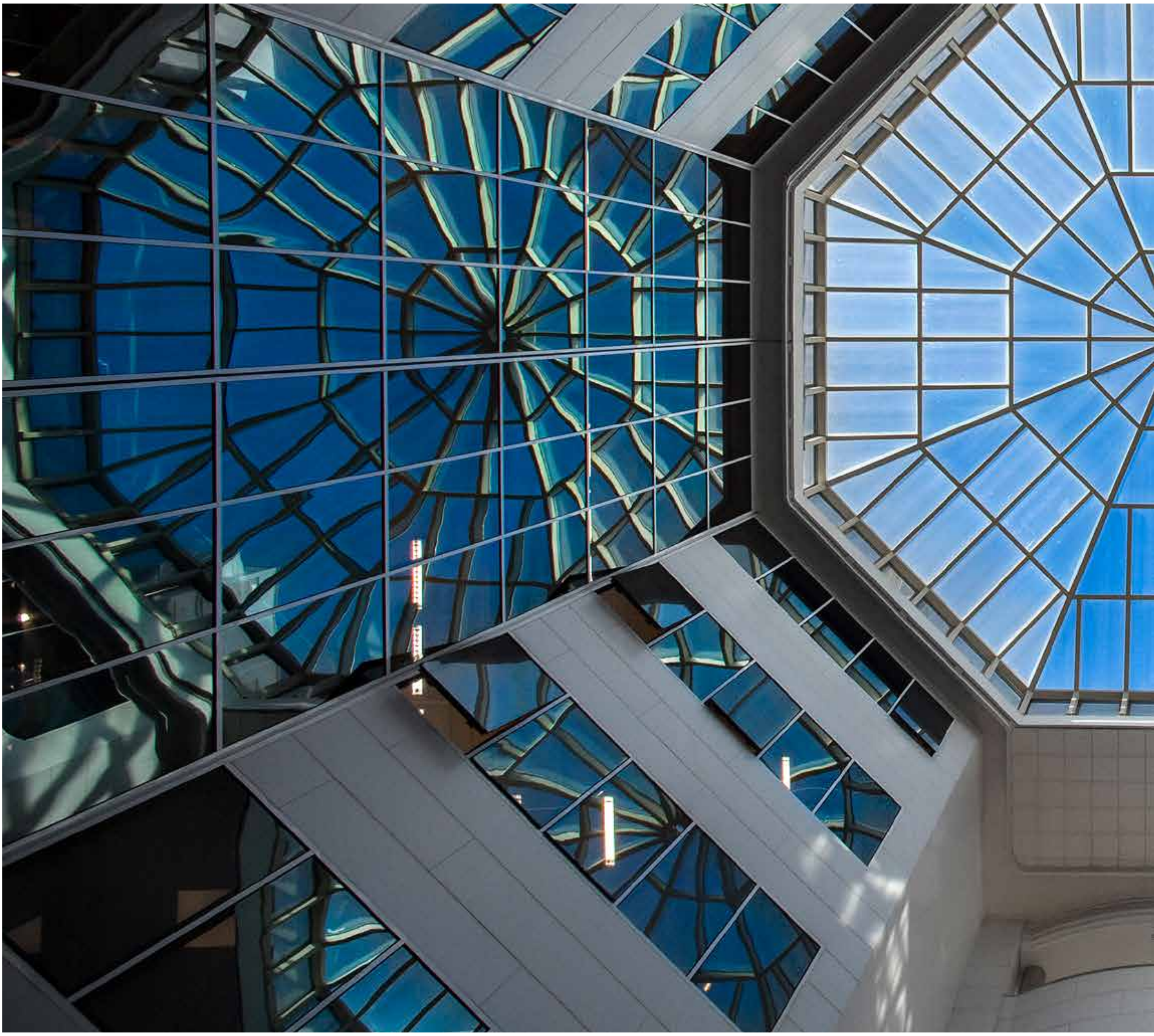
New seven-floor independent office building, with 8,824.70 sqm of total surface area above ground level. Located between the M-30 and M-40 ring roads, with a facade on the A-2 and access from Josefa Valcárcel and Telémaco streets. It is a consolidated strategic office environment, which stands out due to its visibility from the A-2 motorway. The building has a classical façade composition, and has floors which are stepped upwards. The plot has landscaped areas on both sides of the building, and a parking lot for visitors on the south side of the plot. It has prime finishes and LEED Platinum sustainability certification.

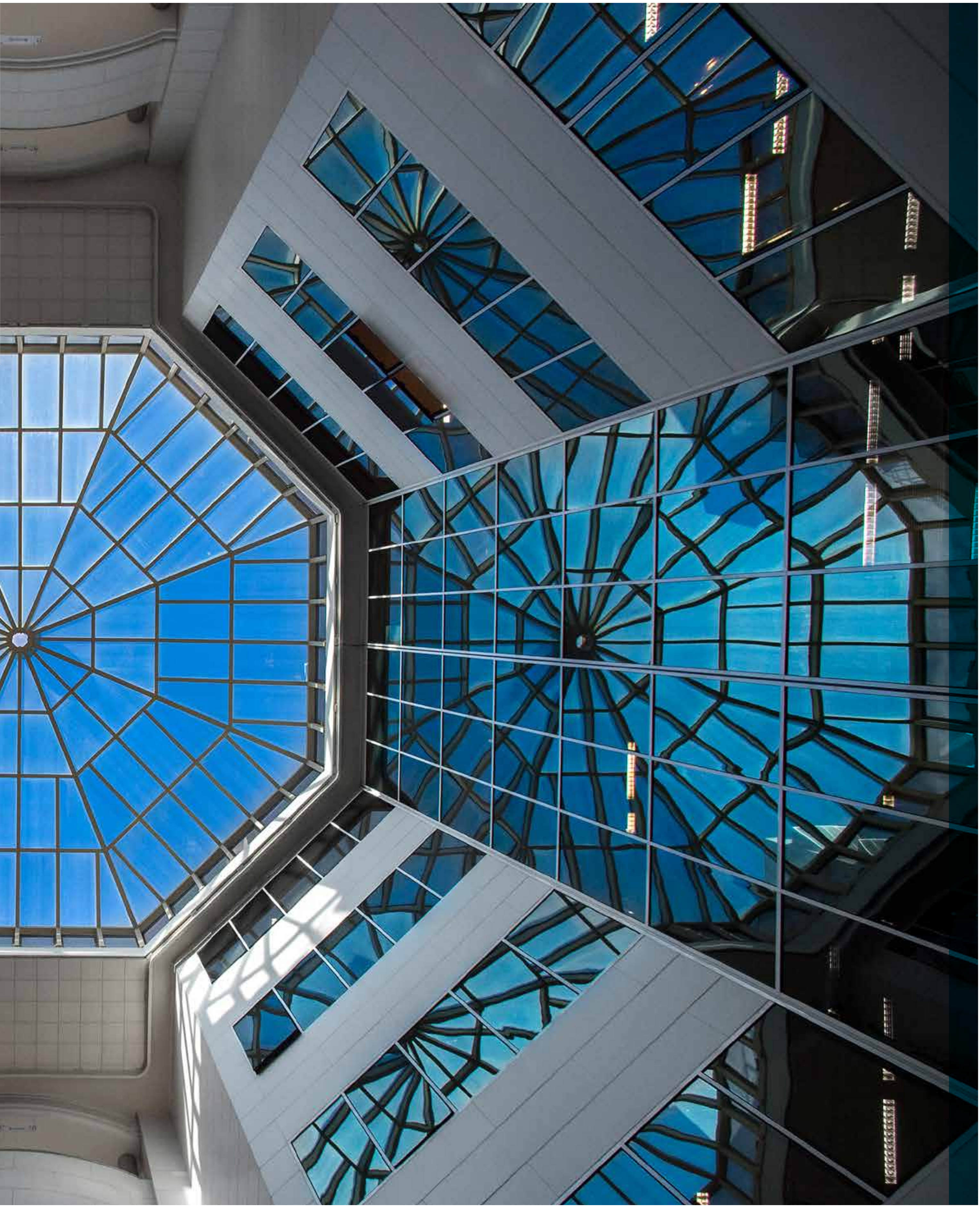
39 Luca de Tena, 7

This exceptional building, which hosts the headquarters of Vocento, the Spanish communications group, has a GLA of 10,147 sqm. It is made up of three sections joined together; two of them with three floors and a basement and another one with a mezzanine floor (library), the connecting section between them is the main communication hub with the central staircase and the lifts. The building offers excellent visibility from the A2 motorway and a strategic location due to its proximity to the city centre and the airport.

40 Viapark

Retail park, located in a high-traffic area between Almeria and Roquetas de Mar. The complex has a very solid construction and specifications and includes four units with large windows and a considerable height. It has 1,500 parking spaces and its main operators are Decathlon, Carrefour and Bricomart. The park includes a range of high quality services, including a BP service station and a Burger King restaurant.





Paris

1 Louvre Saint-Honoré

"A prime location". This building offers large, 5,400 sqm functional units in a prime location near the Louvre museum. Since extensive renovations were completed in late 2010, the property delivers a technical performance in line with the highest international standards along with premium amenities including a staff restaurant and round-the-clock security. SFL is part of the initiative of the process "The new Louvre des Antiquaires", presented to antique dealers to reinvent the Louvre des Antiquaires in a more focused and prestigious way to make it an attractive place for life and trade.

2 Washington Plaza

"In the heart of the Central Business District". Located just off the Champs-Elysées on an 8,000 sqm plot, Washington Plaza is one of the capital's finest office complexes, standing out for the quality of its amenities and the functionality of its units. Inside the complex, the Monceau and Artois buildings can be divided into open floor plates of 1,100 sqm, allowing a variety of possible layouts. Particular attention was paid to the services and amenities. In line with the current requirements of the Paris rental market, these include a staff restaurant, a cafeteria, reception and concierge services, an onsite property manager, a large parking garage and a building management system (BMS).

3 Galerie des Champs-Élysées

"A symbol for renovated space in Paris". The Galerie des Champs-Elysées shopping arcade enjoys one of the most prestigious locations in Paris, on the sunny side of the Champs- Elysées in the most well-patronized section of the avenue. Redesigned by Jean Nouvel, the fully renovated property has been given a sleek new look based on a stripped back Haussmann style brought right up to date with modern black light fittings and escalators. It has been chosen by H&M for their 2,800 sqm international flagship store.

4 90 Champs-Élysées

“Strong value creation potential”. Located above the Galerie des Champs-Élysées shopping arcade, this contemporary building features a freestone façade over its original skin of the type used for the most stunning Haussmann-style buildings recently transformed by Jean Nouvel. Each floor offers 1,200 sqm of bright, spacious offices. Soon to be redeveloped, the finished building will feature an exterior lighting system designed by Yann Kersalé.

5 92 Champs-Élysées (Ozone)

“An emblematic building”. Home to Thomas Jefferson during his 1785-1789 stay in Paris, this is one of the best-situated buildings on the Champs-Elysées, on the corner of rue de Berri. It comprises retail units on the ground floor and offices on the upper floors. Extensive renovation work began in May 2010 to restore the building to its former glory and create HQE®-certified.

6 Cézanne Saint-Honoré

“A private street a stone’s throw from Place de l’Etoile”. This exceptional office, retail and residential complex is comprised of two separate buildings located across from one another on either side of a 100-metre long, 15-metre wide private street in the heart of the capital’s historic business district. Delivered in March 2005 after exemplary restoration work, the 1930s building has the advantage of longer load bearing spans that obviate the need for internal structural walls and allow for large, functional units. The Cézanne Saint-Honoré complex was honoured by two awards in 2004 and 2005 and is one of SFL’s finest assets.

7 Édouard VII

“One of the capital’s business landmarks”. Built on a 1.5-hectare plot, the Haussmann- style Édouard VII complex is located between Opéra Garnier and La Madeleine, just off the boulevard des Capucines. Its location in the heart of one of Paris’s liveliest neighbourhoods and its impressive architectural style – the result of extensive remodelling – make this property a fabulous showcase. The complex features several independent buildings with a private reception area, staff restaurant and upscale restaurant and lounge bar.

8 176 Charles de Gaulle

“An outstanding site”. Located on the thoroughfare linking the Étoile to La Défense, this building has a courtyard-facing facade looking out over landscaped gardens. The building comprises office space and a large retail space on the ground floor.

9 Rives de Seine

“Effortless access”. Located on the banks of the Seine close to the Gare de Lyon train station and public transport hub, this property is emblematic of the revival of the Eastern Paris commercial property market. Built in 1974, it features 16 floors rising above a vast lobby that overlooks the river. The building was extensively renovated in 2000 to create modern, well-lit and highly modular 1,200 sqm office units. The extension of the lease with Natixis in 2009 has secured future revenues from the investment.

10 83 Marceau

“An unparalleled view of the Arc de Triomphe”. This six-storey property in a prime location just off the Place de l’Etoile boasts an interior courtyard and terraces offering exceptional views of the Arc de Triomphe. The site’s uniqueness is augmented by three street-facing façades, affording it a rare degree of visibility. With its highly-functional, flexible units of around 1,200 sqm, the Iéna building has it all. The lease with Générale de Santé was renewed in 2009. Main tenants: Générale de Santé.

11 131 Wagram

“A media centre”. The 131 Wagram building is located halfway between Parc Monceau and Place de l’Etoile on the corner of rue de Prony. Completely renovated in 1992, this property, which has a terrace and an interior garden, has 9 levels of offices on 5 basements. The office floors consist of bright 800 sqm units with modular fixtures, and the building also comprises an auditorium and a staff restaurant. The whole of the building’s interior was fully renovated in 2004-2005.

12 103 Grenelle

"A new business centre on the Left Bank". Located in the Left Bank district that is home to many government offices, this historical complex is dominated by a tower that housed the first Chappe telegraph system in the 19th century and, until recently, the headquarters of the French Telephone and Telegraph Administration. Delivered in mid-2009 following its extensive two-year renovation, the building represents nearly 20,000 sqm of prime rental office space with HQE® certification. It offers a choice between more traditional partitioned areas and larger units of more than 1,500 sqm in the tower, suitable for an open plan or mixed layout. The complex also offers high-level amenities.

13 104-110 Haussmann Saint-Augustin

"A very high quality office complex". Through a two-year redevelopment project completed in 2007, SFL transformed four separate buildings on boulevard Haussmann into a luxury office complex offering optimum working conditions. With a total surface area of around 13,000 sqm on seven floors, the complex is designed around a vast central entrance hall flooded with natural light from a glass roof. It also features an 82-metre long freestone façade. The use of natural, noble materials creates warmth and architectural beauty, while the elegant interior decoration scheme blends classic and contemporary design.

14 6 Hanovre

"In the centre of the financial district". This very fine 1908 building by the architect Adolphe Bocage is registered in the Supplementary List of Historical Monuments. The vast lobby leads to a majestic horseshoe staircase, while the Art Deco facade features rectangular bays on the third floor and bow windows above. Alexandre Bigot did the sandstone veneer over concrete in the facade, in the lobby and the stairwell. The building is located in the financial district, near to Palais Garnier and Palais Brongniart, and is being painstakingly renovated to offer bright, well laid-out office space.

15 #Cloud

"Refurbishment project underway". "A unique three-building complex". #cloud. paris is a three-building complex within short walking distance of the Palais Brongniart and Palais Garnier in Paris's financial district. When the building's occupant, a major French bank, moved out in mid-2012, work began on a major redevelopment project to create a unique working environment based on modern, flexible office space and prestigious services and amenities such as a business centre, concierge, a restaurant and fitness rooms.

16 Pasteur

Pasteur property is located in the heart of Paris' Left Bank in the 15th arrondissement. Situated right next to Montparnasse train station, one of Paris' main hubs, the building has excellent transport links. It is served by four metro lines, directly connecting it to the centre of the capital and to the city's major business districts. Spanning approximately 40,000 sqm, the office building was designed in 1965 and was renovated in 2012. The property offers 2,100 sqm. floor plates; a rare find in a 17-storey high-rise, and unique 360-degree views over Paris. Pasteur projects a modern feel that its tenants will find both functional and satisfying. It offers an array of amenities including a brasserie, cafeteria, gym, concierge service and business centre. Attesting to its energy performance, the property is certified under the HQE Renovation, HQE Operation, BBC - Effinergie and BREEAM labels.

17 4-8 Rue Condorcet

Located within the 9th district, the property is situated in Paris Centre West in close proximity to the Central Business District of Paris and important transport hubs. The property was constructed at the end of the XIXth century and comprises 7 buildings. It benefits from a visible location bordered by 4 streets: rue de Maubeuge, rue Condorcet, rue Pétrelle, and rue du Faubourg Poissonnière. The overall character of the property is still heavily influenced by these historical features. The interior of the buildings includes a large number of neoclassical features, such as sculpted columns, painted ceilings, marble coated walls and wood paneling. The quality of the buildings is enhanced by the historic staircase of central building and the large accessible inner courtyard. Constructed in 1863 under the architect Léon-Armand Darru, the building benefits from a rich architectural heritage and is the historical site of the GDF Group which has occupied it since its construction.

18 Biome

At the beginning of 2017, The Colonial Group completed a transaction for €165m, though its French subsidiary, to acquire the historical headquarters of the SMA Group. This building stands at a prime location at 112-122 Avenue Emile Zola, in the centre of district 15 in Paris. The building has a surface area of approximately 21,000 sqm. In BIOME, an iconic building is planned of more than 24,500 sqm in the Central-Western area of Paris with natural light, efficient floors of 1,400 sqm to 3,500 sqm and a green area surrounding the building. After receiving the work permit in May 2018, the work began in June 2018 and remains on course.

BREEAM Excellent certification in process.

7.2. Surface area of assets - details

Rental portfolio Barcelona

sqm	Acquisition year	Floor space above ground: Offices	Retail	Others	Floor space above ground	Floor space below ground	Total surface	Parking units
Diagonal, 409	2001	3,680	851		4,531		4,531	
Diagonal, 530	1992	10,321	2,555		12,876	4,708	17,584	99
Diagonal, 609-615 - Dau/Prisma	1997	21,996			21,996	18,839	40,835	438
Av. Diagonal, 682	1997	8,211	250		8,461	1,795	10,256	50
Pedralbes Centre	1997	36	7,695		7,731	151	7,882	
Av. Diagonal, 523-525	2018	5,706			5,706	1,179	6,885	10
Diagonal 220-240, Glòries	2000	11,672			11,672	536	12,208	40
Illacuna	2006	14,044	812		14,856	13,606	28,462	481
Pº Tilos, 2-6	2000	5,143			5,143	3,081	8,224	69
Travessera, 47-49	2016	8,939			8,939	1,620	10,559	36
Via augusta, 21-23	1999	3,985	218		4,203		4,203	
Travessera, 11	1994	4,105	410		4,515	1,994	6,509	61
Amigó, 11-17	1994	2,960	608		3,568	1,778	5,346	88
Torre BCN	2000	9,600	235		9,835	3,065	12,900	88
Torre Marenostrum	2003	21,856			21,856	19,370	41,226	606
Parc Glòries	2016	24,450			24,450	5,444	29,894	162
Sant Cugat	1999	27,904			27,904	20,626	48,530	690
Gal·la Placídia	2018	4,285			4,285	1,555	5,840	28
Diagonal, 197	2014	13,346	722		14,069	9,281	23,350	251
Buenos Aires, 21	2021	8,784			8,784		8,784	
Sancho de Ávila, 110-130	2019	17,860			17,860	4,776	22,636	202
Other small retail units			88	15	103		103	
Portfolio in operation		**228,883**	**14,445**	**15**	**243,342**	**113,406**	**356,748**	**3,399**
Plaza Europa, 34	2017	13,406	329	634	14,369	6,030	20,399	151
Illacuna	2006	5,595			5,595	15	5,610	
Wittywood	2020	2,476			2,476	585	3,061	10
Diagonal, 197	2014	1,088			1,088		1,088	
Torre Marenostrum	2003	538			538		538	
Surface underway		796			796	1,898	2,694	
Projects underway		**23,899**	**329**	**634**	**24,862**	**8,528**	**33,390**	**161**
Total Barcelona		**252,782**	**14,774**	**649**	**268,204**	**121,934**	**390,138**	**3,560**

Note: In order to facilitate the analysis of the portfolio, part of the office buildings have been specified to be dedicated to retail/commercial use (generally on the ground floors). The assets in the Barcelona rental portfolio are 100% owned by Colonial, with the exception of the plot of land at Plaza Europa 34 which is held through a joint venture with Inmo, S.L.
The assets in the Madrid rental portfolio and the rest of Spain are 100% owned by Colonial.

Rental portfolio Madrid & others

sqm	Acquisition year	Floor space above ground			Floor space above ground	Floor space below ground	Total surface	Parking units
		Offices	Retail	Others				
Castellana, 52	1998	5,568	1,027		6,595	2,615	9,210	49
P. Castellana, 163	2016	10,729	533		11,262	1,927	13,189	52
Recoletos, 37-41	2005	13,642	3,560		17,202	5,340	22,542	175
Recoletos, 27	2019	2,086			2,086		2,086	
Castellana, 43	2005	5,455	543		5,998	2,441	8,439	81
Miguel Ángel, 11	2005	5,370	930		6,300	2,068	8,368	81
José Abascal, 56	2005	10,857	1,468		12,325	6,349	18,674	219
Génova, 17	2015	3,638	1,038		4,676	2,601	7,277	70
José Abascal, 45	2016	5,324			5,324	1,894	7,218	54
Serrano,73	2016	4,242			4,242	3,176	7,418	104
Alfonso XII, 62	2002	13,135			13,135	2,287	15,422	78
Santa Engracia	2015	13,444	220		13,664	5,562	19,226	180
Francisco Silvela, 42	1999	4,893	500		5,393	3,926	9,319	105
José Ortega y Gasset, 100	2000	6,870	922		7,792	2,563	10,355	96
Poeta Joan Maragall, 53	2001	13,685	2,330		16,015	9,668	25,683	295
Discovery Building	2015	9,496	656		10,152	4,663	14,815	100
López de Hoyos, 35	2005	7,140			7,140	4,105	11,245	111
Arturo Soria, 336	2017	8,363	300		8,663	5,655	14,318	191
Martínez Villergas, 49	2006	24,135			24,135	16,194	40,329	496
Ramírez de Arellano, 37	1999	5,988			5,988	4,923	10,911	160
Santa Hortensia, 26-28	2016	40,029			40,029	32,567	72,596	946
Egeo	2018	18,255			18,255	9,691	27,946	350
Príncipe de Vergara, 112-114	2015	10,200	238		10,438	4,524	14,962	115
Manuel de Falla, 7	2015	6,252			6,252	1,640	7,892	41
Sagasta, 31-33	2016	7,097			7,097	3,720	10,817	93
Almagro, 9	2016	15,094			15,094	8,075	23,169	208
Miguel Ángel, 23	2017	7,320	835		8,155	1,353	9,508	113
Velázquez-Padilla, 17	2015	14,435	1,883		16,318	6,080	22,398	152
Don Ramón de la Cruz, 82	2015	9,339			9,339	3,624	12,963	91
Francisca Delgado, 11	2014	14,959	245		15,205	17,734	32,938	395
Cedro - Anabel Segura, 14	2017	14,437			14,437	12,123	26,560	387
Puerto de Somport, 8	2017	2,414			2,414	13,394	15,808	369
Ribera de Loira, 28	2014	9,924	629		10,553	16,988	27,541	370
Tucumán	2015		782		782		782	174

Rental portfolio Madrid & others

sqm	Acquisition year	Floor space above ground Offices	Retail	Others	Floor space above ground	Floor space below ground	Total surface	Parking units
Ramírez de Arellano, 15	2015	6,670			6,670	4,680	11,350	113
Josefa Valcárcel ,40	2017	8,718			8,718	7,566	16,284	259
Lagasca, 88	nd	480			480	185	665	3
Viapark	2016		16,325		16,325		16,325	
Surface underway			380		380		380	
Portfolio in operation		**359,684**	**35,345**		**395,029**	**231,902**	**626,931**	**6,876**
Méndez Álvaro I - Oficinas	2017	60,214			60,214		60,214	605
Méndez Álvaro I - Residencial	2017			29,658	29,658		29,658	294
Méndez Álvaro II	2017	20,276			20,276		20,276	203
Luca de Tena, 7	2016	10,145			10,145	13,400	23,545	335
Autovía de Toledo	2017			23,557	23,557		23,557	
Puerto de Somport, 10-18	2015	22,000			22,000		22,000	520
Tucumán	2015	5,650	494		6,144	7,040	13,184	
Puerto de Somport, 8	2017	4,452			4,452	90	4,542	
Rest of assets		1,869		78	1,947	2,430	4,378	
Projects underway		**124,605**	**494**	**53,293**	**178,392**	**22,960**	**201,352**	**1,957**
Total Madrid & others		**484,289**	**35,839**	**53,293**	**573,421**	**254,862**	**828,283**	**8,833**
Total Spain		**737,071**	**50,613**	**53,941**	**841,625**	**376,796**	**1,218,421**	**12,393**

Note: In order to facilitate the analysis of the portfolio, part of the office buildings have been specified to be dedicated to retail/commercial use (generally on the ground floors). The assets in the Barcelona rental portfolio are 100% owned by Colonial, with the exception of the plot of land at Plaza Europa 34 which is held through a joint venture with Inmo, S.L.
The assets in the Madrid rental portfolio and the rest of Spain are 100% owned by Colonial.

Rental portfolio France

		Floor space above ground							
sqm	Acquisition year	Offices	Retail	Residential	Hotel & others	Floor space above ground	Floor space below ground	Total surface	Parking units
Louvre Saint-Honoré	1995	22,883			753	23,635	4,094	27,730	236
Edouard VII	1999	28,860	15,350	4,509	4,202	52,921	10,145	63,066	523
#Cloud.Paris	2004	29,875			246	30,121	3,164	33,285	99
Condorcet	2014	20,376		1,562	1,301	23,239	2,457	25,696	50
Galerie Champs-Élysées	2002		2,006			2,006	3,176	5,183	125
90 Champs-Élysées	2002/ 2009	7,912				7,912		7,912	
92 Champs-Élysées	2000	3,877	3,317			7,194		7,194	
Cézanne Saint-Honoré	2001/ 2007	23,114	1,849			24,964	3,445	28,408	128
131 Wagram	1999	7,100			449	7,549	3,651	11,200	124
83 Marceau	2001/ 2007	8,737	690			9,427	2,387	11,814	128
Washington Plaza	2000	40,136	406		2,557	43,099	12,244	55,344	662
106 Haussmann	2002/ 2004	11,797	677			12,474	2,650	15,124	104
176 Charles de Gaulle	1997	5,479	1,263			6,742	2,119	8,861	126
Pasteur	2022	39,446				39,446	7,377	46,823	443
Biome	2017	22,452		759		23,211	1,613	24,824	80
103 Grenelle	2006	15,585	258		1,011	16,854	1,932	18,786	100
Portfolio in operation		**287,629**	**25,817**	**6,831**	**10,519**	**330,795**	**60,454**	**391,249**	**2,928**
Rives de Seine	2004	20,270			1,760	22,030	6,589	28,619	366
Louvre Saint-Honoré	1995	2,342	16,000			18,342	5,438	23,780	
6 Hanovre		3,325				3,325	1,282	4,608	
Galerie Champs-Élysées			2,713			2,713	2,797	5,510	
Biome	2017				1,569	1,569		1,569	
Surface underway		1,344	932			2,276	12,118	14,393	
Projects underway		**27,281**	**19,645**		**3,329**	**50,255**	**28,224**	**78,479**	**366**
Total France		**314,909**	**45,462**	**6,831**	**13,848**	**381,050**	**88,678**	**469,728**	**3,294**
Total Colonial Group		**1,051,980**	**96,075**	**60,772**	**13,848**	**1,222,675**	**465,474**	**1,688,149**	**15,687**

Note: Colonial has 98,3% of the share capital of SFL. SFL has 100% ownership of the totality of its rental portfolio with the exception of Cézanne Saint-Honoré, 103 Grenelle, #Cloud and 92 Champs Élysées of which it owns 51%, assets which have been created new "Joint Ventures" together with Predica.

8

Appendices

8.1. EPRA ratios

1) EPRA Earnings

EPRA Earnings

€m	2022	2021
Earnings per IFRS Income statement	**8**	**474**
Earnings per IFRS Income statement - €cts/share	***1.48***	***91.10***
Adjustments to calculate EPRA Earnings, exclude:		
(i) Changes in value of investment properties, development properties held for investment and other interests	148	(443)
(ii) Profits or losses on disposal of investment, development properties held for investment and other interests	(6)	1
(iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	0	0
(iv) Tax on profits or losses on disposals	0	0
(v) Negative goodwill / goodwill impairment	0	0
(vi) Changes in fair value of financial instruments and associated close-out costs	4	30
(vii) Acquisition costs on share deals and non controlling joint venture interests	0	0
(viii) Deferred tax in respect of EPRA adjustments	(13)	(9)
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	0	0
(x) Non-Controlling interests in respect of the above	13	66
EPRA Earnings	**155**	**120**
Company specific adjustments:		
(a) Extraordinary expenses	6	10
(b) Non recurring financial result	0	0
(c) Tax credits	0	0
(d) Minority interests in respect of the above	(0)	(2)
Company specific adjusted EPRA Earnings	**161**	**128**
Average N° of shares (m)	***539.6***	***520.1***
Company adjusted EPRA Earnings per Share (EPS) - €cts/share	***29.8***	***24.6***

Note: Diluted earnings per share: average shares of the period, including variations due to capital operations, without adjusting for the impact of treasury shares.

2) EPRA Net Asset Value: new methodology

EPRA Net Asset value - December 2022

€m		NAV previous methodology	Net Reinstatement Value	Net Tangible Assets	Net Disposal Value
IFRS Equity attributable to shareholders		**6,159**	**6,159**	**6,159**	**6,159**
Include:					
(i)	Hybrid instruments	–	–	–	–
Diluted NAV		**6,159**	**6,159**	**6,159**	**6,159**
Include:					
(ii.a)	Revaluation of investment properties (if IAS 40 cost option is used)				
(ii.b)	Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)				
(ii.c)	Revaluation of other non-current investment	147	147	147	147
(iii)	Revaluation of tenant leases held as finance leases	–	–	–	–
(iv)	Revaluation of trading properties	14	14	14	14
Diluted NAV at Fair Value		**6,321**	**6,321**	**6,321**	**6,321**
Exclude:					
(v)	Deferred tax in relation to fair value gains of IP	339	339	339	n.a.
(vi)	Fair value of financial instruments	(276)	(276)	(276)	n.a.
(vii)	Goodwill as a result of deferred tax	–	–	–	–
(viii.a)	Goodwill as per the IFRS balance sheet	–	n. a.	–	–
(viii.b)	Intangible as per the IFRS balance sheet	–	n. a.	–	n.a.
Include:					
(ix)	Fair value on fixed interest rate debt	–	n. a.	n. a.	541
(x)	Revaluation of intangibles to fair value	–	–	n. a.	n. a.
(xi)	Real estate transfer tax	n. a.	631	–	n. a.
EPRA NAV - €m		**6,384**	**7,014**	**6,384**	**6,862**
Nº of shares (m)		***539.6***	***539.6***	***539.6***	***539.6***
EPRA NAV - Euros per share		***11.83***	***13.00***	***11.83***	***12.72***

EPRA Net Asset value - December 2021

€m		NAV previous methodology	Net Reinstatement Value	Net Tangible Assets	Net Disposal Value
IFRS Equity attributable to shareholders		**5,999**	**5,999**	**5,999**	**5,999**
Include:					
(i)	Hybrid instruments	–	–	–	–
Diluted NAV		**5,999**	**5,999**	**5,999**	**5,999**
Include:					
(ii.a)	Revaluation of investment properties (if IAS 40 cost option is used)				
(ii.b)	Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)				
(ii.c)	Revaluation of other non-current investment	149	149	149	149
(iii)	Revaluation of tenant leases held as finance leases	–	–	–	–
(iv)	Revaluation of trading properties	12	12	12	12
Diluted NAV at Fair Value		**6,160**	**6,160**	**6,160**	**6,160**
Exclude:					
(v)	Deferred tax in relation to fair value gains of IP	351	351	351	n,a,
(vi)	Fair value of financial instruments	(15)	(15)	(15)	n,a,
(vii)	Goodwill as a result of deferred tax	–	–	–	–
(viii.a)	Goodwill as per the IFRS balance sheet	–	n. a.	–	–
(viii.b)	Intangible as per the IFRS balance sheet	–	n. a.	–	n. a.
Include:					
(ix)	Fair value on fixed interest rate debt	–	n. a.	n. a.	(203)
(x)	Revaluation of intangibles to fair value	–	–	n. a.	n. a.
(xi)	Real estate transfer tax	n.a.	567	–	n. a.
EPRA NAV - €m		**6,496**	**7,063**	**6,496**	**5,957**
Nº of shares (m)		***539.6***	***539.6***	***539.6***	***539.6***
EPRA NAV - Euros per share		***12.04***	***13.09***	***12.04***	***11.04***

3) EPRA Net Initial Yield & topped-up Net Initial Yield

D. EPRA Net Initial yield & "Topped-Up" Net Initial Yield

€m		Barcelona	Madrid	Paris	Total 2022	Total 2021
Investment property - wholly owned		1,464	3,232	8,246	12,942	12,383
Investment property - share of JVs/Funds		43	n. a.	n. a.	43	33
Trading property (including share of JVs)		n. a.	n. a.	n. a.	n. a.	n. a.
Less: developments		(55)	(537)	(1,123)	(1,715)	(2,197)
Completed property portfolio	**E**	**1,452**	**2,695**	**7,123**	**11,270**	**10,219**
Allowance for estimated purchasers' costs		53	74	493	620	558
Gross up completed property portfolio valuation	**B**	**1,505**	**2,769**	**7,616**	**11,890**	**10,776**
Annualised cash passing rental income		51	104	183	337	317
Property outgoings		(6)	(12)	(3)	(22)	(17)
Annualised net rents	**A**	**45**	**91**	**179**	**315**	**300**
Add: notional rent expiration of rent free periods or other lease incentives		1	13	58	72	28
"Topped-up" net annualised rent	**C**	**46**	**104**	**238**	**388**	**327**
EPRA Net Initial Yield	**A/B**	**3.0%**	**3.3%**	**2.4%**	**2.7%**	**2.8%**
EPRA "Topped-Up" Net Initial Yield	**C/B**	**3.0%**	**3.8%**	**3.1%**	**3.3%**	**3.0%**
Gross Rents 100% Occupancy	F	67	123	245	435	367
Property outgoings 100% Occupancy		(3)	(9)	(3)	(15)	(14)
Annualised net rents 100% Occupancy	**D**	**64**	**114**	**241**	**419**	**353**
Net Initial Yield 100% Occupancy	**D/B**	**4.2%**	**4.1%**	**3.2%**	**3.5%**	**3.3%**
Gross Initial Yield 100% Occupancy	**F/E**	**4.6%**	**4.6%**	**3.4%**	**3.9%**	**3.6%**

4) EPRA Vacancy Rate

EPRA Vacancy Rate - Offices Portfolio

€m	2022	2021	Var. %
Barcelona			
Vacant space ERV	12	4	
Portfolio ERV	59	52	
EPRA Vacancy Rate Barcelona	**20%**	**7%**	**12 pp**
Madrid			
Vacant space ERV	5	7	
Portfolio ERV	104	97	
EPRA Vacancv Rate Madrid	**5%**	**7%**	**(2 pp)**
Paris			
Vacant space ERV	0	3	
Portfolio ERV	220	188	
EPRA Vacancy Rate Paris	**0%**	**2%**	**(1 pp)**
Total portfolio			
Vacant space ERV	17	14	
Portfolio ERV	383	336	
EPRA Vacancy Rate Total Office Portfolio	**4%**	**4%**	**0 pp**

Note: Annualized figures.

EPRA Vacancy Rate - Total Portfolio

€m	2022	2021	Var. %
Barcelona			
Vacant space ERV	12	4	
Portfolio ERV	61	54	
EPRA Vacancy Rate Barcelona	**19%**	**8%**	**11 pp**
Madrid			
Vacant space ERV	5	7	
Portfolio ERV	106	97	
EPA Vacancv Rate Madrid	**4%**	**7%**	**(2 pp)**
Paris			
Vacant space ERV	1	5	
Portfolio ERV	249	222	
EPRA Vacancy Rate Paris	**1%**	**2%**	**(2 pp)**
Logistic & others			
Vacant space ERV	–	–	
Portfolio ERV	–	2	
EPRA Vacancy Rate Logistic & others	**–**	**0%**	**–**
Total Portfolio			
Vacant space ERV	18	16	
Portfolio ERV	416	375	
EPRA Vacancy Rate Total Portfolio	**4%**	**4%**	**0 pp**

Note: Annualized figures.

5) EPRA Cost Ratios

E. EPRA Cost Ratios

€m		12/2022	12/2021
(i) Administrative/operating expense line per IFRS income statement		55	55
(ii) Net service charge costs/fees		28	23
(iii) Management fees less actual/estimated profit element		0	0
(iv) Other operating income/recharges intended to cover overhead expenses less any related profits		0	0
(v) Share of Joint Ventures expenses		0	0
Exclude (if part of the above):			
(vi) Investment Property depreciation		n. a.	n. a.
(vii) Ground rent costs		n. a.	n. a.
(viii) Service charge costs recovered through rents but not separately invoiced		(7)	(14)
EPRA Costs (including direct vacancy costs)	**A**	**76**	**64**
(ix) Direct vacancy costs		(6)	(6)
EPRA Costs (excluding direct vacancy costs)	**B**	**70**	**58**
(x) Gross Rental Income less ground rent costs - per IFRS		354	314
(xi) Less: service fee and service charge costs components of Gross Rental Income (if relevant)		(5)	(3)
(xii) Add: share of Joint Ventures (Gross Rental Income less ground rents)		0	0
Gross Rental Income	**C**	**349**	**311**
EPRA Cost Ratio (including direct vacancy costs)	**A/C**	**21.9%**	**20.7%**
EPRA Cost Ratio (excluding direct vacancy costs)	**B/C**	**20.1%**	**18.8%**

6) EPRA CAPEX disclosure

Property-related CAPEX

€m	12/2022	12/2021
Acquisitions[1]	0	0
Development (ground-up/green field/brown field)	166	208
Like-for-like portfolio	40	32
Other[2]	20	22
Capital Expenditure	**227**	**263**

(1) Does not include contribution of assets in exchange of shares.
(2) Includes capitalised interest relating to projects, tenant incentives, letting fees and other capitalised expenses.

7) EPRA LTV

Million euros	Group as reported 2022	Proportionate Consolidation: Share of joint venture	Proportionate Consolidation: Share of material associates	Proportionate Consolidation: Non controlling interest	Combined 2022
Include:					
Borrowings from Financial Institutions	596	–	–	–	596
Commercial paper	409	–	–	(7)	402
Hybrids	–	–	–	–	–
Bond Loans	4,510	–	–	(28)	4,482
Foreign Currency Derivatives	–	–	–	–	–
Net Payables	130	–	–	2	132
Owner-occupied property (debt)	–	–	–	–	–
Current accounts (Equity characteristic)	–	–	–	–	–
Exclude:					
Cash and cash equivalents	160	–	–	(26)	134
Net Debt (a)	**5,485**	**–**	**–**	**(8)**	**5,477**
Include:					
Owner-occupied property	82	–	–	(1)	81
Investment properties at fair value	12,336	–	–	(1,228)	11,108
Properties held for sale	485	–	–	(1)	484
Properties under development	102	–	–	–	102
Intangibles	5	–	–	(0)	5
Net Receivables	–	–	–	–	–
Financial assets	–	–	–	–	–
Total Property Value (b)	**13,010**	**–**	**–**	**(1,230)**	**11,780**
LTV (a/b)	**42.2%**				**46.5%**
LTV Proforma(*)	***40.3%***				***44.6%***

(*) Proforma including divestments.

8) EPRA Sustainability Tables

Energy consumption and GHG emissions

Energy consumption and emissions in 2022-2021
EPRA Energy-Int, EPRA GHG-Int
EPRA GHG-Dir-Abs & EPRA GHG-Indir-Abs

		Total 2022				Total 2021				Variance	
Sustainability Indicators	Unit of measurement	Coverage	Cons. 2022	Sqm	Intens. 2022 Energy-Int (kWh/sqm)	Coverage	Cons. 2021	Sqm	Intens. 2021 Energy-Int (kWh/sqm)	Consumption	Intensity
Electicity Consumption (*Elec-Abs*)	MWh	72	128,536	980,615	131	67	128,003	930,614	138	0%	–5%
Fuel Consumption (*Fuels-Abs*)	MWh	35	13,239	403,622	33	35	16,674	403,614	41	–21%	–21%
Heating & Cooling Consumption (*DH&C-Abs*)	MWh	14	22,284	293,359	76	12	24,121	270,112	89	–8%	–15%
Green Energy Consumption	MWh	6	147	95,445	2	3	67	49,117	1	118%	12%
Total Energy Consumption	**MWh**	**72**	**164,206**	**980,615**	**167**	**67**	**168,866**	**930,614**	**181**	**–3%**	**–8%**

Note: Of the electricity consumption in 2022, 50,955 MWh corresponds to common areas and shared services, and 77,581 MWh to private areas. Also, of the electricity consumption in 2021, 53,477 MWh corresponds to common areas and shared services, and 74,526 MWh to private areas. Green energy consumption represents 0.09% of the total.
In some cases, the Group only has the control of the consumption of the common areas, so as part of the effort made to report total consumption, the Group has made an estimate of consumption data for tenants to whom it does not have access.
Estimated data from private tenant areas (tenant consumption) represents between 27%-28% of total reported electricity and fuel consumption.
No estimation made for DH&C and fuels, as they are obtained through telemetry, manual readings and invoices.
2021 intensities have been recalculated due to a change in the surface of the assets considered.

Energy consumption and emissions in 2022-2021

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

			Total 2022				Total 2021				Variance	
Sustainability Indicators		Unit of measurement	Coverage	Cons. 2022	Sqm	Intens. 2022 GHG-Int ($kgCO_2e/sqm$)	Coverage	Cons. 2021	Sqm	Intens. 2021 GHG-Int ($kgCO_2e/sqm$)	Consumption	Intensity
Direct CO_2 emissions / Scope 1 *(GHG-Dir-Abs)*		$TeqCO_2$	32	2,338	391,943	6	28	2,853	310,201	9	–18%	–35%
Indirect emissions / Scope 2 *(GHG-Indir-Abs)*	Market-based method	$TeqCO_2$	58	2,325	816,538	3	56	3,312	787,953	4	–30%	–32%
	Location-based method	$TeqCO_2$	58	5,900	816,538	7	56	7,126	787,953	9	–17%	–20%
Total emissions / Scopes 1 & 2	**Market-based method**	**$TeqCO_2$**	**59**	**4,662**	**823,404**	**6**	**57**	**6,164**	**794,819**	**8**	**–24%**	**–27%**
	Location-based method	**$TeqCO_2$**	**59**	**8,237**	**823,404**	**10**	**57**	**9,978**	**794,819**	**13**	**–17%**	**–20%**
Other indirect CO_2 emissions (Scope 3) *(Private areas)*	Market-based method	$TeqCO_2$	69	13,978	957,000	15	64	14,094	902,707	16	–1%	–6%
	Location-based method	$TeqCO_2$	69	9,439	957,000	10	64	10,468	902,707	12	–10%	–15%
Total emissions / Scopes 1 & 2 & 3	**Market-based method**	**$TeqCO_2$**	**72**	**18,641**	**980,615**	**19**	**67**	**20,258**	**930,614**	**22**	**–8%**	**–13%**
	Location-based method	**$TeqCO_2$**	**72**	**17,676**	**980,615**	**18**	**67**	**20,446**	**930,614**	**22**	**–14%**	**–18%**

Note: Of the electricity consumption in 2022, 50,955 MWh corresponds to common areas and shared services, and 77,581 MWh to private areas. Also, of the electricity consumption in 2021, 53,477 MWh corresponds to common areas and shared services, and 74,526 MWh to private areas. Green energy consumption represents 0.09% of the total.
In some cases, the Group only has the control of the consumption of the common areas, so as part of the effort made to report total consumption, the Group has made an estimate of consumption data for tenants to whom it does not have access.
Estimated data from private tenant areas (tenant consumption) represents between 27%-28% of total reported electricity and fuel consumption.
No estimation made for DH&C and fuels, as they are obtained through telemetry, manual readings and invoices.
2021 intensities have been recalculated due to a change in the surface of the assets considered.

Energy consumption and emissions in own-use offices

Sustainability Indicators	Unit of measurement	Coverage	Consumption 2022	Consumption 2021	Var.	Sqm 2022	Sqm 2021	Intens. 2022 (kWh/sqm)	Intens. 2021 (kWh/sqm)	Variance
Electricity Consumptiom	MWh	3	232	224	3%	5,546	5,545	42	40	3%
Fuel Consumptiom	MWh	2	65	93	–30%	3,513	3,513	18	26	–30%
Total Energy consumption	**MWh**	**3**	**296**	**317**	**–6%**	**5,546**	**5,545**	**53**	**57**	**–6%**

Sustainability Indicators	Unit of measurement	Coverage	Consumption 2022	Consumption 2021	Var.	Sqm 2022	Sqm 2021	Intensity 2022 ($kgCO_2e$/sqm)	Intensity 2021 ($kgCO_2e$/sqm)	Variance
Direct CO_2 emissions	$TeqCO_2$	2	12	18	–33%	3,513	3,513	3	5	–33%
Indirect CO_2 emissions	$TeqCO_2$	3	6	6	–6%	5,546	5,545	1	1	–6%
Direct & Indirect emissions	**$TeqCO_2$**	**3**	**18**	**24**	**–26%**	**5,546**	**5,545**	**3**	**4**	**–26%**

Note: 2021 intensities have been recalculated due to a change in the criteria of the surface considered.

Energy consumption and emissions in leased properties with control over the consumption of the properties

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

Sustainability Indicators	Unit of measurement	Coverage	Consumption 2022	Consumption 2021	Var.	Sqm 2022	Sqm 2021	Intensity 2022 (kWh/sqm)	Intensity 2021 (kWh/sqm)	Var.
Electricity Consumption *(Elec-LfL)*	MWh	60	119,560	122,279	–2%	872,044	872,410	137	140	–2%
Fuel Consumption *(Fuels-LfL)*	MWh	28	12,048	15,595	–23%	344,900	345,411	35	45	–23%
Heating and Cooling network consumption *(DH&C-LfL)*	MWh	12	20,427	24,121	–15%	270,232	270,112	76	89	–15%
Green Energy Consumption	MWh	6	147	67	118%	95,445	49,117	2	1	12%
Total Energy Consumption	**MWh**	**60**	**152,183**	**162,062**	**–6%**	**872,044**	**872,410**	**175**	**186**	**–6%**

Notes: These tables show the consumption and emissions generated in the Colonial buildings included in the sustainable like-for-like scope, following the recommendations of EPRA Best Practices on Sustainability Reporting. The calculation of the like-for-like indicators has been carried out separately for each type of consumption (electricity, fuel and water), including those buildings that have been in continuous operation in the last two years (2022 and 2021) and for which complete consumption data is available for the last two years. Also included are those assets in which the Group has control over the consumption of supplies and single-user assets, except for properties in project status and plots of land, as they do not generate consumption.
The Scope 1 and 2 carbon footprint has been calculated based on the energy consumption of the buildings, leakage and refrigerant gas recharges.
For Scope 3, these tables contain data on category 13 as established by the GHG Protocol, corresponding to GHG emissions from energy consumption in the private areas of the Group's facilities. Being aware that most of its emissions come from this area, out of the 15 categories established in the GHG Protocol, the Colonial Group has for the first time calculated the emissions of the 8 categories applicable to the Group's business, as can be seen in detail in the chapter on "Progress in eco-efficiency and decarbonisation".
Of the like-for-like electricity consumption in 2022, 48,303 MWh correspond to common areas and shared services and 71,257 MWh to private areas. Furthermore, of the like-for-like electricity consumption in 2021, 51,322MWh correspond to common areas and shared services and 70,956MWh to private areas. Green energy consumption represents 0.10% of the total.
2021 intensities have been recalculated due to a change in the criteria of the surface considered.

Energy consumption and emissions in leased properties with control over the consumption of the properties

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

Sustainability indicators		Unit of measurement	Coverage	Consumption 2022	Consumption 2021	Var.	Sqm 2022	Sqm 2021	Intensity 2022 ($kgCO_2e/sqm$)	Intensity 2021 ($kgCO_2e/sqm$)	Var.
Direct CO_2 emissions / Scope 1 (GHG-Dir-Abs)		$TeqCO_2$	30	2,183	2,730	–20%	357,764	276,022	6	10	–38%
Indirect emissions / Scope 2 *(GHG-Indir-Abs)*	Market-based method	$TeqCO_2$	52	2,198	3,256	–32%	748,161	748,527	3	4	–32%
	Location-based method	$TeqCO_2$	52	5,512	6,801	–19%	748,161	748,527	7	9	–19%
Total emissions / Scopes 1 & 2	**Market-based method**	**$TeqCO_2$**	**52**	**4,381**	**5,985**	**–27%**	**748,161**	**748,527**	**6**	**8**	**–27%**
	Location-based method	**$TeqCO_2$**	**52**	**7,695**	**9,531**	**–19%**	**748,161**	**748,527**	**10**	**13**	**–19%**
Other Indirect CO_2 emissions (Scope 3) *Private areas*	Market-based method	$TeqCO_2$	58	12,838	13,092	–2%	858,574	858,941	15	15	–2%
	Location-based method	$TeqCO_2$	58	8,693	9,827	–12%	858,574	858,941	10	11	–12%
Total emissions / Scopes 1, 2 & 3	**Market-based method**	**$TeqCO_2$**	**60**	**17,219**	**19,077**	**–10%**	**872,044**	**872,410**	**20**	**22**	**–10%**
	Location-based method	**$TeqCO_2$**	**60**	**16,387**	**19,358**	**–15%**	**872,044**	**872,410**	**19**	**22**	**–15%**

Notes: These tables show the consumption and emissions generated in the Colonial buildings included in the sustainable like-for-like scope, following the recommendations of EPRA Best Practices on Sustainability Reporting. The calculation of the like-for-like indicators has been carried out separately for each type of consumption (electricity, fuel and water), including those buildings that have been in continuous operation in the last two years (2022 and 2021) and for which complete consumption data is available for the last two years. Also included are those assets in which the Group has control over the consumption of supplies and single-user assets, except for properties in project status and plots of land, as they do not generate consumption.
The Scope 1 and 2 carbon footprint has been calculated based on the energy consumption of the buildings, leakage and refrigerant gas recharges.
For Scope 3, these tables contain data on category 13 as established by the GHG Protocol, corresponding to GHG emissions from energy consumption in the private areas of the Group's facilities. Being aware that most of its emissions come from this area, out of the 15 categories established in the GHG Protocol, the Colonial Group has for the first time calculated the emissions of the 8 categories applicable to the Group's business, as can be seen in detail in the chapter on "Progress in eco-efficiency and decarbonisation".
Of the like-for-like electricity consumption in 2022, 48,303 MWh correspond to common areas and shared services and 71,257 MWh to private areas. Furthermore, of the like-for-like electricity consumption in 2021, 51,322MWh correspond to common areas and shared services and 70,956MWh to private areas. Green energy consumption represents 0.10% of the total.
2021 intensities have been recalculated due to a change in the criteria of the surface considered.

Water consumption

Water consumption in 2022-2021

EPRA Water-Int

		Total 2022				Total 2021				Variance	
Sustainability indicators	Unit of measurement	Coverage	Cons. 2022	Sqm (real)	Intensity 2022 (Water-Int) (l/sqm)	Coverage	Cons. 2021	Sqm (real)	Intensity 2021 (Water-Int) (l/sqm)	Consumption	Intensity
Water consumption *(Water-Abs)*	m^3	70	336,111	947,149	355	65	288,641	894,417	323	16%	10%

Notes: 6% of the water comes from recycled and reused water. The rest is supplied by water mains. Data consumption of water is obtained through telemetry, manual readings and invoices.
2021 intensities have been recalculated due to a change in the criteria of the surface considered.

Water consumption in own use offices

Sustainability indicators	Unit of measurement	Coverage	Consumption 2022	Consumption 2021	Var.	sqm 2022	sqm 2021	Intensity 2022 (l/sqm)	Intensity 2021 (l/sqm)	Variance
Water consumption	m^3	3	1,608	1,763	–9%	5,546	5,545	290	318	–9%

Note: 2021 intensities have been recalculated due to a change in the criteria of the surface considered.

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

EPRA Water-LfL

Sustainability indicators	Unit of measurement	Coverage	Consumption 2022	Consumption 2021	Var.	sqm 2022	sqm 2021	Intensity 2022 (l/sqm)	Intensity 2021 (l/sqm)	Variance
Water consumption *(Water-LfL)*	m^3	59	311,206	277,305	12%	848,723	849,089	367	327	12%

Note: 7% of the water comes from recycled and reused water. The rest is supplied by water mains. 2021 intensities have been recalculated due to a change in the criteria of the surface considered.

Waste

Waste by type and disposal

EPRA Waste-Abs. EPRA Waste-LfL

Sustainability Indicators	Type of Waste	Total Waste 2021		Total Waste 2022	
		kg	% of total	kg	% of total
EPRA Waste-Abs GRI 306-2	**Hazardous Waste**				
	Reuse	211	0.44%	0	0.00%
	Recycling	9,456	19.83%	5,989	36.88%
	Composting	0	0.00%	0	0.00%
	Recovery (including energy)	625	1,31%	2,874	17.70%
	Land - land improvement, backfilling and drainage	0	0.00%	0	0.00%
	On-site storage	17	0.04%	94	0.58%
	Non-reusable hazardous waste	36,169	75.83%	4,678	28.81%
	Incineration (not reused)	24	0.05%	0	0.00%
	Deep well injection (not reused)	0	0.00%	0	0.00%
	Landfill (not reused)	995	2,09%	172	1.06%
	Other disposal method	198	0,42%	2,432	14.98%
	Total hazardous waste generated	**47,695**	**100.00%**	**16,239**	**100.00%**
	Non-hazardous Waste				
	Reuse	907,710	0.49%	717,771	5.76%
	Recycling	54,982,622	29.39%	9,729,602	77.91%
	Composting	9,714	0.01%	55,370	0.44%
	Recovery (including energy)	2,680,259	1.43%	1,653,068	13.24%
	Land - land improvement, backfilling and drainage	128,280,865	68.56%	19,442	0.15%
	On-site storage	1,037	0.00%	298	0.00%
	Non-reusable hazardous waste	0	0.00%	0	0.00%
	Incineration (not reused)	2,620	0.00%	340	0.00%
	Deep well injection (not reused)	0	0.00%	0	0.00%
	Landfill (not reused)	223,510	0.12%	305,462	2.45%
	Other disposal method	9,705	0.01%	6,852	0.05%
	Total non-hazardous waste generated	**187,098,042**	**100.00%**	**12,488,205**	**100.00%**

Waste by type and disposal

EPRA Waste-Abs. EPRA Waste-LfL

Sustainability Indicators	Type of Waste	Total Waste 2021		Total Waste 2022	
		kg	% of total	kg	% of total
EPRA Waste-LfL	**Hazardous Waste**				
	Reuse	209	0.99%	0	0.00%
	Recycling	6,493	30.90%	3,653	51.00%
	Composting	0	0.00%	0	0.00%
	Recovery (including energy)	258	1.23%	2,103	29.36%
	Land - land improvement, backfilling and drainage	0	0.00%	0	0.00%
	On-site storage	6	0.03%	92	1.28%
	Non-reusable hazardous waste	12,893	61.35%	210	2.93%
	Incineration (not reused)	24	0.11%	0	0.00%
	Deep well injection (not reused)	0	0.00%	0	0.00%
	Landfill (not reused)	935	4.45%	172	2.40%
	Other disposal method	198	0.94%	932	13.01%
	Total hazardous waste generated	**21,016**	**100.00%**	**7,162**	**100.00%**
	Non-hazardous Waste(*)				
	Reuse	466	0.02%	51	0.00%
	Recycling	2,228,223	77.79%	1,158,002	59.64%
	Composting	9,662	0.34%	55,125	2.84%
	Recovery (including energy)	396,685	13.85%	416,274	21.44%
	Land - land improvement, backfilling and drainage	0	0.00%	192	0.01%
	On-site storage	1,002	0.03%	298	0.02%
	Non-reusable hazardous waste	0	0.00%	0	0.00%
	Incineration (not reused)	2,620	0.09%	0	0.00%
	Deep well injection (not reused)	0	0.00%	0	0.00%
	Landfill (not reused)	215,950	7.54%	305,456	15.73%
	Other disposal method	9,698	0.34%	6,388	0.33%
	Total non-hazardous waste generated	**2,864,306**	**100.00%**	**1,941,786**	**100.00%**

(*) Non-hazardous waste includes the amount of waste corresponding to uncontaminated land.

8.2. Key sustainability indicators GRI & EPRA BPR'S

8.2.1 Table of contents GRI, EPRA BPR'S

Statement of use	Colonial has reported in accordance with the GRI Standards for the period from 1st January 2022 to 31st December 2022.
GRI 1 Used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Construction and Real Estate (CRE)

GRI STANDARD	DISCLOSURE	LOCATION / RESPONSE	OMISSION
General disclosures			
GRI 2: General Disclosures 2021	2-1 Organizational details	Inmobiliaria Colonial, SOCIMI, S.A. Location: Paseo de la Castellana no 52 (Madrid, Spain) Operations in Spain and France	
	2-2 Entities included in the organization's sustainability reporting	334, Annual Accounts. There are no adjustments of the information for minority interests, there have been no mergers, acquisitions and spin-offs of entities or parties. If there are any adjustments to the scope has been indicated in each of the published contents.	
	2-3 Reporting period, frequency and contact point	This report corresponds to the fiscal year from January 1st to December 31st, 2022 and is published annually. Its publication date is May 11, 2023, 433.	
	2-4 Restatements of information	They have been indicated in each case by direct notes.	
	2-5 External assurance	The contents included in this index have been verified by an independent external third party, PricewaterhouseCoopers Auditores, S.L.	
	2-6 Activities, value chain and other business relationships	6-7, 96-99, 103-108, 117-119, 201-209, 246-258, 338-370, Annual Accounts	
	2-7 Employees	212, 406-407, Annual Accounts	
	2-8 Workers who are not employees		Information not available: No information is available for workers who are not employees of Colonial.
	2-9 Governance structure and composition/ EPRA-Gov-Board	48-51, 273, 282, 291-306, ACGR 2022	
	2-10 Nomination and selection of the highest governance body / EPRA-Gov-Select	277-290, ACGR 2022	

GRI STANDARD	DISCLOSURE	LOCATION / RESPONSE	OMISSION
GRI 2: General Disclosures 2021	2-11 Chair of the highest governance body	282, 287, ACGR 2022	
	2-12 Role of the highest governance body in overseeing the management of impacts	45-47, 279	
	2-13 Delegation of responsibility for managing impacts	48-49, 277-290	
	2-14 Role of the highest governance body in sustainability reporting	288-289, 299-301	
	2-15 Conflicts of interest/ EPRA-Gov-Select	287	
	2-16 Communication of critical concerns	324-325 No critical concerns have been reported in 2022.	
	2-17 Collective knowledge of the highest governance body	286	
	2-18 Evaluation of the performance of the highest governance body	286	
	2-19 Remuneration policies	307-320	
	2-20 Process to determine remuneration	307-320, ACGR 2022	
	2-21 Annual total compensation ratio		This content is not presented for confidentiality reasons.
	2-22 Statement on sustainable development strategy	32-33	
	2-23 Policy commitments	322-323 The Code of Ethics was approved at the meeting of Colonial's Board of Directors held on July 28, 2011.	
	2-24 Embedding policy commitments	322-333	
	2-25 Processes to remediate negative impacts	256, 324-333	
	2-26 Mechanisms for seeking advice and raising concerns	322-325	
	2-27 Compliance with laws and regulations	There have been no significant instances of non-compliance with laws and regulations and no fines have been paid during the reporting period.	
	2-28 Membership associations	259-269	
	2-29 Approach to stakeholder engagement	45-47	

GRI STANDARD	DISCLOSURE	LOCATION / RESPONSE	OMISSION
GRI 2: General Disclosures 2021	2-30 Collective bargaining agreements	216-217	
Material Topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	41-47	
	3-2 List of material topics	42-43, 422-423	
ENVIRONMENT			
1. Sustainable investment			
GRI 3: Material Topics 2021	3-3 Management of material topics	199-200	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	56	
	201-2 Financial implications and other risks and opportunities due to climate change	61-64	
	201-3 Defined benefit plan obligations and other retirement plans	Paragraph A IAR 2022	
	201-4 Financial assistance received from government	No significant aid of this nature has been received.	
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	9-11, 23-25, 45-48	
	203-2 Significant indirect economic impacts	No significant indirect economic impacts have been identified.	
GRI 207: Tax 2019	207-1 Approach to tax	129	
	207-2 Tax governance, control, and risk management	129-130	
	207-3 Stakeholder engagement and management of concerns related to tax	130-131	
	207-4 Country-by-country reporting	94, 132-133	
2. Energy and carbon efficiency			
GRI 3: Material Topics 2021	3-3 Management of material topics	142-145, 166-170	
GRI 302: Energy 2016 / GRI G4 Construction and Real Estate / EPRA	302-1 Energy consumption within the organization	166, 383-385, 401, 403, 411, 416, 418	
	302-2 Energy consumption outside of the organization	166, 383-385, 401, 403, 411, 416, 418	
	302-3 Energy intensity	170-171, 383, 401, 403	
	302-4 Reduction of energy consumption	166-168	
	302-5 Reductions in energy requirements of products and services	168-169	
	EPRA - Elec-Abs Total energy consumption	384, 386, 401, 403	

GRI STANDARD	DISCLOSURE	LOCATION / RESPONSE	OMISSION
GRI 302: Energy 2016 / GRI G4 Construction and Real Estate / EPRA	EPRA - Elec-LfL Like-for-like energy consumption	386, 401, 403	
	EPRA - DH&C-Abs Total heating and cooling consumption	383, 401, 403	
	EPRA - DH&C-LfL Like-for-like heating and cooling consumption	386, 401, 403	
	EPRA - Fuels-Abs Total fuel consumption	383, 401, 403	
	EPRA - Fuels-LfL Like-for-like fuel consumption	386, 401, 403	
	CRE1 building energy intensity/ EPRA – Energy-Int	383, 385-386, 401, 403	
GRI 305: Emissions 2016 / GRI G4 Construction and Real Estate / EPRA	305-1 Direct (Scope 1) GHG emissions / EPRA – GHG – Dir - Abs	172, 174-175, 384-385, 387, 401, 403	
	305-2 Energy indirect (Scope 2) GHG emissions / EPRA - GHG-Indir-Abs	172, 174-175, 384-385, 387, 401, 403	
	305-3 Other indirect (Scope 3) GHG emissions	172-174, 384,387	
	305-4 GHG emissions intensity	176-177, 384-386, 401, 403	
	305-5 Reduction of GHG emissions	174-177	
	CRE3 Greenhaouse gas emissions intensity from buildings/ EPRA – GHG - Int	176-177, 384-386, 401, 403	
3. Sustainable buildings			
GRI 3: Material Topics 2021	3-3 Management of material topics	204-206	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	205-206 Includes materials for new constructions, large and small renovations and the maintenance of common areas. Materials purchased by tenants are not included because the organisation has no control over them.	Incomplete information: In the case of France, information on materials supplied is not included as the works and renovations for which this information is collected, and which have been carried out in 2022 have not yet been completed.
	301-2 Recycled input materials used	205 Includes materials for new constructions, large and small renovations and the maintenance of common areas. Materials purchased by tenants are not included because the organisation has no control over them.	Incomplete information: In the case of France, information on materials supplied is not included as the works and renovations for which this information is collected, and which have been carried out in 2022 have not yet been completed.

GRI STANDARD	DISCLOSURE	LOCATION / RESPONSE	OMISSION
GRI G4 Construction and Real Estate Sector Disclosures / EPRA	CRE8 Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment / EPRA – Cert-Tot	183-185	
4. Circular economy			
GRI 3: Material Topics 2021	3-3 Management of material topics	178-179, 187-189	
GRI 303: Water and Effluents 2018 / EPRA	303-1 Interactions with water as a shared resource	178-179, 187	
	303-2 Management of water discharge-related impacts	This is not relevant for Colonial, as the water is used for sanitary purposes and is discharged into the sewage system in compliance with the established discharge parameters. The discharged wastewater is subsequently treated in Urban Wastewater Treatment Plants.	Incomplete information: Only information from Spain is available.
	303-3 Water withdrawal	Colonial's water withdrawal is entirely fresh water from the urban network.	Incomplete information: Only information from Spain is available.
	303-4 Water discharge	All of the water collected and consumed by Colonial is discharged into the public sewer.	Incomplete information: Only information from Spain is available.
GRI 303: Water and Effluents 2018 / GRI G4 Construction and Real State / EPRA	303-5 Water consumption/ EPRA - Water-Abs	178, 179, 388, 401	Incomplete information: Own offices, leased offices in which consumption management control is available.
	EPRA - Water-LfL Like-for-like Water consumption	181, 388, 401	Properties considered like-for-like Sustainable.
	CRE2 Building water intensity/ EPRA - Water-Int	180, 388, 401	Incomplete information: Own offices and leased offices in which there is control over consumption management.
GRI 306: Waste 2020 / EPRA	306-1 Waste generation and significant waste-related impacts	187-189	
	306-2 Management of significant waste-related impacts/ EPRA Waste-Abs	187-189	
	306-3 Waste generated	190, 389, 390, 401, 402, 403	Incomplete information: Own offices, leased offices in which consumption management control is available.
	306-4 Waste diverted from disposal	389, 390, 401, 402, 403	Incomplete information: Own offices, leased offices in which consumption management control is available.

GRI STANDARD	DISCLOSURE	LOCATION / RESPONSE	OMISSION
GRI 306: Waste 2020 / EPRA	306-5 Waste directed to disposal	389, 390, 401, 402, 403	Incomplete information: Own offices, leased offices in which consumption management control is available.
	EPRA Waste-LfL	389, 401, 402, 403	Properties considered like-for-like Sustainable.
5. Biodiversity			
GRI 3: Material Topics 2021	3-3 Management of material topics	191-198	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to,protected areas and areas of high biodiversity value outside protected areas	As Colonial's assets are located in consolidated urban areas, there are no operations near protected areas or areas considered to be of high biodiversity value. However, the Group sees biophilia as an opportunity to reconnect with nature through the architecture of buildings, thus promoting the protection of biodiversity in urban spaces.	
	304-2 Significant impacts of activities, products and services on biodiversity	191-193 Colonial's activities do not generate significant impacts on biodiversity. However, the Group seeks to promote biodiversity in urban areas in its projects.	
	304-3 Habitats protected or restored	191-198	
SOCIAL			
6. Client relations and satisfaction			
GRI 3: Material Topics 2021	3-3 Management of material topics	246-250	
GRI 416: Customer Health and Safety2016 /EPRA	416-1 Assessment of the health and safety impacts of product and service categories/ EPRA-H&S-Asset	257	Incomplete information: Only assets over which Colonial exercises operational control are included.
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services/ EPRA H&S-Comp	There have been no incidents of noncompliance.	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No complaints were received.	
7. Attractive product			
GRI 3: Material Topics 2021	3-3 Management of material topics	44	
8. Community impact			
GRI 3: Material Topics 2021	3-3 Management of material topics	259-264	
GRI 413: Local Communities 2016 / EPRA	413-1 Operations with local community engagement, impact assessments, and development programs/ EPRA-Comty-Eng	2.5% of the buildings. It should also be noted that Colonial has made contributions, sponsorships and donations amounting to €266,290.	

GRI STANDARD	DISCLOSURE	LOCATION / RESPONSE	OMISSION
GRI 413: Local Communities 2016 / EPRA	413-2 Operations with significant actual and potential negative impacts on local communities	153, 259-264 No significant negative impacts on local communities.	
9. Human capital			
GRI 3: Material Topics 2021	3-3 Management of material topics	210-211	
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	232	
	202-2 Proportion of senior management hired from the local community	27% of directors are foreigners.	
GRI 401: Employment 2016 / EPRA	401-1 New employee hires and employee turnover/ EPRA-Emp-Turnover	213	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	231	
	401-3 Parental leave	In 2022, 15 people took paternity/ maternity-related leave in the organization, 10 women and 4 men. Of these people, 10 returned to their place of work after taking parental leave (7 women and 3 men). 9 people (6 women and 3 men) are still with the company at the end of 2022.	
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Colonial follows the notice periods established in labour legislation or those included, where applicable, in the agreements applicable to each business, and no minimum notice periods have been defined at corporate level.	
GRI 403: Occupational Health and Safety 2018 / EPRA	403-1 Occupational health and safety management system	242	
	403-2 Hazard identification, risk assessment, and incident investigation	242	
	403-3 Occupational health services	243-244	
	403-4 Worker participation, consultation, and communication on occupational health and safety	242	
	403-5 Worker training on occupational health and safety	In compliance with the law, all employees are trained in job-related risks and preventive measures.	
	403-6 Promotion of worker health	242	

GRI STANDARD	DISCLOSURE	LOCATION / RESPONSE	OMISSION
GRI 403: Occupational Health and Safety 2018 / EPRA	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	242-244	
	403-8 Workers covered by an occupational health and safety management system	100% of employees.	Incomplete information: Only the coverage of the management system regarding company employees is reported.
	403-9 Work-related injuries/ EPRA-H&S-Emp	243-244	Incomplete information: Only the coverage of the management system regarding company employees is reported.
	403-10 Work-related ill health/ EPRA-H&S-Emp	243-244	Incomplete information: Only the coverage of the management system regarding company employees is reported.
GRI 404: Training and Education 2016 / EPRA	404-1 Average hours of training per year per employee/ EPRA-Emp Training	221- 224	
	404-2 Programs for upgrading employee skills and transition assistance programs	218-221	
	404-3 Percentage of employees receiving regular performance and career development reviews/ EPRA Emp-Dev	Reference is made in section 5.8.2 Development of human capital and talent.	
GRI 405: Diversity and Equal Opportunity 2016 / EPRA	405-1 Diversity of governance bodies and employees/ EPRA-Diversity Emp	233, 235	
	405-2 Ratio of basic salary and remuneration of women to men/EPRA- Diversity-Pay	232	Incomplete information: This information is not available for Utopicus and SFL.
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	There have been no incidents of discrimination in the Colonial Group.	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	In the Group's own operations and those of its suppliers, the proximity criterion is applied, with the activity being located in Spain and France, so the risk in this area is minimal.	
GOVERNANCE AND VALUE CHAIN MANAGEMENT			
10. Ethics and transparency			
GRI 3: Material Topics 2021	3-3 Management of material topics	321-333	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	201	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	329	

GRI STANDARD	DISCLOSURE	LOCATION / RESPONSE	OMISSION
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	326-329	
	205-3 Confirmed incidents of corruption and actions taken	There is no record of incidents of corruption.	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti trust, and monopoly practices	330 There are no legal actions for anticompetitive behaviour.	
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	No significant fines or penalties have been received, including significant fines or penalties for noncompliance with water legislation.	
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures		Not applicable: The proximity criterion is applied to the Group's own operations and those of its suppliers as the activity is located in Spain and France, so the risk in this area is minimal.
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples		Not applicable: The proximity criterion is applied to the Group's own operations and those of its suppliers as the activity is located in Spain and France, so the risk in this area is minimal.
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments		Not applicable: All the Group's operations are monitored for compliance with current legislation. The operations take place in Spain and France, where the human rights risk is minimal.
	412-2 Employee training on human rights policies or procedures	Considering the Group's type of activity of the Group, the place where it is carried out (Spain and France) and the fact that the vast majority of suppliers are local, the training provided periodically in Compliance, which includes training on the Code of Ethics and the Whistleblower Channel, covers the relevant human rights aspects.	
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	In any investment agreement or contract, the Group monitors compliance with applicable laws and regulations. All agreements and contracts take place in Spain or France, where the human rights risk is minimal.	
GRI 415: Public Policy 2016	415-1 Political contributions	328 No contributions have been made to political parties.	
GRI 417: Marketing and Labeling 2016	417-3 Incidents of non-compliance concerning marketing	There have been no incidents of noncompliance.	

GRI STANDARD	DISCLOSURE	LOCATION / RESPONSE	OMISSION
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	No significant fines or penalties were Received	
11. Responsible value chain			
GRI 3: Material Topics 2021	3-3 Management of material topics	201-204	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	203	
	308-2 Negative environmental impacts in the supply chain and actions	203	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor		Not applicable: The proximity criterion is applied to the Group's own operations and those of its suppliers as the activity is located in Spain and France, so the risk in this area is minimal.
GRI 409-1: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor		Not applicable: The proximity criterion is applied to the Group's own operations and those of its suppliers as the activity is located in Spain and France, so the risk in this area is minimal.
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	203	
	414-2 Negative social impacts in the supply chain and actions taken	201-204	

8.2.2 Environment

EPRA Tables Environment Portfolio

Office and retail portfolio

Indicator	EPRA Code	Unit of measurement	2021	Coverage	2022	Coverage	Variation
Total electricity consumption	Elec-Abs	kWh	128,002,546	100%	128,535,912	100%	0%
		% from renewable sources	70%		74%		N/A
Like-for-like electricity consumption	Elec-LFL	kWh	122,278,586	100%	119,560,376	100%	–2%
Total heating & cooling consumption	DH&C-Abs	kWh	24,121,196	100%	22,283,863	100%	–8%
		% from renewable sources	67%		74%		N/A
Like-for-Like heating & cooling consumption	DH&C-LFL	kWh	24,121,196	100%	20,427,363		–15%
Total fuel consumption	Fuels-Abs	kWh	16,674,497	100%	13,239,418	100%	–21%
		% from renewable sources	0%		0%		N/A
Like-for-Like fuel consumption	Fuels-LFL	kWh	15,594,728	100%	12,047,793		–23%
Building energy intensity	Energy-Int	kWh/sqm	181.46	100%	167		–8%
Direct GHG emissions (Scope 1)	GHG-Dir-Abs	tCO_2	2,853	100%	2,338	100%	–18%
Indirect GHG emissions from energy generation (Scope 2)	GHG-Indir- Abs	tCO_2 (market based)	3,312	100%	2,325	100%	–30%
		tCO_2 (location based)	7,126		5,900		–17%
GHG emissions intensity	GHG-Int	tCO_2/sqm	0.008	100%	0.006	100%	–27%
Total water consumption	Water-Abs	Total m³	288,641	100%	336,111	100%	16%
Like-for-like water consumption	Water-LFL	m³	277,305	100%	311,206	100%	12%
Building water intensity	Water-Int	m³/sqm	0.32	100%	0.35	100%	10%
Total weight of waste per disposal method	Waste-Abs	Tonnes	187,146	94%	12,504	95%	–93%
		% reused	0.49%		5.75%		5.3 pp
		% recycled	29.38%		78.30%		48.9 pp
		% composted	0.01%		0.44%		0.4 pp
		% energy recovery	1.43%		12.78%		11.4 pp
		% sent to incineration	0.00%		0.00%		0 pp
		% other - landfill	0.12%		2.45%		2.3 pp
		% other	68.57%		0.27%		–68.3 pp

EPRA Tables Environment Portfolio (continuation)

Office and retail portfolio

Indicator	EPRA Code	Unit of measurement	2021	Coverage	2022	Coverage	Variation
Weight of waste (Like-for-Like) per disposal method	Waste-LFL	Tonnes	2,903	90%	1,949	92%	–33%
		% reused	1.18%		0.00%		–1.2 pp
		% recycled	69.31%		59.60%		–9.7 pp
		% composted	0.33%		2.83%		2.5 pp
		% energy recovery	20.79%		21.47%		0.7 pp
		% sent to incineration	0.09%		0.00%		–0.1 pp
		% other - landfill	7.47%		15.68%		8.2 pp.
		% other	0.82%		0,42%		–0.4 pp
Type and number of certified properties (Like-for-Like)	Cert-LfL	% of certified LfL portfolio	100%		100%		0%
Type and number of certified properties (total)	Cert-Tot	% of certified portfolio	95%		95%		2%

EPRA Offices for Own Use Environment

Indicator	EPRA Code	Unit of measurement	2021	Coverage	2022	Coverage	Variation
Total electricity consumption	Elec-Abs	kWh	224,108	100%	231,848	100%	3%
		% from renewable sources	34%		46%		0%
Like-for-Like electricity consumption	Elec-LFL	kWh	215,543	100%	184,780	100%	–14%
Total heating & cooling consumption	DH&C-Abs	kWh	N/A	100%	N/A	100%	N/A
		% from renewable sources	N/A		N/A		N/A
Like-for-like heating & cooling consumption	DH&C-LFL	kWh	N/A	100%	N/A	100%	N/A
Total fuel consumption	Fuels-Abs	kWh	92,743	100%	64,522	100%	–30%
		% from renewable sources	0		0		0
Like-for-Like fuel consumption	Fuels-LFL	kWh	26,777	100%	20,650	100%	–23%
Building energy intensity	Energy-Int	kWh/sqm	57.14	100%	53.44	100%	–6%
Direct GHG emissions (Scope 1)	GHG-Dir-Abs	tCO_2	18	100%	12	100%	–33%
Indirect GHG emissions from energy generation (Scope 2)	GHG-Indir-Abs	tCO_2 (location based)	11	100%	15	100%	35%
		tCO_2 (market based)	6		6		–6%
GHG emissions intensity	GHG-Int	tCO_2/sqm	0.00	100%	0.00	100%	–26%
Total water consumption	Water-Abs	m^3	1,763	100%	1,608	100%	–9%
Like-for-like water consumption	Water-LFL	m^3	570	100%	627	100%	10%
Building water intensity	Water-Int	m^3/sqm	318	100%	290	100%	–9%
Total weight of waste per disposal method	Waste-Abs	Tonnes	671	100%	104	100%	–84%
		% recycled	96.56%		63.03%		–35%
		% sent to incineration	0.00%		0.00%		N/A
		% other	3.42%		36.97%		980%
Weight of waste (Like-for-Like) per disposal method	Waste-LFL	Tonnes	7.94	100%	12.87	100%	62%
		% recycled	72.50%		65.23%		–10%
		% sent to incineration	0.00%		0.00%		N/A
		% other	27.50%		34.76%		26%
Type and number of total certified properties	Cert-Tot	% certified portfolio	100%	100%	100%	100%	0%

8.2.3 Social and governance

EPRA Table Social and Governance

Indicator	EPRA Code	Scope	Unit of measurement			2021	2022
Gender diversity	Diversity-Emp	Corporate operations	% employees	Board	M	73%	64%
					F	27%	36%
				Management Committee	M	50%	50%
					F	50%	50%
				General and Area Managers	M	56%	56%
					F	44%	44%
				Technical graduates and middle managers	M	40%	45%
					F	60%	55%
				Admin.	M	27%	30%
					F	73%	70%
Remuneration by gender	Diversity-Pay	Corporate operations	Ratio	Management		–8%	–67%
				Responsables		23%	23%
				Managers		16%	15%
Training and development	Emp-Training	Corporate operations	Average hours			28.7	32.5
			Average hours women			28.1	32.4
			Average hours men			29.8	32.6
			General Managers			21.7	26.3
			Technical graduates and middle managers			21.4	24.1
			Admin.			34.9	39.8
Performance evaluations	Emp-Dev	Corporate operations	% of total staff			66%	100%
New hires	Emp-Turnover	Corporate operations	Total number			35	51
		Corporate operations	Ratio			15.6%	21.2%
Turnover		Corporate operations	Total number			35	40
		Corporate operations	Ratio			15.4%	17.2%
Frequency rate	H&S-Emp	Corporate operations	Per 200,000 hours worked			4.79	0.00
Rate of lost days		Corporate operations	Per 200,000 hours worked			0.04	0.00
Absentee rate		Corporate operations	Ratio			2.6%	4.9%
Number of fatal accidents		Corporate operations	Total number			0	0
Health and safety impact assessments	H&S-Asset	Office portfolio	% properties			99%	99%
		Residential portfolio				N/A	N/A
Number of defaults	H&S-Comp	Office portfolio	Total number			0	0
		Residential portfolio				N/A	N/A

EPRA Table Social and Governance (continuation)

Indicator	EPRA Code	Scope	Unit of measurement	2021	2022
Programmes with the community	Comty-Eng	Office portfolio	% of properties	1.22%	2.5%
		Residential portfolio		N/A	N/A
Composition of the Board of Directors	Gov-Board	Corporate	Total number of executive directors	2	1
			Total number of independent directors	4	4
			Average service	6.5	6.5
			Independent/non-executive members of governing bodies with competences related to social or environmental issues	4	4
Board of Directors nomination and selection process	Gov-Select	Corporate	Description	Section 6.5.4, 6.5.5 and 6.5.6 of IAR 2021	Section 6.5.4, 6.5.5 and 6.5.6 of IAR
Conflicts of interests	Gov-Col	Corporate	Description	Section 6.5.10 of IAR 2021	Section 6.5.10 of IAR

Number of employees by type of contract, job category, age, gender and country as of 31 December

	2022		2021		Variation	
Contract type	Permanent contract	Temporary contract	Permanent contract	Temporary contract	Permanent contract	Temporary contract
Professional category						
CEO, General and Area Managers	18	0	18	0	0%	0%
Technical graduates and middle managers	80	2	80	0	0%	0%
Administrative and other	133	8	125	2	6%	300%
Age						
Under 30	38	6	35	1	9%	500%
30-50	126	4	130	1	–3%	300%
Over 50	67	0	58	0	16%	0%
Gender						
Female	146	6	148	1	–1%	500%
Male	85	4	75	1	13%	300%
Country						
Spain	161	6	155	2	4%	200%
France	70	4	68	0	3%	0%
Total	**231**	**10**	**223**	**2**	**4%**	**400%**

Average number of employees by type of contract, job category, age, gender and country

	2022		2021		Variation	
Contract type	Permanent contract	Temporary contract	Permanent contract	Temporary contract	Permanent contract	Temporary contract
Professional category						
CEO, General and Area Managers	18.4	0	19.2	0	–4%	0%
Technical graduates and middle managers	78.9	0.6	84.7	0	–7%	0%
Administrative and other	128.8	4.1	119.3	1.8	8%	128%
Age						
Under 30	33.7	3.6	30.7	1,3	10%	177%
30-50	125.5	1.1	132.3	0.5	–5%	120%
Over 50	66.8	0	60.2	0	11%	0%
Gender						
Female	143.9	2.7	143.4	0.7	0%	286%
Male	82.1	2.0	79.8	1.1	3%	76%
Country						
Spain	156.2	3.9	153.4	1.8	2%	117%
France	69.8	0.8	69.7	0	0%	0%
Total	**226.0**	**4.7**	**223.2**	**1.8**	**1%**	**156%**

Number of employees by type of workday, job category, age, gender and country as of 31 December

	2022		2021		Variation	
Type of workday	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Professional category						
CEO, General and Area Managers	18	0	18	0	0%	0%
Technical graduates and middle managers	82	0	79	1	4%	–100%
Administrative and other	138	3	123	4	12%	–25%
Age						
Under 30	44	0	36	0	22%	0%
30-50	130	0	129	2	1%	–100%
Over 50	64	3	55	3	16%	0%
Gender						
Female	150	2	145	4	3%	–50%
Male	88	1	75	1	17%	0%
Country						
Spain	166	1	156	1	6%	0%
France	72	2	64	4	13%	–50%
Total	**238**	**3**	**220**	**5**	**8%**	**–40%**

Average number of employees by type of workday, job category, age, gender and country

	2022		2021		Variation	
Type of workday	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Professional category						
CEO, General and Area Managers	18.4	0.0	19.2	0.0	–4%	0%
Technical graduates and middle managers	79.2	0.3	83.7	1.0	–5%	–70%
Administrative and other	129.2	3.7	115.7	5.4	12%	–31%
Age						
Under 30	37.3	0.0	31.4	0.6	19%	–100%
30-50	125.9	0.7	130.0	2.8	–3%	–75%
Over 50	63.5	3.3	57.2	3.0	11%	10%
Gender						
Female	143.9	2.7	139.2	4.8	3%	–44%
Male	82.8	1.3	79.3	1.6	4%	–19%
Country						
Spain	159.1	1.0	152.8	2.4	4%	–58%
France	67.7	3.0	65.7	4.0	3%	–25%
Total	**226.7**	**4.0**	**218.5**	**6.4**	**4%**	**–38%**

8.3. Other appendices

I. Sustainable certifications per building

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

Environmental certifications of the Group's properties

	Name of the building	BREEAM In-Use PART 1	BREEAM In-Use PART 2	ISO 50001	ISO 14001	LEED BD + C	BREEAM New Construction
Barcelona							
1	Paseo de los Tilos, 2-6	Very Good				Gold	
2	Av. Diagonal, 682	Very Good	Outstanding				
3	Av. Diagonal, 609-615	Very Good	Excellent				
4	Travessera de Gràcia, 11	Very Good	Outstanding			Gold	
5	Amigó 11-17	Very Good	Outstanding			Gold	
6	Av. Diagonal, 530	Very Good	Excellent	✓	✓		
7	Av. Diagonal, 409	Very Good	Excellent			Gold	
8	Via Augusta, 21-23	Very Good	Excellent				
9	Sant Cugat Nord	Excellent	Outstanding				
10	Torre Marenostrum	Very Good(*)	Outstanding(*)				
11	Av. Diagonal, 220-240, Glòries	Very Good	Excellent				
12	Illacuna	Very Good	Outstanding				
13	Torre BCN	Very Good	Outstanding				
14	Parc Glòries	Excellent	Outstanding			Platinum	
15	Travessera de Gràcia, 47-49	Very Good	Excellent				
16	Gal·la Placídia	Very Good					
17	Av. Diagonal, 525					Gold	
18	Buenos Aires	Very Good					

(*) Rating applicable to the Marenostrum Tower Aircraft Carrier building (Portaviones de Torre Marenostrum). The BREEAM In-Use certification of the Tower A building of Marenostrum Tower is in progress.

Environmental certifications of the Group's properties (continuation)

	Name of the building	BREEAM In-Use PART 1	BREEAM In-Use PART 2	ISO 50001	ISO 14001	LEED BD + C	BREEAM New Construction
Madrid							
1	P.ª de Recoletos, 37-41	Very Good	Outstanding				
2	Génova, 17	Very Good	Excellent				
3	P.º de la Castellana, 52	Very Good	Excellent	✓	✓		
4	P.º de la Castellana, 43	Very Good				Gold	
5	Miguel Ángel, 11	Very Good	Excellent				
6	José Abascal, 56	Very Good	Excellent				
7	Santa Engracia, 120	Very Good	Excellent				
8	Poeta Joan Maragall, 53	Very Good	Excellent				
9	Estébanez Calderón, 3-5	Excellent	Outstanding			Platinum	
10	López de Hoyos, 35	Very Good	Excellent				
11	Príncipe de Vergara, 112-114	Very Good	Outstanding			Gold	
12	Francisco Silvela, 42	Very Good	Outstanding				
13	Ramírez de Arellano, 37	Good					
14	Martínez Villergas, 49	Excellent	Outstanding				
15	Alfonso XII, 62	Very Good	Outstanding				
16	José Abascal, 45	Very Good	Excellent				
17	Serrano,73	Good					
18	Santa Hortensia, 26-28	Good					
19	P.º de la Castellana, 163	Very Good	Outstanding				
20	Arturo Soria, 336	Very Good	Excellent				
21	Ramírez de Arellano, 15	Good	Very Good			Gold	
22	Manuel de Falla, 7	Good	Good			Gold	
23	Sagasta, 31-33	Good	Good			Silver (EBOM)	
24	Almagro, 9	Good	Very Good				
25	Velázquez-Padilla, 17					Platinum	
26	Don Ramón de la Cruz, 82	Good	Very Good			Platinum	
27	Francisca Delgado, 11	Good	Very Good				
28	Cedro-Anabel Segura, 14	Good	Good			Gold (EBOM)	
29	Puerto de Somport, 8	Very Good					
30	Ribera de Loira, 28	Good	Very Good				
31	Tucumán	Good	Good				
32	Egeo	Very Good	Excellent				
33	Josefa Valcárcel, 40 bis	Good	Very Good			Platinum	

Environmental certifications of the Group's properties (continuation)

	Name of the building	HQE	BREEAM In-Use PART 1	BREEAM In-Use PART 2	ISO 50001	ISO 14001	LEED BD + C	BREEAM New Construction
Paris								
1	6 Hanovre		Very Good	Very Good				
2	Ozone	✓	Very Good					
3	83 Marceau	Exceptional					Gold	Excellent
4	103 Grenelle	✓	Very Good	Excellent				
5	104-110 Haussmann		Good					
6	131 Wagram		Very Good	Very Good				
7	176 Charles de Gaulle		Very Good					
8	Edouard VII		Very Good					
9	Galerie des Champs-Élysées		Very Good					
10	Rives de Seine		Very Good	Very Good				
11	Washington Plaza		Very Good	Very Good				
12	Condorcet		Very Good	Very Good				
13	90 Champs-Élysées		Very Good					Good
14	#Cloud	Exceptional	Excellent	Excellent			Gold	Excellent
15	Pasteur	Exceptional						Very Good

II. Coverage and Methodology applied

I. Coverage and Methodology applied

During 2022, the Colonial Group has made a great effort to increase the scope of the consumption of the entire portfolio, calculating the energy consumption of almost all of its assets and leaving only those assets that are projects and do not yet generate operating energy consumption out of its scope.

In this regard, if we consider the office assets in operation, in 2022 the Colonial Group is covering 95% of the consumption of its portfolio in its reporting coverage. With regard to water consumption, the Colonial Group reports information on 92% of consumption.

Coverage of consumption of the portfolio of office assets in operation in value terms

			2022			BP Objective
	Energy	Scope 1 & 2	Water	Energy	Scope 1 & 2	Water
Spain	100%	100%	100%	100%	100%	100%
France	93%	93%	89%	100%	100%	100%
Total	**95%**	**95%**	**92%**	**100%**	**100%**	**100%**

In **Barcelona**, information on the consumption of **20 assets** is reported in 2022, which corresponds to 100% of the value of the Barcelona portfolio in operation. In the portfolio of **Madrid**, information on the consumption of **36 assets** is reported in 2022, corresponding to 99% of the value of the Madrid portfolio in operation.

In **Paris**, information on energy consumption and GHG emissions is reported on **16 assets** in 2022, corresponding to 93% of the value of the Paris portfolio in operation. In terms of water consumption, information is reported on 15 assets, 89% of the value of the Paris portfolio.

II. Method applied: carbon footprint

The reporting of greenhouse gas (GHG) emissions has been developed in accordance with the calculation methods of the *Greenhouse Gas Protocol* (GHG Protocol) *and the World Resources Institute* (WRI).

GHG emissions have been broken down into three scopes:

- **Scope 1.** These are the **direct GHG emissions** that belong to or are controlled by the Group, which are released directly into the atmosphere.
  - Fuel consumption.
  - Fugitive emissions of refrigerant gases.
- **Scope 2.** These are the **indirect GHG emissions** derived from electricity consumption and heat generation off-site consumed by Colonial.
  - Purchase of electricity for communal areas and shared services.
  - Cold and heat from district heating and cooling systems.
- **Scope 3. Other indirect GHG emissions** caused by Group activities, but controlled by other organisations.

GHG emissions have been reported in tonnes of carbon dioxide equivalent (tCO_2 e). KPIs are also included that consider area adjusted for occupancy to measure the impact of each individual asset and collectively with the aim of reducing GHG emissions.

Scope 1 and 2 GHG emissions data have been obtained from energy consumption bill data and refrigerant gas recharges.

To calculate our carbon footprint and Scope 2 in particular, the market-based and location-based calculation methods have been used. The **market-based** method includes the emission factors of the electricity traders (or the residual mix emission factors when the electricity company information is not available). Following the best international practices, Colonial prioritises the market-based method in monitoring consumption over the location-based method as, even though it is more sophisticated, it more accurately reflects carbon reduction performance by taking into account the specific characteristics of the company's asset portfolio and shows the continuous efforts being made to reduce the carbon footprint and environmental impact, in this case through the purchase of green energy.

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

In the case of scope 3, the categories covered, the methodology and the data source is the following:

Scope 3 category	Applicability	Methodology or Justification for exclusion	Activity data source	Emission factor(s) source
1. Purchased Goods and Services	Yes	Spend-based method: upstream emissions for goods and services are estimated by collecting the economic value of OPEX internal categories and multiplying them by relevant secondary emission factors.	OPEX data from Colonial Group.	> Spain: DEFRA > France: Base carbone ADEME
2. Capital Goods	Yes	**Hybrid method:** **In Spain:** 1. Average-product method (when LCA has been performed): for new construction and major renovations in Spain, Grupo Colonial develops LCAs (Life Cycle Assessment) with One-Click software. Although emissions are calculated for all building phases, only embodied carbon is included in this category. Emissions are distributed across the years the project last based on actual executed Budget. 2. Average spend-based method (when LCA data is not available): € of CAPEX invested in renovation, refurbishments and construction works (excluding company fees) multiplied by the relevant secondary emission factors. **In France:** 1. Method based on the type of renovations and refurbishments made developed with a specific consultancy firm. a. The type of renovations and its associated carbon impacts are differentiated based on the main type of materials used (concrete, low-carbon concrete, wood…). Each material used is associated to a specific area and then multiplied by an emission factor in $kgCO_2e$/sqm based on the associated constructive mode. b. For the refurbishments, once again the types of works made have been differentiated based on the technical lots (roofing, facades, floor covering, plumbing…) for each operation. These lots are then associated to specific emission factors.	LCA results, technical data and CAPEX data from Colonial Group (when LCA is not performed).	> Spain: DEFRA (This only applies when emissions are calculated based on CAPEX) > France: Base carbone ADEME and Carbone 4 consultancy

Scope 3 category	Applicability	Methodology or Justification for exclusion	Activity data source	Emission factor(s) source
3. Fuel- and Energy-related activities	Yes	**Hybrid method:** 1. Average-data method (fuels, electricity and district heating in Spain): emissions are estimated by using secondary emission factors for upstream emissions per unit of consumption. 2. Supplier-specific method: (district heating in France): emissions are estimated by using specific emission factors calculated by the district heating and cooling providers.	Primary energy-related data (fuels, district cooling and heating, electricity…) from Colonial Group.	> Spain: DEFRA/IEA (electricity); Base carbone ADEME (gas); DEFRA (district heating and cooling) > France: Base carbone ADEME (electricity and gas); Base Carbone ADEME as well with specific emission factors for every district network (district heating and cooling.
4. Upstream Transportation and Distribution	Yes, but reported under categories 1 & 2	Upstream transport-related emissions are considered in the emission factors used for scope 3 categories 1 and 2.	N/A	N/A
5. Waste Generated in Operations	Yes (partially reported under categories 1 & 2)	Waste-related emissions of new construction and major renovations in Spain and France are included under categories 1 and 2. GHG emissions resulting from waste generated in operations are calculated through quantities and types of treatment on the buildings on which the data is available. On a few buildings, the waste is directly handled by city services, without access to quantity and types of treatment. On these buildings, the emissions have been estimated by extrapolation.	Primary operational waste data.	> Spain: N/A (included in category 1 & 2 emission factors) > France: Base carbone ADEME
6. Business Travel	Yes	**Transport:** Distance-based method: based on travel agency data. **Hotel:** Hotel-related emissions are calculated by using a standard emission factor in Spain and by travel agency data in France. **Taxis:** based on travel agency data in Spain and on invoices in France using a standard emission factor.	Travel agency data.	> Spain: Primary supplier data (transport) and DEFRA (hotels) > France: Primary supplier data (transport and hotels) and Base carbone (taxis)
7. Employee Commuting	Yes	Distance-based method: emissions are estimated by multiplying data from employees on commuting patterns (distance travelled and mode used for commuting) by appropriate emission factors for the modes used.	Commuting surveys results.	> Spain: DEFRA, excluding electric scooter which is based on a typical manufacturer > France: Base carbone ADEME
8. Upstream Leased Assets	No	Colonial Group owns all buildings where the Group operates, so there are no emissions to report under this category.	N/A	N/A
9. Downstream Transportation and Distribution	No	Colonial Group develops and manages property assets, so there are no emissions to report under this category.	N/A	N/A
10. Processing of Sold Products	No	Colonial Group develops and manages property assets, so there are no emissions to report under this category.	N/A	N/A

Scope 3 category	Applicability	Methodology or Justification for exclusion	Activity data source	Emission factor(s) source
11. Use of Sold Products	Yes, but only when newly developed assets are sold	Colonial Group has not sold any assets that were newly developed in 2022, so Colonial considers there are no emissions to report under this category this year according to sectoral approaches.	N/A	N/A
12. End-of-Life Treatment of Sold Products	Yes, but only when newly developed assets are sold	Colonial Group has not sold any assets that were newly developed in 2022, so Colonial considers there are no emissions to report under this category this year according to sectoral approaches.	N/A	N/A
13. Downstream Leased Assets	Yes	Equivalent to scope 1 and 2 calculations with both location and market-based approaches for electricity.	Primary energy-related data from private/tenant areas.	**Fuels:** > Spain: MITECO > France: Base carbone ADEME **District cooling and heating:** > Spain: Districlima (district heating and cooling supplier in Barcelona) > France: Base carbone ADEME (in case it's required in the future) **Electricity:** > Spain: AIB (market-based without guarantee of origin) / CNMC (location-based & market-based with guarantee of origin) > France: Tenants' energy providers or AIB (market-based) / Base carbone ADEME (location-based)
14. Franchises	No	Colonial Group does not have franchises, so there are no emissions to report under this category.	N/A	N/A
15. Investments	No	Colonial Group does not perform any investments in addition to the investment in our own property portfolio (already reported under categories 1 & 2), so there are no emissions to report under this category.	N/A	N/A

Breakdown of consumption monitoring by property

		Electricity	Fuel	District clima	Water	CO_2 emissions	Like-for-like
Barcelona							
1	Av. Diagonal, 532	✓	✓		✓	✓	
2	Av. Diagonal, 682	✓	NG		✓	✓	✓
3	Av. Diagonal, 609-615 (dau/prisma)	✓	NG		✓	✓	✓
4	Via Augusta, 21-23	✓	NG		✓	✓	✓
5	Av. Diagonal, 409	✓			✓	✓	✓
6	Travessera de Gràcia, 11/ Amigó, 11-17	✓			✓	✓	✓
7	Av. Diagonal, 197	✓		✓	✓	✓	✓
8	Av. Diagonal 220-240, Glòries	✓			✓	✓	✓
9	Illacuna, 56	✓		✓	✓	✓	✓
10	Travessera de Gràcia, 47-49	✓	NG		✓	✓	✓
11	Paseo de los Tilos, 2-6	✓			✓	✓	✓
12	Dau Retail	✓	NG		✓	✓	✓
13	Av. Diagonal, 525	✓	NG		✓	✓	
14	Torre BCN, 130	✓	NG		✓	✓	✓
15	Sant Cugat Nord	✓	NG		✓	✓	✓
16	Parc Glòries	✓		✓	✓	✓	✓
17	Torre Marenostrum	✓			✓	✓	✓
18	Gal·la Placídia	✓			✓	✓	✓
19	Sancho de Ávila	✓	NG		✓	✓	✓
20	Buenos Aires	✓			✓	✓	

NG: natural gas used at the building.

Breakdown of consumption monitoring by property (continuation)

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

NG: natural gas used at the building.

Breakdown of consumption monitoring by property (continuation)

		Electricity	Fuel	District clima	Water	CO_2 emissions	Like-for-like
Paris							
1	6 Hanovre	✓		✓	✓	✓	✓
2	Ozone	✓		✓	✓	✓	✓
3	103 Grenelle	✓		✓	✓	✓	✓
4	131 Wagram	✓			✓	✓	✓
5	176 Charles de Gaulle	✓	NG		✓	✓	✓
6	Édouard VII	✓		✓	✓	✓	✓
7	Galerie des Champs-Élysées	✓		✓	✓	✓	✓
8	Louvre Saint Honoré	✓		✓	✓	✓	✓
9	Cézanne St Honoré	✓		✓	✓	✓	✓
10	Rives de Seine	✓			✓	✓	✓
11	Washington Plaza	✓			✓	✓	✓
12	90 Champs-Élysées	✓		✓	✓	✓	✓
13	#Cloud	✓		✓	✓	✓	✓
14	104-110 Haussmann	✓		✓	✓	✓	
15	Condorcet	✓	✓			✓	✓
16	96 IÉNA	✓		✓	✓	✓	

NG: natural gas used at the building.

III. Others

Consolidated balance sheet

Assets - €m	2022	2021
Property investments	12,232	12,183
Other non-current assets	463	171
Non-current assets	**12,700**	**12,360**
Inventory	87	61
Debtors and other receivables	37	38
Other current assets	179	243
Assets available for sale	466	27
Current assets	**770**	**368**
Total Assets	**13,470**	**12,728**

Liabilities - €m	2022	2021
Equity	6,159	5,999
Minority interests	1,183	1,186
Net equity	**7,343**	**7,184**
Bond issues and other non-current issues	4,476	4,285
Non-current financial debt	528	89
Deferred tax	348	360
Other non-current liabilities	82	90
Non-current liabilities	**5,434**	**4,824**
Bond issues and other current issues	426	566
Current financial debt	6	4
Creditors and other payables	149	123
Other current liabilities	35	26
Liabilities associated to assets for sale	76	0
Current liabilities	**693**	**719**
Total Equity & Liabilities	**13,470**	**12,728**

Offices historical series breakdown

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Paris																			
Physical Offices Occupancy (%)	97%	96%	98%	99%	98%	94%	87%	92%	94%	80%	85%	95%	97%	96%	98%	97%	93%	98%	100%
Rental revenues (€m)	157	153	162	170	182	183	175	152	150	149	152	169	198	196	194	199	180	175	205
Net Rental Income (€m)	147	145	153	162	171	173	162	141	138	137	139	155	188	185	183	189	172	168	194
NRI / Rental revenues (%)	94%	95%	95%	95%	94%	94%	93%	93%	92%	92%	92%	92%	95%	94%	94%	95%	95%	96%	95%
Barcelona																			
Physical Offices Occupancy (%)	97%	100%	99%	94%	95%	91%	78%	78%	79%	80%	77%	89%	97%	99%	99%	98%	95%	90%	78%
Rental revenues (€m)	55	53	56	60	51	49	39	32	31	28	28	27	30	35	41	48	49	44	48
Net Rental Income (€m)	53	51	55	58	49	47	37	28	27	25	23	23	28	34	39	44	47	39	42
NRI / Rental revenues (%)	95%	96%	97%	97%	96%	97%	93%	88%	89%	89%	85%	85%	92%	96%	94%	92%	95%	88%	87%
Madrid																			
Physical Offices Occupancy (%)	93%	98%	99%	99%	94%	89%	88%	90%	75%	80%	89%	95%	97%	94%	87%	94%	96%	93%	96%
Rental revenues (€m)	37	44	68	70	56	50	47	45	44	35	32	35	43	52	94	90	103	95	102
Net Rental Income (€m)	34	42	66	66	52	46	42	41	40	30	28	31	38	46	83	76	94	86	90
NRI / Rental revenues (%)	93%	94%	96%	95%	92%	92%	90%	90%	90%	86%	85%	88%	88%	88%	88%	85%	91%	90%	88%

8.4. About the report

Colonial's Integrated Annual Report 2022 represents the integration of the contents of its business strategy, corporate governance, current performance, and future projections, as well as the organisation's eigth publication on ESG.

Characteristics of the Report

Standards considered when drawing up the 2022 Integrated Annual Report

The Colonial Group has prepared the 2022 Integrated Annual Report by including, in addition to the information included in the annual reports from previous years, all the information regarding performance in Environmental, Social and Governance matters, as well as a comparison with 2021 in order to be able to see the company's progress.

To this end, the company has prepared this report in accordance with the Global Reporting Initiative (GRI) Standards and the latest version of the EPRA (European Public Real Estate Association) Sustainability Best Practices Recommendations Guidelines. Moreover, the Colonial Group's 2022 Integrated Annual Report has been prepared on the basis of the principles established by the International Integrated Reporting Council (IIRC).

To prepare the report, the materiality analysis carried out in 2021 was taken into account by considering all environmental, social and governance aspects that may influence the company and, above all, its stakeholders, paying special attention to the company's commitments to them.

The main objective of the Integrated Annual Report is to inform all stakeholders about the Group's ESG performance in 2022 as well as its objectives for 2023.

Material aspect	Stakeholder	GRI Indicators	EPRAs BPR	Scope	Chapter
Environment					
1. Sustainable investment	Shareholders and Investors	GRI 201-1 GRI 201-2 GRI 201-3 GRI 201-4 GRI 203-1 GRI 203-2 GRI 207-1 GRI 207-2 GRI 207-3 GRI 207-4		Internal and External	5.6 Green financing and sustainable investment
2. Energy and carbon efficiency	Society Clients	GRI 302-1 GRI 302-2 GRI 302-3 GRI 302-4 GRI 302-5 CRE1 GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4 GRI 305-5 CRE3	Elec-Abs Elec-LFL DH&C-Abs DH&C-LFL Fuels-Abs Fuels-LFL Energy-Int GHG-Dir-Abs GHG-Indir-Abs GHG-Int	Internal and External	5.5. Eco-efficiency and decarbonisation results
3. Sustainable buildings	Society Clients	GRI 301-1 GRI 301-2 CRE8	Cert-tot	Internal	5.5. Eco-efficiency and decarbonisation results 5.7. Responsible supply chain
4. Circular Economy	Society Clients Suppliers Persons Employed	GRI 303-1 GRI 303-2 GRI 303-3 GRI 303-4 GRI 303-5 GRI 306-1 GRI 306-2 GRI 306-3 GRI 306-4 GRI 306-5 CRE2	Waste-Abs Waste-LFL Water-Abs Water-LFL Water-Int	Internal	5.5. Eco-efficiency and decarbonisation results
5. Biodiversity	Society	GRI 304-1 GRI 304-2 GRI 304-3		Internal and External	5.5. Eco-efficiency and decarbonisation results
Social					
6. Client relations and satisfaction	Clients	GRI 416-1 GRI 416-2 GRI 418-1	H&S-Asset H&S-Comp	Internal and External	5.9. Clients
7. Attractive product	Shareholders and Investors Clients			Internal and External	5.9. Clients

Material aspect	Stakeholder	GRI Indicators	EPRAs BPR	Scope	Chapter
8. Community impact	Society	GRI 413-1 GRI 413-2	Comty-Eng	Internal and External	5.10. Social contribution
9. Human capital	Persons Employed	GRI 202-1 GRI 202-2 GRI 401-1 GRI 401-2 GRI 401-3 GRI 402-1 GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-4 GRI 403-5 GRI 403-6 GRI 403-7 GRI 403-8 GRI 403-9 GRI 403-10 GRI 404-1 GRI 404-2 GRI 404-3 GRI 405-1 GRI 405-2 GRI 406-1 GRI 407-1	H&S-Emp Diversity-Emp Diversity-Pay Emp-training Emp-Dev Emp-turnover	Internal	5.8. Team of professionals
Governance and value chain management					
10. Ethics and transparency	Society Clients Persons Employed Shareholders and Investors	GRI 204-1 GRI 205-1 GRI 205-2 GRI 205-3 GRI 206-1 GRI 307-1 GRI 410-1 GRI 411-1 GRI 412-1 GRI 412-2 GRI 412-3 GRI 415-1 GRI 417-3 GRI 419-1	Gov-Board Gov-Select Gov-Col	Internal	6. Corporate Governance
11. Responsible value chain	Suppliers	GRI 308-1 GRI 308-2 GRI 408-1 GRI 409-1 GRI 414-1 GRI 414-2		Internal and External	5.7. Responsible supply chain

8.5. Glossary & alternative performance measures

8.5.1 Glossary

Earnings per share (EPS): Profit from the year attributable to the shareholders divided by the basic number of shares.

BD: Business District.

Market capitalization: The value of the Company's capital obtained from its stock market value. It is obtained by multiplying the market value of its shares by the number of shares in circulation.

CBD: Central Business District (prime business area). Includes the 22@ market in Barcelona.

Property company: Company with rental property assets.

Portfolio (surface area) in operation: Property/surfaces with the capacity to generate rents at the closing date of the report.

EBIT: Calculated as the operating profit plus variance in fair value of property assets as well as variance in fair value of other assets and provisions.

EBITDA: Operating result before net revaluations, disposals of assets, depreciations, provisions, interests, taxes and exceptional items.

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

Free float: The part of share capital that is freely traded on the stock market and not controlled in any stable way by shareholders.

GAV excl. transfer costs: Gross Asset Value of the portfolio according to external appraisers of the Group, after deducting transfer costs.

GAV incl. transfer costs: Gross Asset Value of the portfolio according to external appraisers of the Group, before deducting transfer costs.

GAV Parent Company: Gross Asset Value of directly held assets + Value JV Plaza Europa + NAV of 81.7% stake in SFL + Value of treasury shares.

Holding: A company whose portfolio contains shares from a certain number of corporate subsidiaries.

IFRS: International Financial Reporting Standards, which correspond to the *Normas Internacionales de Información Financiera (NIIF).*

JV: Joint Venture (association between two or more companies).

Like-for-like valuation: Data that can be compared between one period and another (excluding investments and disposals).

LTV: Loan to Value (Net financial debt/GAV of the business).

EPRA Like-for-like rents: Data that can be compared between one period and another, excluding the following: 1) investments and disposals, 2) changes in the project pipeline and renovation program, and 3) other extraordinary items, for example, indemnities from tenants in case of anticipated leave. Calculation based on EPRA Best Practices guidelines.

EPRA NTA: EPRA Net Tangible Assets (EPRA NTA) is a proportionally consolidated measure, representing the IFRS net assets excluding the mark-to-market on derivatives and related debt adjustments, the mark-to-market on the convertible bonds, the carrying value of intangibles as well as deferred taxation on property and derivative valuations. It includes the valuation surplus on trading properties and is adjusted for the dilutive impact of share options.

EPRA NDV: EPRA Net Disposal Value (EPRA NDV) represents NAV under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

EPRA Cost Ratio: Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.

Physical Occupancy: Percentage: occupied square meters of the portfolio at the closing date of the report/surfaces in operation of the portfolio.

Financial Occupancy: Financial occupancy according to the calculation recommended by the EPRA (occupied surface areas multiplied by the market rental prices/surfaces in operation at market rental prices).

EPRA Vacancy: Vacant surface multiplied by the market rental prices/surfaces in operation at market rental prices. Calculation based on EPRA Best Practices guidelines.

Reversionary potential: This is the result of comparing the rental revenues from current contracts (contracts with current occupancy and current rents in place) with the rental revenues that would result from 100% occupancy at market prices, estimated by independent appraisers. Projects and renovations are excluded.

Projects underway: Property under development at the closing date of the report.

RICS: Royal Institution of Chartered Surveyors.

SFL: Société Foncière Lyonnaise.

Take-up*:* Materialized demand in the rental market, defined as new contracts signed.

Valuation Yield*:* Capitalization rate applied by the independent appraisers in the valuation.

Yield on cost: Market rent 100% occupied/Market value at the start of the project net of impairment of value + invested capital expenditure.

Yield occupancy 100%: Passing rents + vacant spaces rented at the market prices/market value.

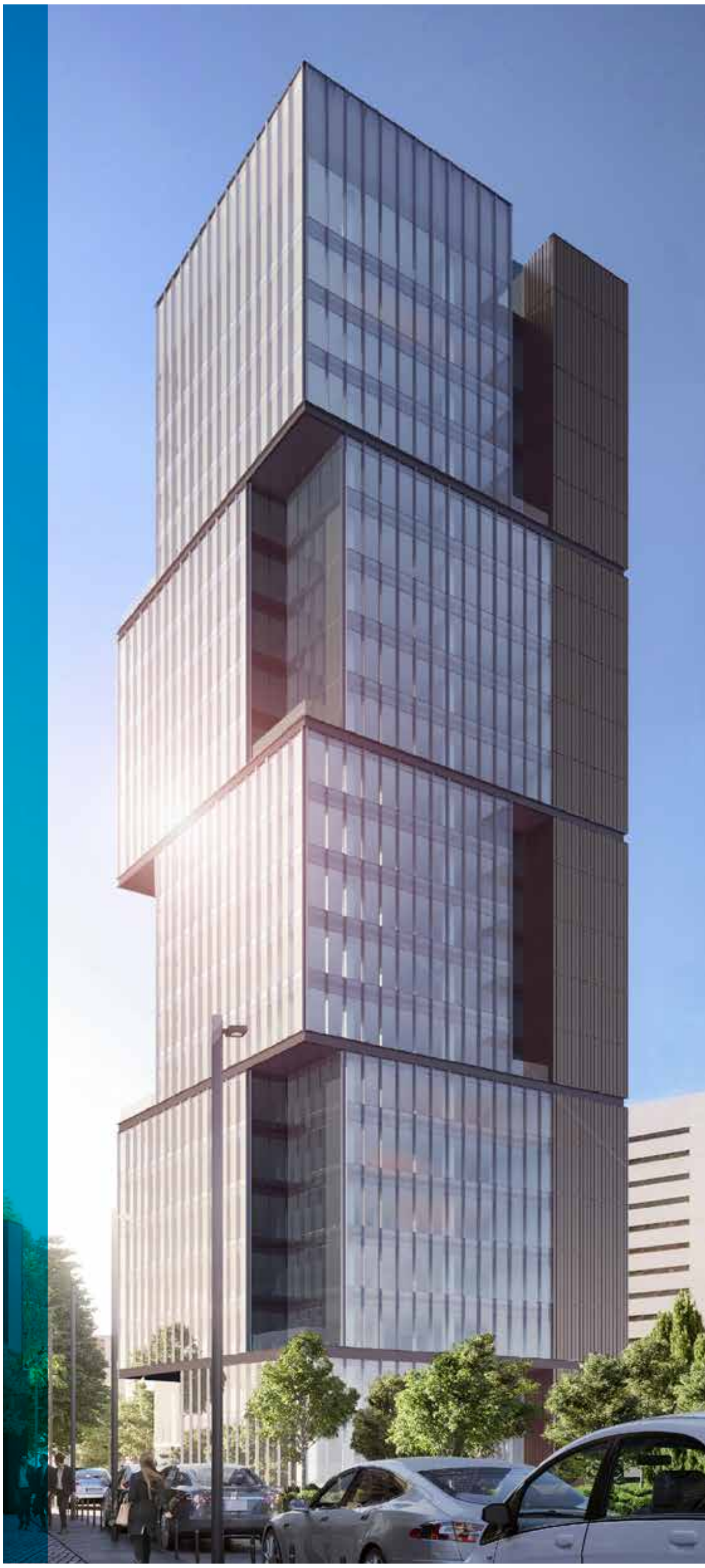
EPRA net initial yield (NIY): Annualised rental income based on passing rents as at the balance sheet date, reduced by the non-recoverable expenses, divided by the market value, including transfer costs.

EPRA Topped-Up Net Initial Yield: EPRA Net Initial Yield, eliminating the negative impact of the lower rental income.

Gross Yield: Gross rents/market value excluding transfer costs.

Net Yield: Net rents/market value including transfer costs.

€m: In millions of euros.



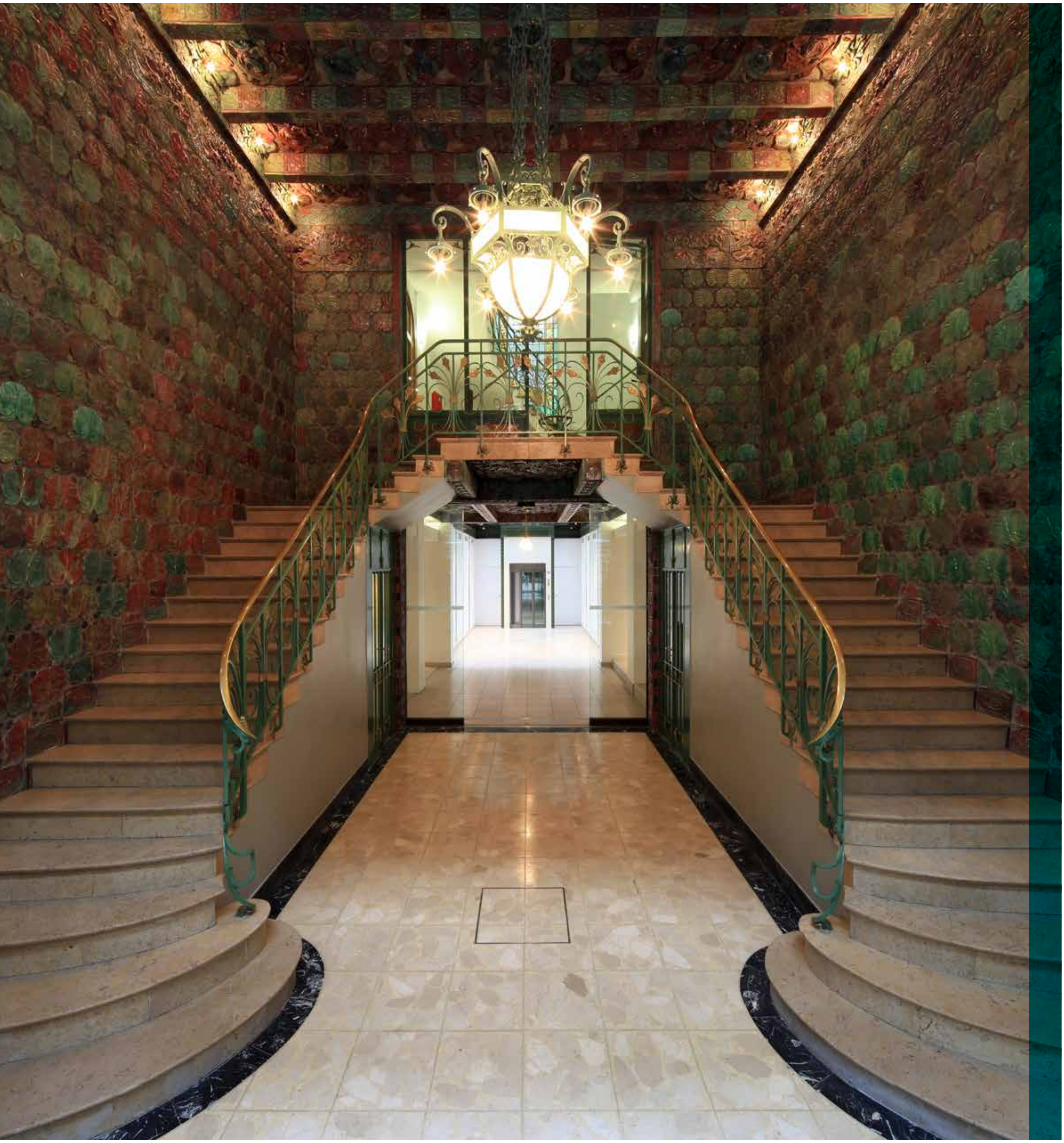
8.5.2 Alternative performance measures

Alternative performance measure	Method of calculation	Definition/Relevance
EBITDA (Analytic P&L) ***(Earnings Before Interest, Taxes, Depreciation and Amortization)***	Calculated as the “Operating profit” adjusted by “Depreciation/Amortization” “Value variations in real estate investments”, “Net changes in provisions” and “Result for variations in asset value or impairments” and the costs incurred in the “Amortization” and “Financial Result” deriving from the registration of “IFRS 16 on financial leases”, associated with flexible business.	Indicates the Group’s capacity to generate profits only taking into account its economic activity, eliminating allocations to depreciation/amortization, and the effect of debt and taxes.
EBITDA rents	Calculated as the analytical EBITDA adjusted by the “general” and “extraordinary” expenses, unrelated to the “operation” of the properties.	Indicates the Group’s capacity to generate profits only taking into account its leasing activity, before allocations to amortization, provisions and the effects of debt and taxes.
Other analytical income	Calculated as the item “Other income” from the Consolidated income statement, adjusted by “Other business income”, “Net equity”, “Personnel costs” and “Other operating expenses related to the flexible business, eliminated in the consolidation process”, “Net equity related to the flexible business, eliminated in the consolidation process”, Amortization from the registration of IFRS 16 on financial leases” and the “Financial result from the registration of IFRS 16 on financial leases”.	Relevant figure for analysing the results of the Group.
Analytical structural costs	Calculated as the total of the items “Other income”, “Personnel costs” and “Other operating expenses” on the Consolidated income statement and adjusted by “Net analytical operating costs”, “Personnel costs” and “Other operating expenses related to income generation from the flexible business”, “Personnel costs” and “Other extraordinary operating expenses not related to the flexible business”, “Variation in net provisions”, “Other operating expenses related to the flexible business, eliminated in the consolidation process”, and “Other income related to the letting business”.	Relevant figure for analysing the results of the Group.
Analytical extraordinary items	Calculated as the total of the items “Personnel costs” and “Other operating expenses” on the Consolidated income statement and adjusted by “Net analytical operating costs”, “Personnel costs”, and “Other operating business expenses” “Personnel costs” and “Other operating expenses related to income generation from the flexible business”. “Other operating expenses related to the flexible business, eliminated in the consolidation process” and “Net variation in provisions”.	Relevant figure for analysing the results of the Group.
Revaluations and sales margins of analytical properties	Calculated as the total of the items “Net profit for asset disposals” and “Value variations in real estate investments” on the Consolidated income statement.	Relevant figure for analysing the results of the Group.

Alternative performance measure	Method of calculation	Definition/Relevance
Analytical Amortizations and Provisions	Calculated as the total of the items "Amortizations" and "Result for variations in asset value or impairments" of the Consolidated income statements and adjusted by "Amortization deriving from the registration of "IFRS 16 on financial leases" and "Net changes in provisions".	Relevant figure for analysing the results of the Group.
EPRA Earnings and Recurring Net Profit	Calculated in accordance with EPRA recommendations by adjusting certain items in the financial year net result attributable to the parent company.	Standard analysis ratio in the real estate sector and recommended by EPRA.
Financial result	Calculated as the total of all items under "Financial income" and "Financial expenses" of the consolidated income statement and adjusted for the "Financial result" deriving from the registration of IFRS16 on financial leases.	Relevant figure for analysing the results of the Group.
Gross financial debt	Calculated as the total of all items under "Bank borrowings and other and other financial liabilities" and "Issues of debentures and similar securities", excluding "Interest (accrued), "Origination fees" and "Other financial liabilities" from the consolidated statement of financial position.	Relevant figure for analysing the financial situation of the Group.
Net financial debt	Calculated adjusting in the Gross financial debt, the item "Cash and equivalent means".	Relevant figure for analysing the financial situation of the Group.
EPRA(1) NTA (EPRA Net Tangible Asset)	Calculated based on the Company's capital and reserves, adjusting certain items in accordance with EPRA recommendations.	Standard analysis ratio in the real estate sector and recommended by EPRA.
EPRA(1) NDV (EPRA Net Triple Asset)	Calculated adjusting the following items in the EPRA NTA: the market value of financial instruments, the market value of financial debt, the taxes that would be accrued with the sale of the assets at their market value, applying the tax credit recognized in the balance sheet, considering a going concern assumption.	Standard analysis ratio in the real estate sector recommended by EPRA.
Market value excluding transaction costs or Gross Asset Value (GAV) excluding Transfer costs	Measurement of the totality of the Group's asset portfolio carried out by independent appraisers of the Group, less transaction or transfer costs.	Standard analysis ratio in the real estate sector.
Market value including transaction costs or GAV including Transfer costs	Measurement of the totality of the Group's asset portfolio carried out by external appraisers of the Group, before deducting the transaction or transfer costs.	Standard analysis ratio in the real estate sector.

(1) (EPRA (European Public Real Estate Association) or European Association of listed property companies which recommend the standards of best practices to be followed in the real estate sector. The method of calculation of these APMs is carried out following the indications established by EPRA.

Alternative performance measure	Method of calculation	Definition/Relevance
Like-for-like rental income	Amount of the rental income included in the item "Revenues" comparable between two periods. To obtain the calculation, the income from investments or disposals carried out in both periods are excluded, as well as the income deriving from assets included in the projects and refurbishments portfolio and other atypical adjustments (for example, penalties for early termination of rental contracts).	It enables a homogeneous comparison of the evolution of rental income of an asset or group of assets.
Like-for-like measurement	Amount of the ERV excluding the transaction costs or of the ERV including the transaction costs comparable between two periods. To obtain the calculation, the income from investments or disposals carried out in both periods are excluded.	It enables a homogeneous comparison of the evolution of the ERV of the portfolio.
Loan to Value, Group or LTV Group	Calculated as the result of dividing the gross financial debt (reduced by the amount in the item "Cash and cash equivalents") by the market valuation including the transaction costs of the Group's asset portfolio plus the treasury shares of the Parent Company at EPRA NAV.	It enables the analysis of the ratio between the net financial debt and the valuation of the Group's asset portfolio.
LTV Holding or LTV Colonial	Calculated as the result of dividing the gross financial debt (less the amount in the item "Cash and cash equivalents") of the Parent Company and 100% owned subsidiary companies by the market valuation, including transaction costs, of the parent company's asset portfolio and the EPRA NAV of all financial stakes in subsidiary companies.	It enables the analysis of the ratio between the net financial debt and the valuation of the parent company's asset portfolio.



8.6. PwC independent limited assurance report

Free translation from the original in Spanish.
In the event of a discrepancy, the Spanish language version prevails

Independent limited assurance report on the ESG Indicators

To the management of Inmobiliaria Colonial, SOCIMI, S.A.:

We have carried out our work to provide limited assurance on the Environmental, Social and Governance indicators contained in the 'Table of contents GRI, EPRA BPR'S' of the 2022 Integrated Annual Report (hereinafter 'ESG indicators') of Inmobiliaria Colonial, SOCIMI, S.A. (the Parent company) and its subsidiaries (hereinafter, 'Inmobiliaria Colonial' or 'the Group') for the year ended 31st December 2022, prepared in accordance with the criteria of the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter, 'GRI Standards') and the Construction and Real Estate Sector Disclosures of the GRI G4 Guidelines (hereinafter, 'Construction and Real Estate Sector Disclosures').

Responsibility of the management

The management of Inmobiliaria Colonial, SOCIMI, S.A. is responsible for the preparation, content and presentation of the Integrated Annual Report, in accordance with the GRI Standards and the Construction and Real Estate Sector Disclosures. Management's responsibility includes establishing, implementing and maintaining the internal control required to ensure that the ESG indicators are free from any material misstatement due to fraud or error.

The management of Inmobiliaria Colonial, SOCIMI, S.A. is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the ESG indicators is obtained.

Our independence and quality management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team has been formed by professionals specialising in ESG indicators' reviews and, specifically, in information on economic, social and environmental performance.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

pwc

Our responsibility

Our responsibility is to issue a limited assurance report based on the work carried out. Our limited assurance engagement has been carried out in accordance with International Standard on Assurance Engagements 3000 (ISAE 3000) (Reviewed), 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are less extensive than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to management and several Inmobiliaria Colonial units that were involved in the preparation of the 2022 Integrated Annual Report, in the review of the processes for compiling and validating the information presented in the 2022 Integrated Annual Report, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with Inmobiliaria Colonial's personnel from various units who have been involved in the preparation of the 2022 Integrated Annual Report.
- Analysis of the procedures used for obtaining and validating the data presented in the ESG indicators.
- Analysis of the Inmobiliaria Colonial's ESG indicators adaptation to the guidelines established by the GRI Standards for the preparation of sustainability reports and to the Construction and Real Estate Sector Disclosures.
- Verification, through sample testing, of the quantitative and qualitative information related to the ESG indicators of Inmobiliaria Colonial and its adequate compilation using data supplied by the Group's sources of information.
- Obtainment of a management representation letter from the management of the Parent company.

Limited assurance conclusion

Based on the procedures performed and the evidence we have obtained, no matters have come to our attention which may lead us to believe that the ESG indicators of Inmobiliaria Colonial, SOCIMI, S.A. and its subsidiaries for the year ended 31st December 2022, contain significant errors or have not been prepared, in all their significant matters, in accordance with the GRI Standards and the Construction and Real Estate Sector Disclosure.

Use and distribution

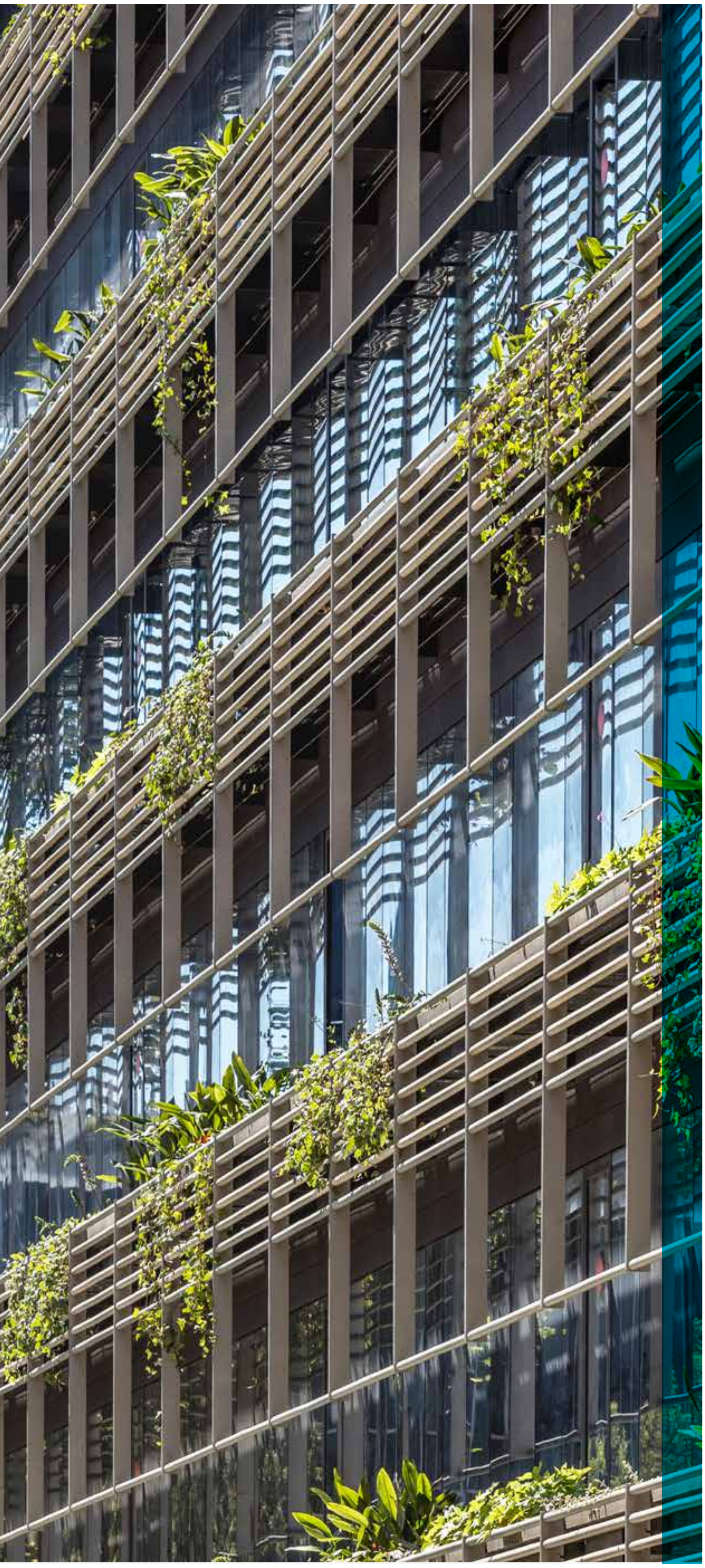
Our report is only issued to the management of Inmobiliaria Colonial, SOCIMI, S.A., in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than the management of Inmobiliaria Colonial, SOCIMI, S.A.

PricewaterhouseCoopers Auditores, S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Margarita de Rosselló Carril

10 May 2023



Corporate Publications

This report forms part of the transparency exercise undertaken by the Colonial Group and is made available along with five other reports published by Colonial providing information on the initiatives undertaken in 2022.

2022 Colonial Group Corporate Governance Report

http://www.inmocolonial.com/

2022 Annual Results

http://www.inmocolonial.com/

Résultats Annuels 2022

http://www.fonciere-lyonnaise.com/

2022 Non-Financial Information SFL

http://www.fonciere-lyonnaise.com/

Colonial Group Contacts

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Consolidated Financial Statements 2022

01. Consolidated Financial Statements 2022

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated financial statements for the year ended 31 December 2022, prepared in accordance with international rules on financial information and consolidated management report

Translation of Consolidated financial statements for the year ended 31 December 2022, prepared in accordance with international financial reporting standards and consolidated management report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

pwc

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the consolidated financial statements

To the shareholders of Inmobiliaria Colonial, SOCIMI, S.A.:

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the financial statement as at 31 December 2022, and the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2022, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated financial statements in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Inmobiliaria Colonial, SOCIMI, S.A. and its subsidiaries

Key audit matters	How our audit addressed the key audit matters
Valuation of Investment Properties	
The Group has real estate assets which are recognized mainly under the heading Investment properties, at an amount of EUR 12,231,952 thousand at 31 December 2022, using the fair value model in accordance with IAS 40 Investment properties, and represent 91% of total assets. Similarly, in 2022 the heading Variation in value of investment properties reflects a loss of EUR 147,493 thousand in respect mainly of these assets, having a significant impact on consolidated results for the year. Information on the assets included in this heading is disclosed in notes 4.4, 9 and 19.7 to the accompanying consolidated financial statements. In order to obtain the fair value of these assets, the Group requests independent expert valuations. The fair value is determined according to the discounted cash flow method in accordance with standard market practice. These valuations are based on significant judgements and estimates. We therefore focused on this area given the materiality of investment properties with respect to total assets and the effect of its valuation on the Group's results and the significant judgements and estimates assumed by management. Changes in such assumptions could lead to a significant variation in the fair value of those assets and their impact on the consolidated income statement, the consolidated statement of comprehensive income and the consolidated financial statement.	We obtained the valuations of all investment properties performed at year end by independent experts and assessed them in terms of the requirements of competence and independence and found no exceptions. We checked that the valuations were performed in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC). In this regard, we held meetings with the valuers together with our internal experts, analyzing for a sample of those valuations the reasonableness of the variables used, such as the discount rate, rent and the rent increase considered, as well as other variables necessary to complete the valuations such as the market return, the term of the rental agreements and type and age of the buildings, their location and occupancy rates. Similarly, for a sample of assets, we checked through the sales and purchase deeds, the technical specifications considered by the independent experts when determining the market value of those assets. Lastly, we assessed the corresponding disclosures in notes 4.4, 9 and 19.7 to the accompanying consolidated financial statements. We consider that we have obtained sufficient and adequate audit evidence in the course of our work concerning the reasonableness of the valuation of the Group's investment properties.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2022 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated financial statements as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated financial statements for the 2022 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit and control committee for the consolidated financial statements

The Parent company's directors are responsible for the preparation of the accompanying consolidated financial statements , such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Parent company's audit and control committee is responsible for overseeing the process of preparation and presentation of the consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.

- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit and control committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit and control committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Inmobiliaria Colonial, SOCIMI, S.A. and its subsidiaries for the 2022 financial year that comprise an XHTML file which includes the consolidated financial statements for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Inmobiliaria Colonial, SOCIMI, S.A. are responsible for presenting the annual financial report for 2022 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Committee (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the consolidated management report.

Our responsibility is to examine the digital files prepared by the Parent company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated financial statements included in the aforementioned digital files completely agrees with that of the consolidated financial statements that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated financial statements, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Inmobiliaria Colonial, SOCIMI, S.A. and its subsidiaries

Report to the audit and control committee of the Parent company

The opinion expressed in this report is consistent with the content of our additional report to the audit and control committee of the Parent company dated 28 February 2023.

Appointment period

The General Ordinary Shareholders' Meeting held on 30 June 2021 appointed us as auditors of the Group for a period of one year, for the year ended 31 December 2022.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of 3 years and we have audited the accounts continuously since the year ended 31 December 2017.

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 24 to the consolidated financial statements.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Alfredo Aguilera Sanz (22290)

28 February 2023

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated financial statements for the year ended 31 December 2022

Thousands of euros

Assets	Note	31 December 2022	31 December 2021
Intangible assets		4,882	5,010
Right-of-use assets	7	16,899	18,886
Property, plant and equipment	8	55,310	55,162
Investment property	9	12,231,952	12,183,368
Non-current financial assets	10	29,360	26,296
Derivative financial instruments	15	277,249	14,775
Non-current deferred tax assets	18	510	696
Other non-current assets	12	83,865	55,377
Non-current assets		**12,700,027**	**12,359,570**
Inventory	11	87,128	60,689
Trade and other receivables	12	36,763	37,757
Financial assets at amortised cost		9	9
Derivative financial instruments	15	13	–
Tax assets	18	19,236	23,557
Cash and cash equivalents	14	159,957	218,942
Current assets		**303,106**	**340,954**
Assets classified as held for sale	**23**	**466,480**	**27,000**
Total assets		**13,469,613**	**12,727,524**

Notes 1 to 25 and the Appendix described in the notes to the consolidated financial statements are an integral part of the consolidated statement of financial position at 31 December 2022.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated financial statements for the year ended 31 December 2022

Thousands of euros

Equity and liabilities	Note	31 December 2022	31 December 2021
Share capital		1,349,039	1,349,039
Share premium		1,491,773	1,584,454
Own shares		(66,374)	(66,657)
Other reserves		523,648	239,398
Retained earnings		2,861,375	2,892,540
Equity attributable to shareholders of the Parent		**6,159,461**	**5,998,774**
Non-controlling interests		**1,183,199**	**1,185,655**
Equity	**13**	**7,342,660**	**7,184,429**
Bank borrowings and other financial liabilities	14	511,722	71,142
Bonds and similar securities issued	14	4,475,897	4,284,957
Lease liabilities	7	16,162	17,737
Non-current deferred tax liabilities	18	348,156	360,109
Long-term provisions	17	1,555	1,877
Other non-current liabilities	16	80,921	88,175
Non-current liabilities		**5,434,413**	**4,823,997**
Liabilities associated with assets classified as held for sale	23	75,700	–
Bank borrowings and other financial liabilities	14	2,139	1,129
Bonds and similar securities issued	14	17,494	308,705
Issuance of promissory notes	14	409,000	257,000
Derivative financial instruments	15	233	–
Lease liabilities	7	3,404	3,259
Trade and other payables	16	168,954	135,808
Tax liabilities	18	11,421	9,536
Current provisions	17	4,195	3,661
Current liabilities		**692,540**	**719,098**
Total equity and liabilities		**13,469,613**	**12,727,524**

Notes 1 to 25 and the Appendix described in the notes to the consolidated financial statements are an integral part of the consolidated statement of financial position at 31 December 2022.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2022

Thousands of euros

Income statement	Note	2022	2021
Revenue	19.1	361,613	316,719
Other income	19.2	9,304	5,330
Personnel expenses	19.3	(36,219)	(37,377)
Other operating expenses	19.4	(55,298)	(44,105)
Depreciation and amortisation		(8,988)	(8,112)
Net gains on sales of assets	19.5	5,938	(1,261)
Changes in value of investment property	19.7	(147,493)	444,226
Gains/(losses) on changes in value of assets due to impairment	19.6	(631)	(1,012)
Operating profit		**128,226**	**674,408**
Finance income	19.8	657	9,400
Finance costs	19.8	(86,891)	(120,434)
Profit before tax		**41,992**	**563,374**
Income tax expense	18	7,626	3,533
Consolidated net profit		**49,618**	**566,907**
Net profit/(loss) for the year attributable to the Parent	5	7,979	473,842
Net profit attributable to non-controlling interests	13.6	41,639	93,065
Basic earnings per share (euros)	5	0.02	0.92
Diluted earnings per share (euros)	5	0.02	0.92

The accompanying Notes 1 to 25 and the Appendix are an integral part of the income statement and consolidated global statement of financial position for the year ended 31 December 2022.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2022

Thousands of euros

Statement of comprehensive income	Note	2022	2021
Consolidated net profit		**49,618**	**566,907**
Other items of comprehensive income recognised directly in equity		**277,074**	**36,720**
Gains/(losses) on financial instrument hedges	13.4	279,650	45,697
Transfer to the statement of comprehensive income of financial instrument hedges	13.4	(2,124)	(8,977)
Tax effect on prior years' profit or loss	13.4	(452)	–
Consolidated comprehensive income		**326,692**	**603,627**
Comprehensive profit/(loss) for the year attributable to the Parent		283,972	510,449
Comprehensive income attributable to non-controlling interests		42,720	93,178

The accompanying Notes 1 to 25 and the Appendix are an integral part of the income statement and consolidated global statement of financial position for the year ended 31 December 2022.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated statement of changes in equity for the year ended 31 December 2022

Thousands of euros	Note	Share capital	Share premium	Own shares
Balance at 31 December 2020		**1,270,287**	**1,491,280**	**(24,440)**
Total recognised income and expense for the year		**–**	**–**	**–**
Transactions with shareholders:				
Capital increases		78,752	204,261	–
Own share portfolio		–	–	(44,351)
Distribution of profits		–	(111,087)	–
Share-based remuneration payments		–	–	2,134
Changes in scope of consolidation		–	–	–
Other changes		–	–	–
Balance at 31 December 2021	**13**	**1,349,039**	**1,584,454**	**(66,657)**
Total recognised income and expense for the year		**–**	**–**	**–**
Transactions with shareholders:				
Capital increases		–	–	–
Own share portfolio		–	–	283
Distribution of profits		–	(92,681)	–
Share-based remuneration payments		–	–	–
Changes in scope		–	–	–
Other changes		–	–	–
Balance at 31 December 2022	**13**	**1,349,039**	**1,491,773**	**(66,374)**

The accompanying Notes 1 to 25 and the Appendix described in the consolidated report are part of the consolidated statement of changes in equity for the year ended 31 December 2022.

Other reserves	Retained earnings	Equity attributable to shareholders of the Parent	Non-controlling interests	Equity
244,888	**2,418,533**	**5,400,548**	**1,432,616**	**6,833,164**
36,607	**473,842**	**510,449**	**93,178**	**603,627**
–	(1,223)	281,790	–	281,790
–	–	(44,351)	–	(44,351)
–	–	(111,087)	(27,773)	(138,860)
1,463	125	3,722	65	3,787
(42,466)	28	(42,438)	(312,427)	(354,865)
(1,094)	1,235	141	(4)	137
239,398	**2,892,540**	**5,998,774**	**1,185,655**	**7,184,429**
275,993	**7,979**	**283,972**	**42,720**	**326,692**
–	–	–	–	–
–	(789)	(506)	–	(506)
3,873	(38,728)	(127,536)	(40,938)	(168,474)
5,071	–	5,071	72	5,143
(687)	–	(687)	(4,313)	(5,000)
–	373	373	3	376
523,648	**2,861,375**	**6,159,461**	**1,183,199**	**7,342,660**

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated statement of cash flows for the year ended 31 December 2022

Thousands of euros

Cash flows from operations	Note	2022	2021
1. Cash flows from operating activities			
Consolidated net profit		49,618	566,907
Adjustments to profit/(loss):			
Depreciation and amortisation (+)		8,988	8,112
Provisions (+/–)	19.4	520	(4,103)
Changes in value of investment property (+/–)	19.7	147,493	(444,226)
Gains / (losses) on changes in value of assets due to impairment (+/–)	19.6	631	1,012
Other		880	14,448
Gains / (losses) on sale of investment property (+/–)	19.5	(5,938)	1,261
Net financial profit (+)	19.8	86,234	111,034
Income tax expense (+/–)	18	(7,626)	(3,533)
Adjusted profit		**280,800**	**250,912**
Taxes refunded / (paid) (+/–)		(5,157)	(14,436)
Interest received (+)		657	488
Increase / (decrease) in current assets and liabilities			
Inventories (+/–)		(26,049)	(7,813)
Increase / (decrease) in receivables (+/–)		5,260	(11,266)
Increase / (decrease) in payables (+/–)		8,126	17,228
Increase / (decrease) in other assets and liabilities (+/–)		(8,244)	32,984
Total net cash flows in operating activities		**255,393**	**268,097**
2. Cash flows from investing activities			
Investments in (–)			
Intangible assets		(2,145)	(2,307)
Property, plant and equipment	8	(4,043)	(2,285)
Investment property	9	(703,098)	(303,958)
Non–current financial assets and others	10	(3,064)	–
		(712,350)	**(308,550)**
Disposals of (+)			
Investment property and assets classified as held for sale	9 and 23	81,936	346,697
Financial assets	10	–	2,673
		81,936	**349,370**
Total net cash flows from investing activities		**(630,414)**	**40,820**

The accompanying Notes 1 to 25 and the Appendix are an integral part of the consolidated cash flow statement for the year ended 31 December 2022.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries (Colonial Group)

Consolidated statement of cash flows for the year ended 31 December 2022

Thousands of euros

Cash flows from operations	Note	2022	2021
3. Cash flows from financing activities			
Dividends paid (–)	13	(168,474)	(138,860)
Debt repayment (–)	14	(505,300)	(1,311,433)
Interest paid (+/–)	19.8	(106,309)	(141,337)
Redemption of financial instruments (–)	19.8	15,135	8,719
Purchase of non-controlling interests (–)		(5,000)	(136,207)
Own share transactions (+/–)	13.4 and 13.5	283	(44,351)
Obtainment of new financing (+)	14	1,085,701	1,395,000
Other proceeds / (payments) for current financial investments and other (+/–)		–	9,941
Total net cash flows from investing activities		**316,036**	**(358,528)**
4. Net increase / decrease in cash and cash equivalents			
Cash flow for the year	**14**	**(58,985)**	**(49,611)**
Cash or cash equivalents at beginning of year	**14**	**218,942**	**268,553**
Cash or cash equivalents at end of year	**14**	**159,957**	**218,942**

The accompanying Notes 1 to 25 and the Appendix are an integral part of the consolidated cash flow statement for the year ended 31 December 2022.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2022

1. Colonial Group business activity

Inmobiliaria Colonial, SOCIMI, S.A. (hereinafter “the Company”) was formed as public limited company in Spain for an indefinite period on 8 November 1956. Its registered office is located at Paseo de la Castellana, 52 de Madrid (Spain).

On 29 June 2017, the Parent’s General Shareholders’ Meeting resolved to adopt the REIT tax system. On 30 June 2017, the Parent submitted a request to the tax authorities to be included in the REIT tax system, applicable as of 1 January 2017.

El objeto social de la Sociedad dominante, de acuerdo con sus estatutos, es:

> the acquisition and development of urban properties for lease;

> the ownership of interests in the share capital of listed real estate investment companies (REITs) or other non-resident entities in Spain with the same corporate purpose, which are subject to a regime similar to that established for REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws;

> the ownership of interests in the share capital of other resident or non-resident entities in Spain, the main corporate purpose of which is the acquisition of urban properties earmarked for lease, which are subject to the regime established for REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws and meet the investment requirements stipulated for these companies; and

> the ownership of shares or equity interests in collective real estate investment undertakings governed by Law 35/2003, of 4 November, on collective investment undertakings or any law that may replace it in the future.

In addition to the economic activity relating to the main corporate purpose, the Parent may also carry on any other ancillary activities, i.e., those that they generate income representing less than 20%, taken as a whole, of its income in each tax period, or those that may be considered ancillary activities under the legislation applicable at any time, including, in any case, the management, restoration and operation of properties and the performance of all manner of studies, reports, appraisals, valuations and surveys; and in general, the provision of real estate consulting and advisory services, property asset management, development and marketing services, and technical assistance through contracts with other public or private companies or entities.

Activities that by law are attributable exclusively to special purpose vehicles are expressly excluded from its corporate purpose.

All activities included in the corporate purpose will be carried out as authorised by current legislation at any given time, expressly excluding its own activities that are exclusively granted by prevailing legislation to individuals or legal entities other than this Parent Company.

The Parent may also carry out the aforementioned activities, in full or in part, indirectly through ownership interests in other companies with an identical or similar corporate purpose.

Inmobiliaria Colonial, SOCIMI, S.A. and Subsidiaries (“the Group”) carry out their activities in Spain (mainly in Barcelona and Madrid) and in France (Paris) through the Group of which it is the parent Société Foncière Lyonnaise, S.A. (hereinafter referred to as the “SFL subgroup” or “SFL” for the subsidiary) listed on the Euronext Paris market.

Inmobiliaria Colonial, SOCIMI, S.A. has been listed on the Spanish electronic trading system and Stock Exchange since 19 June 2017, when it was included on the benchmark stock market index, the IBEX-35.

In 2022, the Parent maintains the credit rating obtained from *Standard & Poor’s Rating Credit Market Services Europe Limited*, “BBB+” at long term and “A-2” at short term, both with a stable outlook. In addition, the Parent obtained a “Baa2” credit rating with a positive outlook from Moody’s. In 2022, the subsidiary SFL also maintained its credit rating of “BBB+” with a stable outlook, and the “A-2” short-term credit rating.

Given its business activity, the Group has no environmental expenses, assets, provisions or contingencies that might be significant with respect to its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these explanatory notes. However, the Group does apply an active environmental policy in relation to urban processes of construction and maintenance and the preservation of its property portfolio.

2. Basis of presentation of the consolidated financial statements

2.1 Basis of presentation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (EU-IFRSs) as adopted by the European Union, taking into account all mandatory accounting policies and rules and measurement bases, the Spanish Code of Commerce, the Spanish Limited Liability Companies Law, the Spanish Securities Markets Law and other applicable company law, as well as regulations laid down by the Spanish National Securities Market Commission (CNMV), to present a true and fair view of the Group's consolidated equity and financial position at 31 December 2022 and of the income from its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended.

The consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries for the year ended 31 December 2022, were prepared from the accounting records kept by the Parent and by the other Group companies, and they were authorised for issue by the Parent's directors at the Board of Directors' meeting held on 27 February 2023.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements at 31 December 2022 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with EU-IFRS.

In order to present on a consistent basis the various items that make up the consolidated financial statements, the accounting principles and measurement bases used by the Parent were applied to all the companies included in the scope of consolidation.

The Group's consolidated financial statements for the year ended 31 December 2021 were approved by the shareholders of the Parent at the General Meeting held on 21 June 2022.

2.2 Adoption of International Financial Reporting Standards

The Group's consolidated financial statements are presented in accordance with EU-IFRS, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the obligation to present consolidated financial statements under European IFRS is also regulated in final provision eleven of Law 62/2003, of 30 December, on tax, administrative and social measures.

The main accounting principles and measurement bases adopted by the Group are detailed in Note 4.

2.2.1 Standards and interpretations effective this year

New accounting standards came into force in 2022 and were, accordingly, taken into account when preparing these consolidated financial statements. These new standards are as follows:

> IAS 16 (Amendment) "Property, plant and equipment: amounts received before the foreseen use.

> IAS 37 (Amendment) "Onerous Contracts: costs of fulfilling a contract".

> IFRS 3 (Amendment), "References to the Conceptual Framework".

> Annual improvements to IFRS. 2018-2020 cycle: The following amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41:

  > IFRS 1 "First-Time Adoption of IFRSs". IFRS 1 allows an exemption if a subsidiary adopts IFRSs at a date later than its parent. This amendment allows entities that have taken this exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRSs.

  > IFRS 9 "Financial instruments". The amendment addresses which costs should be included in the 10% test for derecognition of financial liabilities. Costs or fees may be paid to third parties or to the lender. According to the amendment, costs or fees paid to third parties will not be included in the 10% test.

  > IAS 41 "Agriculture".

> With reference to the IASB's enhancement of IFRS 16 "Leases", this has not been endorsed by the European Union, because only Illustrative Example 13 accompanying IFRS 16 has been amended (to remove the illustration of lessor payments in relation to leasehold improvements, eliminating any possible confusion about the treatment of lease incentives). Illustrative examples accompany, but are not part of, IFRS.

These standards were taken into account with effect from 1 January 2022, and their impact on these consolidated financial statements was not material.

2.2.2 Standards and interpretations issued and not in force that can be adopted in advance

At the date of authorisation for issue of these consolidated financial statements, the following standards, amendments or interpretations were published by the IASB and the IFRS Interpretations Committee, but have not yet come into force, although they can be adopted in advance:

> IFRS 17 "Insurance contracts". The standard is applicable for the years commencing from 1 January 2023, enabling its early application if IFRS 9 "Financial Instruments" is applied on the initial application date of IFRS 17 or before this date.

> IFRS17 (Amendment) "Initial Application of IFRS 17 and IFRS 9 - Comparative Information". This amendment is effective for annual periods beginning on or after 1 January 2023.

> IAS 1 (Amendment) "Breakdown of accounting policies". The effective date of these amendments is 1 January 2023.

> IAS 8 (Amendment) "Definition of accounting estimates". The effective date of these amendments is 1 January 2023.

> IAS 12 (Amendment) 'Deferred tax relating to assets and liabilities arising from a single transaction'. The amendment enters into force for years that begin from 1 January 2023, though its early application is permitted.

The Parent's directors have reviewed the potential impacts of the future application of these standards and consider that their entry into force will not have a material effect on the consolidated financial statements.

2.2.3 Standards, interpretations and amendments to existing standards which cannot be adopted in advance or which have not been adopted by the European Union

At the date of preparation of these consolidated financial statements, the following standards, amendments and interpretations have been published by the IASB and the IFRS Interpretations Committee and are pending adoption by the European Union:

> IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or contribution of assets between an investor and its associate or joint venture".

> IFRS 16 (Amendment) 'Lease liability on a sale and leaseback'.

> IAS 1 (Amendment) "Classification of Liabilities as Current or Non-Current". In July 2020, there was an amendment to change the entry date of the amendment to 1 January 2023. These amendments are pending approval by the European Union.

> IAS 1 (Amendment) "Non-current liabilities with conditions ("covenants")".

The application of new standards, amendments and interpretations will be considered by the Group once they have been ratified and adopted, as the case may be, by the European Union.

The Parent's directors have reviewed the potential impacts of the future application of these standards and consider that their entry into force will not have a material effect on the consolidated financial statements.

2.3 Functional currency

These financial statements are presented in the Group's functional currency, the euro, as this is the currency of the main economic area in which the Group operates.

2.4 Responsibility for the information provided and accounting estimates and judgements made

The information in these consolidated financial statements is the responsibility of the Parent's directors. Management of the Parent has made estimates based on objective data in order to quantify certain assets, liabilities, income, expenses and commitments reported herein. The relevant estimates and criteria relate to:

> The market value of properties for own use, investment properties and inventories (Notes 8, 9 and 11). The market value was obtained from the appraisals periodically made by independent experts. These appraisals were prepared at 31 December 2022 and 2021, applying the methods described in notes 4.3, 4.4 and 4.21.

> Measurement of deferred tax liabilities recognised in the consolidated statement of financial position (Notes 4.14 and 18).

> The classification and measurement of assets classified as held for sale (Notes 4.20 and 23).

> Market value of derivative financial instruments (Notes 4.12, 4.22 and 15).

Although these estimates were made on the basis of the best available information at the date of authorising these consolidated financial statements for issue, events that take place in the future might make it necessary to change these estimates (upwards or downwards). Changes in accounting estimates would be applied prospectively and would be recognised in the consolidated income statement.

2.5 Basis of consolidation

The accompanying consolidated financial statements were prepared from the accounting records of Inmobiliaria Colonial, SOCIMI, S.A. and of the companies controlled thereby, whose financial statements were prepared by each Group company's management. The Parent is considered to have effective control in the circumstances outlined below.

The results of the subsidiaries acquired or sold during the year are included in consolidated income from the effective date of acquisition and are no longer included from the date of disposal, as appropriate.

All accounts receivable and payable and other transactions between the consolidated companies have been eliminated on consolidation.

Where necessary, the financial statements of the subsidiaries are adjusted to ensure uniformity with the accounting policies applied by the Parent. All subsidiaries have the same reporting date as the Parent, i.e., 31 December.

All Group companies were fully consolidated, as outlined below:

> Subsidiaries are fully consolidated and are considered to be all entities in which the Group directly or indirectly controls the financial and operating policies such that power is exercised over the investee. This is generally accompanied by an ownership interest of more than half of an entity's voting rights. In addition, to evaluate whether the Group controls another entity, it considers the power over the investee; the exposure or rights to variable returns of the investment; and the ability to use this power over the investee to affect the amount of the investor's returns. When evaluating whether the Group exercises control over an entity, the existence and the effect of any potential voting rights, both those held by the Parent and by third parties, are taken into consideration, provided they are of a substantive nature.

> Subsidiaries are accounted for using the acquisition method. The acquisition cost is the fair value of the assets delivered, the equity instruments issued and the liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and identifiable liabilities and contingencies incurred in a business combination are measured initially at fair value at the acquisition date, regardless of the effect of non-controlling interests. When the acquisition cost is higher than the fair value of the Group's interest in the identifiable net assets acquired, the difference is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (details of the companies consolidated at 31 December 2022 and 2021 are included in the Appendix).

The accompanying consolidated financial statements do not include the tax effect, if any, of transferring the reserves of the consolidated companies to the Parent's equity, since it is considered that these reserves will be used to finance the operations of each company and any potential distributions will not represent a significant additional tax cost.

Non-controlling interests are stated at the proportion of the fair values of the identifiable assets and liabilities recognised. Non-controlling interests in:

> Investees' equity: recognised in equity under "Non-controlling interests" in the consolidated statement of financial position.

> Profit or loss for the year: recognised under "Net profit attributable to non-controlling interests" in the consolidated income statement.

2.6 Changes in the scope of consolidation

The following changes occurred in the scope of consolidation in 2022:

> On 25 April 2022, SFL acquired all the shares of SCI Pasteur 123, owner of the property 91 Boulevard Pasteur of almost 40,000 square metres, located in the centre of Paris (15th arrondissement) for 485,145 thousand euros (Note 9).

> On 3 June 2022, the Parent acquired 50% of the share capital of the subsidiary Wittywood, S.L. amounting to 5,000 thousand euros, to hold 100% of the share capital of that subsidiary (Note 13.6).

The following changes occurred in the scope of consolidation in 2021:

> On 24 February 2021, the Parent acquired 3.19% of the share capital of the subsidiary Utopicus Innovación Cultural, S.L. amounting to 100 thousand euros, to hold 100% of the share capital of that subsidiary (Note 13.6).

> On 4 August 2021, the subsidiary SFL repurchased 7.86% of SFL's own shares from Predica, which were immediately redeemed, and carried out a share swap consisting of the acquisition from Predica of its non-controlling interests in the subsidiaries SCI Washington (34%) and SAS Parholding (50%) in exchange for non-controlling interests in SCI Paul Cézanne (49%), SCI 103 Grenelle (49%), SAS Cloud (49%) and SAS 92 Champs-Elysées (49%) (Note 13.6).

> On 5 August 2021, a capital increase was registered in the commercial register of the Parent Company through the issue of 22,494,701 new shares with a par value of 2.50 euros per share, plus a share premium, amounting to a total of 201,553 thousand euros according to the share price. The capital increase was fully subscribed by Predica, through the non-monetary contribution of 2,328,644 shares in the subsidiary SFL. The exchange ratio of Predica's contribution was set at 9.66 Colonial shares (Note 13.6).

> On 6 September 2021, a takeover bid for all the shares of SFL held by shareholders other than Colonial and Predica was registered in the commercial register of the Parent Company for mixed consideration in cash and shares. The exchange equation of the bid was set at 46.66 euros and five shares of Colonial, with a par value of 2.50 euros each, for each SFL share. On 20 July 2021, the French financial markets authority approved the bid. On 28 June 2021, the general shareholders's meeting approved the corresponding resolution to increase capital. On 30 August 2021, the French financial markets authority announced the result of the bid, which reached 4.2% of the shares targeted. As such, the Parent Company acquired 1,801,231 shares of the subsidiary SFL, by issuing 9,006,155 new shares of the Parent Company for a par value of 2.50 euros, plus a share premium, for a total amount of 81,461 thousand euros, according to the share price, and cash payments amounting to 84,045 thousand euros (Note 13.6).

At 31 December 2022 and 2021, the subsidiaries Colonial Tramit, S.L.U., Inmocol One, S.A.U., Inmocol Two, S.L.U., Inmocol Three, S.L.U., SAS SB2, SAS SB3 and SCI SB3 are dormant.

2.7 Comparison of information

The information relating to 2022 included in these notes to the consolidated financial statements is presented, for comparison purposes, with the information relating to 2021.

2.8 Aggregation of items

Certain items in the consolidated statement of financial position, the income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are grouped together to make them easier to understand; however, whenever the amounts involved are material, the information is broken down in the related notes to the consolidated financial statements.

2.9 Correction of errors

No significant errors have been found in the preparation of the consolidated financial statements that would require a restatement of the amounts included in the consolidated financial statements for 2021.

2.10 Climate change

Climate change brings with it major changes in the economy, making it necessary to be increasingly aware of its impacts on the financial and non-financial performance of companies. The major issues associated with these changes have led to very ambitious objectives involving radical transformations, framed within the framework of the European green pact, the Sharm el-Sheikh agreement (COP27), the Glasgow agreement (COP26), and even the Paris agreement (COP21).

The purpose of this note is to present the impact of these changes on the Group's business and performance, as well as the main accounting impacts on the consolidated accounts.

Effects of climate-related changes on the Group's financial position

The property sector accounts for a significant share of greenhouse gas emissions in Spain and France. For this reason, the Group has put a strategy in place to ensure that the risks and impacts of climate change and the measures to address them are monitored.

The main effects on the consolidated annual accounts linked to weather-related changes have been considered. These impacts are not exact figures, as it is very difficult to dissociate the impacts from other factors that have influenced the performance of the period. On this basis, the major impacts on the financial data are as follows:

> A positive impact on the valuation of the Group's properties that have been recognised as environmentally friendly (as evidenced by the certifications obtained).

> An increase in the investment and operating costs of property to anticipate regulatory developments and adapt to changes in customer demand for more sustainable spaces. These include, for example, the installation of LED technology in lighting systems, the selection and implementation of more efficient air-conditioning systems and the digitisation of buildings to optimise energy consumption.

> Various expenses, such as the costs of environmental certification of properties, costs linked to the publication of ESG data, and elements of remuneration of certain employees or directors linked to the achievement of ESG objectives.

> Increased green energy procurement costs. Green energy certificates of origin have experienced a large increase in demand, making the purchase price of such certificates more expensive.

> Increased cost of materials due to the use of new, more sustainable materials with a lower impact on the carbon footprint.

Other potential impacts on the consolidated annual financial statements

Other potential impacts of climate change, which do not have an impact on the consolidated financial statements, are as follows:

> Risks associated with financial instruments (IFRS 7): On 17 February 2022, the Parent announced that the bondholders' meetings have approved the conversion of all of the Group's outstanding bonds into green bonds, representing 81.8% of the total gross debt as at 31 December 2022.

> At the closing date of these consolidated financial statements, the Group has 3.5% of its financial liabilities indexed to ESG indicators (1.5% at 31 December 2021), the interest rates of which may vary depending on the evolution of these indicators. There was no effect on the Group's financing during 2022.

> Fees and taxes related to environmental regulation (IAS37): the investments made by the Group have enabled it to be in line with the regulations in force regarding climate change. As a result, the Group has not received any sanctions for non-compliance with these regulations. The Group has also implemented a monitoring system to anticipate regulatory developments in this area and to take the necessary actions to ensure compliance. As at 31 December 2022, no provision has been recorded for penalties for non-compliance with current environmental regulations.

> The depreciation of assets (IAS36) or the re-estimation of the useful lives and residual values of fixed assets (IAS16): the Group's assets are mainly recorded at fair value and therefore the Group's financial statements do not include any significant impact arising from these standards.

3. Distribution of Parent's profit

The distribution of profit from 2022 proposed by the Board of Directors of the Parent and that will be submitted for approval at the General Annual Meeting is as follows:

Thousands of euros	
Profit for the year of the Parent	**116,332**
To legal reserve	11,633
To dividends	104,699
Total distributed	**116,332**

The Board of Directors of the Parent may propose an additional distribution by way of refund of share premium.

Likewise, the proposal to apply the 2021 profit approved by the shareholders' meeting of the Parent Company held on 21 June 2022 was approved without any changes and consisted of its full transfer to the profit/(loss) of previous years.

In the past five years, the Parent has distributed the following dividends:

Thousands of euros	2017	2018	2019	2020	2021
Amounts distributed	77,619	101,567	101,551	111,087	127,536

4. Accounting policies

The main accounting principles used to prepare the consolidated financial statements, in accordance with EU-IFRS and the interpretations in force when these consolidated financial statements were prepared, are as follows:

4.1 Business combinations

Business combinations are accounted for by applying the acquisition method.

The cost of the business combination is allocated at the acquisition date by recognising, at fair value, all assets, liabilities and contingent liabilities of the acquired entity that meet the criteria for recognition established in IFRS 3. The excess of the cost of a business combination over the acquiree's allocated assets, liabilities and contingent liabilities is recognised as goodwill, which, accordingly, represents advance payments made by the Colonial Group for future economic benefits generated by the assets of the acquiree that are not individually and separately identifiable and recognisable.

The negative difference, if any, between the cost of the business combination and the allocation to assets, liabilities and contingent liabilities of the acquired entity is recognised as a gain or loss in the year in which it arises.

If a business combination is achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at fair value at the acquisition date and recognises any resulting gain or loss in the consolidated statement of comprehensive income or under other consolidated comprehensive income, where appropriate.

4.2 Intangible assets

As a general rule, intangible assets are initially measured at their acquisition or production cost. They are then measured at cost less the corresponding accumulated amortisation and, where applicable, less any impairment losses. These assets are amortised over their useful life.

4.3 Property, plant and equipment

Land and buildings intended for own use as well as other property, plant and equipment are recognised at historical cost less accumulated depreciation and impairment losses.

Historical cost includes the acquisition price at the date of recognition of the asset and expenses directly attributable to the acquisition of those assets. Any potential impairment losses on properties are recorded in accordance with the same measurement assumptions as those described in Note 4.4.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when they can be measured reliably and it is probable that future economic benefits associated with them will flow to the Group. The remaining costs of day-to-day servicing of assets are charged to the consolidated income statement in the year in which they are incurred.

Group companies depreciate their property, plant and equipment for own use and other property, plant and equipment using the straight-line method, distributing the cost of the assets over the years of estimated useful life and provided that the residual value does not change or changes insignificantly. The remaining costs of day-to-day servicing of assets are charged to the consolidated income statement in the year in which they are incurred.

The breakdown of the useful life of property for own use located in Spain and France is as follows:

Years of estimated useful life	Spain	France
Property for own use:		
Buildings	50	50
Facilities	10 to 15	10 to 15
Other property, plant and equipment	4 to 10	5 to 50

Gains or losses arising on the sale (Note 19.5) or derecognition of an asset (Note 19.6) under this heading are determined as the difference between the selling price and its carrying amount and are recognised in the consolidated income statement.

4.4 Investment property

"Investment property" in the consolidated statement of financial position reflects the values of the land, buildings, considered in whole or in part or both and other constructions held to earn rents or for capital appreciation upon disposals due to future increases in their respective market prices.

The acquisition of an asset or group of assets through a partnership that does not represent a business combination as defined in IFRS 3 - Business Combinations shall be recognised in the statement of financial position as investment property.

In accordance with the option provided by IAS 40 - Investment Property, the Group chooses to present the investment property is presented at fair value at the end of the reporting period and is not depreciated.

Profit or loss arising from changes in the fair value of investment property is included in the profit of the period in which it occurs and recognised under "Changes in value of investment property" in the consolidated income statement (Note 19.7).

Gains or losses resulting from the derecognition or disposal of an investment property are determined as the difference between the net proceeds from the transaction and the carrying amount of the asset and are recognised in the consolidated income statement for the period in which the derecognition occurs (Note 19.5).

When the Group recognises as an increase in fair value of an investment property the cost of an asset that replaces another already included in such amount, the Group reduces the value of the property by the fair value of the asset replaced, recognising the impact under "Gains/(losses) on changes in value of assets due to impairment" in the consolidated income statement (Note 19.6). When the fair value of the replaced asset cannot be identified, it is recorded by increasing the fair value of the property, and subsequently revalued periodically by reference to independent external valuations carried out in accordance with the valuation and appraisal standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain, and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC).

Assets are transferred from investment property in progress to investment property when they are ready for use. The classification of an investment property to investment property in progress takes place only when the rehabilitation or renovation project will exceed one year in length.

Investment property whose disposal is highly probable is reclassified as "Assets classified as held for sale" and measured at fair value in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations.

In accordance with IAS 40, the Group determines the fair value of investment property every half year, i.e. at 30 June and 31 December of each period. Fair value is determined by taking as reference values the valuations performed by independent third-party experts (level 3 fair value hierarchy) at the date of the consolidated statement of financial position, CB Richard Ellis Valuation and Cushman & Wakefield for 2022 in both Spain and France and for 2021, Jones Lang LaSalle and CB Richard Ellis Valuation in Spain and CB Richard Ellis Valuation and Cushman & Wakefield in France, so that, at the end of each period, the fair value reflects the market conditions of the investment property elements at that date. The valuation reports prepared by independent experts contain only the standard warnings and/or disclaimers concerning the scope of the findings of the appraisals carried out, referring to the comprehensiveness and accuracy of the information provided by the Group.

The Discounted Cash Flow (hereinafter, "DCF") method was primarily used to determine the market value of the Group's investment property in 2022 and 2021.

The DCF method applied over a 10-year horizon is used, in accordance with current market practices, unless the specific characteristics of the investment suggest another course of action. The cash flow is considered throughout the period on a monthly basis to reflect increases in the CPI, the timetable for future rent reviews, the maturity of operating leases, etc.

With regard the increases in the CPI, the generally accepted forecasts are normally adopted.

Given that the appraiser does not know with certainty whether there will be periods of vacancy in the future, nor their duration, their forecasts are prepared based on the quality and location of the building, and they will generally adopt an average lease period if there is no information about the future intentions of each tenant. The assumptions determined in relation to the periods of vacancy and other factors are explained in each valuation.

The resulting profitability or *Terminal Capitalisation Rate* (hereinafter, "TCR") adopted in each case refers not only to the market conditions forecast at the end of each cash flow period, but also to the rental conditions that are expected to be maintained and the physical location of the property, taking into account any possible improvements planned for the property and included in the analysis.

With regard to acceptable discount rates, conversations are regularly held with various institutions to assess their attitude towards different investment rates. This general consensus, together with the data on any sales made and market forecasts relating to variations in the discount rates, serve as starting points for the appraisers to determine the appropriate discount rate in each case.

The properties were assessed individually, considering each of the lease agreements in force at the end of the reporting period. Buildings with unlet floor space were valued on the basis of future estimated rental income, net of an estimated letting period.

The most relevant key inputs of this method for the purposes of sensitivity analysis are the determination of net income and the rate of return, especially as it is a 10-year discounted cash flow model. The other variables considered, although they are taken into account in determining fair value, are not considered to be key, and therefore no quantitative information is included, nor are they sensitised, since any possible reasonable variations would not entail a significant change in the fair values of the assets.

The estimated yields are mainly determined by the type, age and location of the properties, by the technical quality of the asset, as well as the type of tenant and occupancy rate, etc.

The detail of the yields considered, and other assumptions used in determining future cash flows in 2022 and 2021, are set out in the tables below:

Gross

Weighted Yields (%) - Offices	31 December 2022	31 December 2021
Barcelona – Prime Yield		
Portfolio in operation	4.44	4.23
Total portfolio	4.46	4.26
Madrid – Prime Yield		
Portfolio in operation	4.26	4.12
Total portfolio	4.22	4.17
Paris – Prime Yield		
Portfolio in operation	3.30	2.94
Total portfolio	3.27	2.94

Assumptions made at 31 December 2022

Rent increases (%) – Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona					
Portfolio in operation	2.0	2.75	2.5	2.5	2.5
Total portfolio	2.0	2.75	2.5	2.5	2.5
Madrid					
Portfolio in operation	2.0	3.0	2.5	2.5	2.5
Total portfolio	2.0	3.0	2.5	2.5	2.5
Paris					
Portfolio in operation	3.0	2.0	2.0	2.0	2.0
Total portfolio	3.0	2.0	2.0	2.0	2.0

Assumptions made at 31 December 2021

Rent increases (%) – Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona					
Portfolio in operation	(0.75)	2.0	4.0	2.75	2.75
Total portfolio	(0.75)	2.0	4.0	2.75	2.75
Madrid					
Portfolio in operation	(0.75)	2.5	3.5	3.0	3.0
Total portfolio	(0.75)	2.5	3.5	3.0	3.0
Paris					
Portfolio in operation	0.0	0.5	1.0	1.5	1.5
Total portfolio	0.0	0.5	1.0	1.5	1.5

In addition, developments in progress were valued using the dynamic residual method as the best approximation. This method begins with an estimate of the income yielded by the developed and fully leased property; from this value, development, planning, construction and demolition costs, professional fees, permit and marketing costs, borrowing costs and development profit, among other items, are then deducted, in order to arrive at a price that a developer might pay for the asset under development.

Sensitivity analysis of the hypotheses

A change of one-quarter of one point in yields has the following impact on the valuations used by the Group at 31 December 2022 and 2021, to determine the value of its property assets (Property, plant and equipment -own use, Investment property, inventories and assets classified as held for sale):

Thousands of euros

Sensitivity of valuations to a change of one quarter of a point in rates of return	Measurement	Decrease of one quarter of a point	Increase of one quarter of a point
December 2022	13,005,183	960,997	(826,582)
December 2021	12,436,041	960,845	(820,948)

A reconciliation between the valuations used by the Group and the carrying amounts of the headings of the statement of financial position where the valued assets are recognised, is as follows:

Thousands of euros	31 December 2022	31 December 2021
Headings of the consolidated statement of financial position		
Property, plant and equipment – Own use (Note 8)	37,538	37,241
Investment property (Note 9)	12,231,952	12,210,368
Inventory (Note 11)	87,128	60,689
Assets classified as held for sale (Note 23)	466,480	–
Lease incentives (Note 12)	104,437	76,194
Trade and other receivables - Acquired lease rights (Note 12)	73	99
Total headings of the consolidated statement of financial position	**12,927,608**	**12,384,591**
Other adjustments made to the valuation	18,600	–
Unrealised gains on assets recognised in property, plant and equipment	44,603	39,649
Unrealised gains on assets recognised in Inventory	14,372	11,801
Measurement	**13,005,183**	**12,436,041**

The income earned in 2022 and 2021 from the rental of investment property in the property segment (traditional business) amounted to 307,998 thousand euros (Note 19.1), respectively, and are recognised under “Revenue” in the consolidated income statement.

The bulk of repair and maintenance expenses incurred by the Group in connection with the operation of its investment properties is passed on to the respective tenants (Note 4.18).

Direct operating expenses associated with investment properties which generated rental income in 2022 and 2021, included under “Operating profit” in the consolidated income statement amounted to 100,742 thousand euros and 82,189 thousand euros, respectively, prior to deducting the costs passed on to the lessees. Expenses incurred in connection with investment properties that did not generate rental income were not material.

4.5 Impairment of property, plant and equipment

At each reporting date, the Group assesses the carrying amounts of its property, plant and equipment to determine if there are indications that the assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of the fair value of the asset less costs to sell or otherwise dispose of the asset and value in use. Where the asset does not generate cash inflows that are independent of those from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount; however, the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

4.6 Financial assets and liabilities

4.6.1 Financial assets

Classification

The Group classifies its financial assets in the following valuation categories:

> those that are subsequently measured at fair value (either through profit or loss or other comprehensive income); and

> assets measured at amortised cost.

The classification depends on the entity's business model for managing financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are recorded in the income statement or in other comprehensive income. For investments in equity instruments not held for trading, this depends on whether the Group made an irrevocable election at initial recognition to account for the investment in equity at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when it changes its business model to manage those assets.

Recognition and derecognition

Conventional purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group undertakes to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or are transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

On initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset that is not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets recognised at fair value through profit and loss are recognised as an expense in the income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are only the payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and on the characteristics of the asset's cash flows. There are three measurement categories in which the Group classifies its debt instruments:

> Amortised cost: Assets held for the collection of contractual cash flows when those cash flows represent only principal and interest payments are measured at amortised cost. Interest income on these financial assets is included in interest income in accordance with the effective interest rate method. Any gain or loss arising when they are derecognised is recognised directly in profit and loss. Impairment losses are presented as a separate line item in the consolidated income statement.

> Fair value through other comprehensive income: Assets held for the collection of contractual cash flows and for the sale of financial assets, when the cash flows from the assets represent only principal and interest payments, are measured at fair value through other comprehensive income. Changes in the carrying amount are taken to other comprehensive income, except for the recognition of impairment losses, interest income and exchange gains or losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit and loss and recognised in financial expenses. Interest income on these financial assets is included in interest income in accordance with the effective interest rate method. Exchange gains and losses are presented in finance costs and the impairment expense is presented as a separate line item in the consolidated income statement.

> Fair value through profit or loss: Assets that do not meet the criteria for measurement at amortised cost or at fair value through other comprehensive income are recognised at fair value through profit or loss. A profit or loss on a debt investment that is subsequently recognised at fair value through profit or loss is recognised in profit or loss and presented net in the consolidated income statement within finance costs in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. When Group management has chosen to present gains and losses in the fair value of investments in equity in other comprehensive income, there is no subsequent reclassification of gains and losses in the fair value to income following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive the payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in finance costs in the consolidated income statement when applicable. Impairment losses (and reversals of impairment losses) on investments in equity measured at fair value through other comprehensive income are not presented separately from other changes in fair value.

Impairment

The Group evaluates on a prospective basis the expected credit losses associated with its assets at amortised cost and at fair value through other comprehensive income. The method applied for impairment depends on whether there has been a significant increase in credit risk.

For trade receivables, given the composition of the Group's portfolio, which is made up of companies of acknowledged prestige and proven financial solvency, the low history of losses from debtor balances over the last 10 years, including the years of financial crisis, the Group has considered that the expected impairment of these financial assets is immaterial (Note 12).

4.6.2 Financial liabilities

Financial liabilities are accounts payable by the Group that have arisen from the purchase of goods and services in the course of the Company's business and those which, not arising from trading activities, cannot be considered to be derivative financial instruments.

Classification

The Group classifies its financial liabilities in the following valuation categories:

- Financial liabilities at amortised cost: accounts payable are initially recognised at the fair value of the consideration received, adjusted for directly attributable transaction costs. These liabilities are subsequently carried at amortised cost.

- Financial liabilities at fair value through profit or loss: these are liabilities that are acquired for the purpose of selling them in the short term. These financial liabilities are initially and subsequently measured at fair value, with changes in fair value recognised in the consolidated income statement for the year.

Recognition and derecognition

The Group derecognises financial liabilities when the obligations giving rise to them cease to exist.

The Group classifies as short-term trade payables the retentions made to regular suppliers in construction projects, which are normally due within 12 months from the completion of the projects, as they are considered to be liabilities that are incurred in the normal operating cycle of the Group's business.

4.7 Receivables

Trade receivables are carried at recoverable value, i.e., net, where applicable, of the allowances recognised to cover balances of a certain age (Note 4.6.6), whose circumstances reasonably warrant their consideration as doubtful receivables.

4.8 Cash and cash equivalents

This heading includes bank deposits, carried at the lower of cost or market value.

Financial investments that are readily convertible into a known amount of cash and that are not subject to any significant risk of changes in value are deemed to be cash equivalents.

Bank overdrafts are not considered to be cash and cash equivalents.

4.9 Own equity instruments

An equity instrument represents a residual interest in the assets of the Parent after deducting all of its liabilities.

Equity instruments issued by the Parent are recognised in equity at the proceeds received, net of direct issue costs.

Any treasury shares of the Parent acquired during the year are recognised directly as a deduction from equity at the value of the consideration paid. Any gains or losses on the acquisition, sale, issue or retirement of own equity instruments are recognised directly in equity and not in the consolidated income statement.

4.10 Provisions and contingent liabilities

When preparing the consolidated financial statements, the Parent's directors make a distinction between:

- Provisions: creditor balances covering obligations arising as a consequence of past events which could give rise to liabilities at the Group companies, the nature of which is certain but the amount and timing of which cannot be determined, and

- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of consolidated companies.

The consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised, but are disclosed in Note 17.

Provisions, which are quantified taking into consideration the best information available concerning the consequences of the events on which they are based, and which are revised at each reporting close, are recognised in order to cover the specific and likely risks for which they were originally recognised, and are fully or partially reversed if and when said risks cease to exist or are reduced.

4.11 Employee benefits

4.11.1 Termination benefits

Under current Spanish legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. Severance payments which can be reasonably quantified are recorded as an expense in the year in which the decision to terminate the contract is taken and a valid expectation regarding termination is transmitted to third parties. At 31 December 2022 and 2021, the Group did not record any provisions in this connection.

4.11.2 Pension obligations

The Parent assumed a commitment with executive directors and one member of senior management to make a defined contribution to an external pension plan that meets the requirements established by Royal Decree 1588/1999, of 15 October.

SFL maintains several defined benefit pension plans. Defined benefit obligations are calculated on a regular basis by independent actuarial experts. The actuarial assumptions used to calculate these liabilities are adapted to the situation and to applicable French legislation, in accordance with IAS 19. The actuarial cost recorded in the consolidated statement of comprehensive income in relation to these plans is the sum of the service costs for the period, the interest expense and actuarial gains and losses.

4.11.3 Share-based payments

The Group recognises the goods and services received as an asset or an expense, depending on their nature, when they are received, along with an increase in equity if the transaction is settled using equity instruments or the corresponding liability if the transaction is settled at an amount based on the value of the equity instruments.

In the case of transactions settled with equity instruments, both the services rendered and the increase in equity are measured at the fair value of the services received, unless that of the equity instruments transferred is more reliable, by reference to the grant agreement date. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liability are recognised at the fair value of the goods and services received as of the date on which the recognition requirements are met. In the case of the plans described in Note 20, it has been decided to measure them at the amount of the equity instruments transferred.

4.12 Derivative financial instruments

The Group uses financial derivatives to manage its exposure to variations in interest rates. All derivative financial instruments, whether or not they are designated as hedging instruments, are carried at fair value, market value in the case of listed securities, or using option valuation methods or discounted cash flow analysis for non-listed securities. The fair value of the derivative financial instruments is determined based on the valuations made by independent experts (Solventis A.V., S.A. in 2022 and 2021).

In accordance with IFRS 13, the Group estimated its own credit risk and that of the counterparty in the measurement of its derivative portfolio.

The Group's use of financial derivatives is governed by a set of approved risk management policies and hedges.

The following measurement base was used to recognise each of the following:

- Cash flow hedges: fair value gains or losses arising on transactions which classify for hedge accounting are recognised, net of taxes, directly in consolidated comprehensive income, under "Gains/(losses) on hedging instruments", until the underlying or expected transaction occurs, at which point they are reclassified, where appropriate, to "Finance costs" or "Finance income" in the consolidated statement of comprehensive income. Any valuation gains and losses on the ineffective portion of the hedge are recognised directly as financial profit or loss in the consolidated income statement.

- Treatment of financial instruments that are not allocated to a specific liability and do not qualify for hedge accounting: gains or losses arising from the restatement at fair value of these financial instruments are recognised directly as financial profit or loss in the consolidated income statement.

Hedge accounting is discontinued when a hedging instrument expires or is sold or exercised, or when the hedge no longer qualifies for hedge accounting. Gains or losses on hedging instruments recognised in consolidated comprehensive income remain under this heading until the related transaction is performed. Once the related cash flow occurs, any cumulative gain or loss recognised in consolidated comprehensive income is transferred to consolidated net profit or loss for the year. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other consolidated comprehensive income is transferred to consolidated comprehensive net profit or loss for the year.

Prospective and retrospective testing for hedging instrument effectiveness is carried out on a monthly basis:

- Retrospective tests measure how effectively the derivative instrument would have hedged the liability over its life, using historical interest rates to date.

- Prospective tests measure the instrument's expected effectiveness on the basis of forward interest rates as published by Bloomberg at the measurement date. This is adjusted monthly from the inception of the hedge on the basis of the historical interest rates already established.

The method used to determine the effectiveness of hedging financial instruments consists of calculating the statistical correlation between the reference interest rates at each fixing date of the derivative and the related hedged liability.

4.13 Current/non-current

The ordinary operating cycle is defined as the period from the acquisition of the assets used to carry on the Group's lines of business to the date that they are turned into cash or cash equivalents.

The Group's main business is its rentals business, for which it is considered that the normal cycle of its operations corresponds to the calendar year; hence, assets and liabilities maturing at less than one year are classified as current and those maturing at over one year are classified as non-current.

Bank borrowings are classified as non-current if the Group has the irrevocable right to make payments after twelve months from the end of the reporting period.

4.14 Income tax expense

The expense for Spanish corporate income tax and similar taxes applicable to consolidated foreign operations is recognised in the consolidated statement of comprehensive income, except when the tax expense is generated by a transaction whose gains or losses are taken directly to equity, in which case the corresponding tax is also recognised in equity.

Income tax expense is the sum of the tax payable on profit for the year and the variation in recognised deferred tax assets and liabilities.

Corporate income tax expense for the year is calculated based on taxable profit for the year, which differs from the net profit or loss presented in the consolidated statement of comprehensive income because it excludes certain taxable profit and deductible expenses from prior years, as well as other exempt items. The Group's current tax liabilities are calculated using tax rates that have been enacted or substantively enacted by the reporting date.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised in the consolidated statement of financial position to the extent that it has become probable that they will be recovered through future taxable profits. In accordance with IAS 12, changes in deferred tax assets and liabilities caused by changes in tax rates or tax laws are recognised in the consolidated statement of comprehensive income for the year in which these changes are approved.

In accordance with IAS 12, when measuring deferred tax liabilities the Group reflects the tax consequences that would arise from the manner in which the carrying amount of its assets is expected to be recovered or settled. In this regard, for deferred tax liabilities that arise from investment properties that are measured using the IAS 40 fair value model, there is a rebuttable presumption that their carrying amount will be recovered through their sale. Consequently, the deferred tax liabilities arising from the Group's investment properties located in Spain were calculated by applying a tax rate of 25%, less any existing tax credits not recognised at 31 December 2022 for non-SOCIMI assets, as well as for capital gains on SOCIMI assets existing at the time of adoption of the SOCIMI regime. The effective tax calculation rate was therefore 18.75%.

Until 31 December 2016, the Parent was the head of a group of companies filing consolidated tax returns under tax group no. 6/08.

4.14.1 REIT regime

Effective as of 1 January 2017, the tax system of the Parent and the majority of its Spanish subsidiaries is governed by Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December, governing listed real estate investment trusts (REITs). Article 3 establishes the investment requirements of this type of company, namely:

1. REITs must have invested at least 80% of the value of their assets in urban properties earmarked for lease, in land to develop properties to be earmarked for that purpose, provided that development begins within three years following their acquisition, and in equity investments in other companies referred to in Article 2.1 of the aforementioned Law.

   The value of the asset is calculated based on the average of the quarterly individual balance sheets of the year. To calculate this value, the REIT may opt to substitute the carrying amount for the fair value of the items contained in these balance sheets, which will apply to all the balance sheets of the year. Any money or collection rights arising from the transfer of the aforementioned properties or investments made in the year or in prior years will not be included in the calculation unless, in the latter case, the reinvestment period referred to in Article 6 of the aforementioned Law has expired.

   This percentage must be calculated on the average of the consolidated balances if the company is the parent of a group, in accordance with the criteria established in Article 42 of the Spanish Commercial Code, regardless of its place of residence and of the obligation to formally prepare consolidated financial statements. Such a group must be composed exclusively of the REITs and the other entities referred to in Article 2.1 of the aforementioned Law.

2. Similarly, at least 80% of the rental income from the tax period corresponding to each year, excluding the rental income arising from the transfer of the ownership interests and the properties used by the company to achieve its main corporate purpose, once the holding period referred to below has elapsed, should be obtained from the lease of properties and dividends or shares of profits arising from the aforementioned investments.

   This percentage must be calculated based on the consolidated balances if the company is the parent of a group, in accordance with the criteria established in Article 42 of the Spanish Commercial Code, regardless of its place of residence and of the obligation to formally prepare consolidated financial statements. Such a group must be composed exclusively of the REITs and the other entities referred to in Article 2.1 of the aforementioned Law.

3. The properties included in the REIT's assets should remain leased for at least three years. The time during which the properties have been made available for lease will be included in calculating this term, with a maximum of one year.

The term will be calculated:

a) For properties that are included in the REIT's assets before the company avails itself of the regime, from the beginning of the first tax period in which the special tax regime set forth in this Law is applied, provided that the property is leased or offered for lease at that date. Otherwise the following shall apply.

b) For properties developed or acquired subsequently by the REIT, from the date on which they were leased or made available for lease for the first time.

c) In the case of shares or ownership interests in the companies referred to in Article 2.1 of this Law, they should be retained on the asset side of the REIT's balance sheet for at least three years following their acquisition or, as appropriate, from the beginning of the first tax period in which the special tax regime set forth in this Law is applied.

As established in transitional provision one of Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, governing listed real estate investment companies, these companies may opt to apply the special tax regime under the terms and conditions established in Article 8 of this Law, even if it does not meet the requirements established therein, provided that such requirements are met within two years after the date of the option to apply that regime.

Failure to meet this condition will require the REIT to file income tax returns under the general tax regime from the tax period in which the aforementioned condition is not met. The REIT will also be obliged to pay, together with the amount relating to the aforementioned tax period, the difference between the amount of tax payable under the general tax regime and the amount paid under the special tax regime in the previous tax periods, including any applicable late-payment interest, surcharges and penalties.

The corporate income tax rate for REITs is set at 0% However, where the dividends that the REIT distributes to its shareholders holding an ownership interest equal to or exceeding 5% are exempt from tax or are subject to a tax rate lower than 10%, at the main office of this shareholder, the REIT shall be subject to a special charge of 19%, which shall be considered to be the income tax charge, on the amount of the dividend distributed to these shareholders. If applicable, this special charge must be paid by the REIT within two months after the dividend distribution date.

SOCIMIs are obliged to distribute 80% of ordinary profits, 50% of the profits derived from the transfer of real estate or shares that have met the maintenance requirement, as dividends on an annual basis, provided that the other 50% is reinvested in eligible assets within a period of three years; if the other 50% is not reinvested within this period, such profits must be distributed in full together with "ordinary" profits, if any, arising from the year in which the reinvestment period ends and 100% of the profit from dividends from companies qualifying as qualifying investments (SOCIMIs and/or REITs).

4.14.2 SIIC regime – SFL subgroup

Since 1 January 2003, the SFL subgroup companies have filed tax returns under the French tax regime applicable to listed real estate investment companies ("the SIIC regime"). This regime enabled the assets allocated to the rental business to be recognised at market value at the date on which it availed itself of this tax regime, currently subject to a tax rate of 19% ("exit tax"), payable within a period of four years, on the capital gains recognised.

This regime affects only real estate activities, and is not applicable to companies engaged in sales and services, such as Segpim, S.A. and Locaparis SAS in the SFL subgroup, to properties under finance leases (unless the lease is cancelled early) or to the subgroups and investees in conjunction with third parties.

This regime affords the SFL subgroup an exemption from taxes on earnings generated from its rental business and on capital gains obtained from the sale of properties, provided that 95% of profit from that activity, 70% of the capital gains obtained from property sales of companies under this regime are distributed each year in the form of dividends and 100% of dividends.

4.15 Income and expense

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

However, in accordance with the accounting principles established in the EU-IFRS conceptual framework, the Group recognises revenue when it is earned together with all the necessary associated expenses. The sale of goods is recognised when the goods have been delivered and ownership transferred.

Interest income is accrued on a time proportion basis, according to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the future cash receipts estimated over the expected life of the financial asset from the asset's carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established, i.e. when shareholders at the Annual General Meetings of the subsidiaries approve the distribution of the corresponding dividend.

4.15.1 Property leases

In accordance with IFRS 16, leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred to the lessee. Other leases are classified as operating leases. In this regard, at 31 December 2022 and 2021, all the Group's leases qualified as operating leases.

4.15.2 Property leases-Lessor

Revenue from operating leases is recognised as income on a straight-line basis over the term of the lease, and the initial direct costs incurred in arranging these operating leases are taken to the consolidated income statement on a straight-line basis over the minimum term of the lease agreement.

The minimum term of a lease is considered to be the time elapsed from the start of the lease to the first option for renewing the lease.

In relation to the amendment to IFRS 16 arising from the situation generated by the pandemic, the Group has considered the aid granted to lessees as amendments to the initial contract, recording them as a rent incentive, except for minor cases, in which they have been recorded directly against the consolidated income statement, reducing the net amount of the turnover.

4.15.3 Specific lease terms and conditions: lease incentives

Lease agreements include certain specific conditions linked to incentives or rent-free periods offered by the Group to its clients. The Group recognises the aggregate cost of incentives granted as a reduction in rental income of the lease. The effects of the rent-free periods are recognised during the minimum term of the lease on a straight-line basis.

Indemnity payments made by lessees to cancel their leases prior to their minimum termination date are also recognised as income in the consolidated income statement on the date on which they become due and payable to the Group.

4.15.4 Property leases-Lessee

Leases are recognised as a right-of-use asset and the corresponding liability is posted on the date on which the leased asset is available for use by the Group. Each lease payment is allocated between liabilities and interest expense. The financial expense is charged to profit or loss over the term of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The right-of-use asset is amortised over the shorter of the asset's useful life or the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including fixed payments in substance), less any incentive for lease receivables,
- variable lease payments that depend on an index or rate,
- amounts the lessee is expected to pay as residual value guarantees,
- the exercise price of a call option if the lessee is reasonably certain that it will exercise the option, and
- penalty payments on termination of the lease, if the term of the lease reflects the exercise by the lessee of that option.

Lease payments are discounted using the interest rate implied in the lease. If that rate cannot be determined, the incremental rate of borrowing is used, being the rate that the lessee would have to pay to borrow the necessary funds to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost which includes the following:

- the amount of the initial measurement of the lease liability,
- any lease payments made on or before the start date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments under short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less.

In relation to the amendment to IFRS 16 as a result of the situation generated by the pandemic, the Parent has considered the aid received from the lessors of spaces leased by its subsidiary Utopicus as if it were a variable lease payment, recognising its impact directly against the consolidated income statement.

4.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of property developments or inventory (Notes 9, 11 and 19.8.1), which require preparation during a significant period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

4.17 Consolidated statement of cash flows (indirect method)

The following terms are used in the consolidated statement of cash flows with the meanings specified:

> Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to insignificant risk of changes in value.

> Operating activities: the principal revenue-producing activities and other activities that are not investing or financing activities.

> Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.

> Financing activities: non-operating activities that result in changes in the size and composition of equity and liabilities.

4.18 Costs passed on to lessees

In accordance with EU-IFRS, the Group does not consider the costs incurred by lessees from its investment properties as revenue and they are recognised, less the corresponding costs, in the consolidated income statement. The amounts passed on for these items in 2022 and 2021 amounted to 67,726 thousand euros and 58,129 thousand euros, respectively.

4.19 Transactions with related parties

All the Group's transactions with related parties are at arm's length. Transfer prices are adequately supported, and consequently the Parent's directors consider that no significant risks exist in this respect from which significant liabilities could arise in the future.

4.20 Assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, the assets are available for immediate sale and the sale is highly probable and will occur no more than twelve months after classification of the asset as held for sale. The Group classifies assets classified as held for sale when there is a formal decision by the board of directors or the executive committee and the sale is expected to be completed within 12 months.

They are measured at the lower of carrying amount and fair value less costs to sell, except for deferred tax assets, assets arising from employee benefits, financial assets, investment property carried at fair value and contractual rights under insurance contracts, which are specifically exempted from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated while they are classified as held for sale, but interest and other expenses attributable to the liabilities of a disposal group that is classified as held for sale continue to be recognised.

Non-current assets (or disposal groups) are presented separately from other assets in the consolidated statement of financial position, both assets classified as held for sale and assets of a disposal group classified as held for sale under "Assets classified as held for sale". Liabilities that form part of a disposal group classified as held for sale are also presented separately from other liabilities in the consolidated statement of financial position under "Liabilities associated with assets classified as held for sale". These assets and liabilities shall not be offset or presented as a single amount.

4.21 Inventory

Inventories, consisting of land, developments in progress and completed developments, are stated at cost, with appropriate impairment losses recognised when the net realisable value is lower than cost.

The cost includes the acquisition costs and the direct and indirect costs necessary for their construction, as well as the financial expenses incurred in the financing of the works while they are under construction, provided that this process lasts more than one year.

Prepayments made in connection with call options on properties are recognised as inventory prepayments and it is assumed that expectations regarding the conditions enabling their exercise will be met.

The market value is determined periodically through independent expert valuations. Possible valuation results are recorded according to the same valuation assumptions as described in Note 4.4.

4.22 Fair value hierarchy

Financial assets and liabilities measured at fair value are classified according to the following hierarchy established in IFRS 7 and IFRS 13:

> Level 1: Inputs are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

> Level 2: Inputs are based on quoted prices for similar assets or liabilities in active markets (not included in level 1), prices quoted for identical or similar assets or liabilities in markets that are not active, techniques based on valuation models for which all relevant inputs are observable in the market or can be corroborated by observable market data.

> Level 3: In general, inputs are unobservable and reflect estimates based on market assumptions to determine the price of the asset or liability. Unobservable data used in the valuation models are significant in the fair values of the assets and liabilities.

In accordance with IFRS 13, the Group estimated the bilateral credit risk in order to reflect both its own risk and the counterparty risk on the fair value of its derivatives (Note 4.12). Credit risk at 31 December 2022 and 2021 was not considered to be material.

The detail of the Group's financial assets and liabilities measured at fair value according to the aforementioned levels is as follows:

31 December 2022

Thousands of euros	Level 1	Level 2	Level 3
Assets			
Other L/T financial instruments (Note 10)	–	–	2,760
Derivative financial instruments (Note 15):			
Classified as hedges	–	277,262	–
Not classified as hedges	–	–	–
Total assets	**–**	**277,262**	**2,760**
Liabilities			
Derivative financial instruments:			
Classified as hedges	–	233	–
Not classified as hedges	–	–	–
Total liabilities (Note 15)	**–**	**233**	**–**

31 December 2021

Thousands of euros	Level 1	Level 2	Level 3
Assets			
Derivative financial instruments:			
Classified as hedges	–	14,775	–
Not classified as hedges	–	–	–
Total assets (Note 15)	**–**	**14,775**	**–**
Liabilities			
Derivative financial instruments:			
Classified as hedges	–	–	–
Not classified as hedges	–	–	–
Total liabilities (Note 15)	**–**	**–**	**–**

5. Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the Parent (after tax and non-controlling interests) by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares.

Diluted earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the Parent (after tax and non-controlling interests) by the weighted average number of shares outstanding plus all dilutive effects inherent in potential ordinary shares.

Both at 31 December 2022 and 2021, there were no instruments that may have had a significant diluting effect on the Parent's average number of ordinary shares.

The long-term remuneration plans of the Parent Company are settled with shares that the Parent Company holds as treasury shares in advance. Such deliveries of shares have no relevant or material effect on diluted earnings per share (Note 20).

Details of the calculation of basic and diluted earnings per share are as follows:

Thousands	2022	2021
Net consolidated profit attributable to equity holders of the parent (thousands of euros)	7,979	473,842
Average number of ordinary shares outstanding excluding treasury shares (thousands)	531,429	515,705
Basic earnings per share (in euros)	**0.02**	**0.92**
Net consolidated profit attributable to equity holders of the parent (thousands of euros)	7,979	473,842
Average number of potential common shares outstanding (thousands)	531,429	515,705
Diluted earnings per share (in euros)	**0.02**	**0.92**

The calculation of the average number of ordinary shares outstanding or potential shares outstanding is as follows:

Thousands of shares	2022	2021
Ordinary shares outstanding at the beginning of the period	539,616	508,115
Average adjustment of own shares	(8,187)	(4,615)
Average adjustment for outstanding ordinary shares (excluding treasury shares)	–	12,205
Average number of ordinary shares outstanding excluding treasury shares	**531,429**	**515,705**
Impact of dilution on the average number of ordinary shares	–	–
Average number of potential common shares outstanding	**531,429**	**515,705**

There have been no transactions involving ordinary shares or potential ordinary shares other than those recorded between the closing date at 31 December 2022 and the preparation of the consolidated financial statements that would significantly change the number of ordinary shares or potential ordinary shares outstanding at the end of the period.

6. Segment reporting

6.1 Segmentation criteria

Segment reporting is organised, first, on the basis of the Group's business segments, and, secondly, by geographical segment.

The business lines described below have been defined in line with the Group's organisational structure at 31 December 2022 and 2021, which has been used by the Group's management to analyse the financial performance of the various operating segments.

The rentals segment (or traditional business) includes activities associated with office rentals, while the flexible business segment includes the activities associated with coworking or flexible office spaces.

6.2 Basis and methodology for business segment reporting

The segment information below is based on monthly reports prepared by Group management, generated using the same computer application that prepares all of the Group's accounting data.

Segment revenue comprises revenue directly attributable to each segment, as well as gains from the sale of investment properties. Segment revenue excludes both interest and dividend income.

Segment expenses comprise operating expenses directly attributable to each segment and losses on the sale of investment properties. Allocated expenses do not include interest, the income tax expense or general administrative expenses incurred in the provision of general services that are not directly allocated to any business segment.

Segment assets and liabilities are those directly related to the segment's operating activities. The Group has no set criteria for allocating borrowings or equity by business segment. Borrowings are attributed in full to the "Corporate Unit".

Segment information for these businesses is as follows:

2022 segment reporting

	Rentals (Traditional business)							
Thousands of euros	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible business	Corporate unit	Total Group
Income								
Revenue (Note 19.1)	44,569	98,201	204,517	–	347,287	14,326	–	**361,613**
Other income (Note 19.2)	–	101	6,065	–	6,166	–	3,138	**9,304**
Gains on sales of assets (Note 19.5)	2	6,376	(440)	–	5,938	–	–	**5,938**
Changes in value of investment property (Note 19.7)	(75,842)	(110,287)	38,636	–	(147,493)	–	–	**(147,493)**
Gains/(losses) on changes in value of assets due to impairment (Note 19.6)	(40)	(657)	–	–	(697)	(677)	743	**(631)**
Operating profit/(loss)	(38,141)	(19,300)	238,209	–	180,768	4,914	(57,456)	**128,226**
Financial profit (Note 19.8)	–	–	–	–	–	–	(86,234)	**(86,234)**
Profit before tax	–	–	–	–	–	–	41,992	**41,992**
Consolidated net profit	–	–	–	–	–	–	49,618	**49,618**
Net profit attributable to non-controlling interests (Note 13.6)	–	–	–	–	–	–	(41,639)	**(41,639)**
Net profit/(loss) attributable to shareholders of the Parent (Note 5)	–	–	–	–	–	–	7,979	**7,979**

The most significant transactions between segments in the year 2022 were as follows:

Thousands of euros	Traditional business	Flexible business	Corporate unit	Total Group
Income				
Revenue	8,814	–	–	**8,814**
Operating profit/(loss)	–	(8,814)	–	**(8,814)**

None of the Group's customers represented more than 10% of income from ordinary activities.

Thousands of euros	Rentals (Traditional business)					Flexible business	Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total rentals			
Assets								
Goodwill	–	–	–	–	–	–	–	**–**
Intangible assets, right-of-use assets, property, plant and equipment, investment property, assets classified as held for sale and inventories (Notes 7, 8, 9, 11 and 23)	1,481,172	3,195,551	8,109,831	–	12,786,554	31,235	44,862	**12,862,651**
Financial assets	8,654	17,127	15,351	–	41,132	1,988	423,468	**466,588**
Other non-current assets	–	–	–	–	–	–	84,375	**84,375**
Trade receivables and other current assets	–	–	–	–	–	–	55,999	**55,999**
Total assets	**1,489,826**	**3,212,678**	**8,125,182**	**0**	**12,827,686**	**33,223**	**608,704**	**13,469,613**

Thousands of euros	Rentals (Traditional business)					Flexible business	Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total rentals			
Liabilities								
Bank borrowings and other financial liabilities (Note 14)	–	–	–	–	–	–	513,861	**513,861**
Bonds and similar securities issued (Note 14)	–	–	–	–	–	–	4,493,391	**4,493,391**
Issuance of promissory notes (Note 14)	–	–	–	–	–	–	409,000	**409,000**
Derivative financial instruments (Note 15)	–	–	–	–	–	–	233	**233**
Lease liabilities (Note 7)	–	–	–	–	–	19,566	–	**19,566**
Operating liabilities (suppliers and payables)	–	–	–	–	–	–	168,954	**168,954**
Liabilities associated with assets classified as held for sale	–	75,700	–	–	75,700	–	–	**75,700**
Other liabilities	–	–	–	–	–	–	446,248	**446,248**
Total liabilities	**–**	**75,700**	**–**	**–**	**75,700**	**19,566**	**6,031,687**	**6,126,953**

Thousands of euros	Rentals (Traditional business) Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible business	Corporate unit	Total Group
Other information								
Investments in non-current assets, intangible assets, property, plant and equipment, investment property, inventories and assets classified as held for sale	34,090	103,239	116,587	–	253,916	2,800	2,916	**259,632**
Depreciation and amortisation	(32)	(11)	(326)	–	(369)	(4,629)	(3,990)	**(8,988)**
Expenses that do not entail outflows of cash other than the depreciation and amortisation for the year:								
Changes in provisions (Note 19.4)	(49)	(19)	304	–	236	21	(777)	**(520)**
Changes in value of investment property (Note 19.7)	(75,842)	(110,287)	38,636	–	(147,493)	–	–	**(147,493)**
Gains/(losses) on changes in value of assets due to impairment (Note 19.6)	(40)	(657)	–	–	(697)	(677)	743	**(631)**

2021 segment reporting

Thousands of euros	Rentals (Traditional business) Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible business	Corporate unit	Total Group
Income								
Revenue (Note 19.1)	41,793	89,899	174,634	1,672	307,998	8,721	–	**316,719**
Other income (Note 19.2)	4	9	3,402	–	3,415	–	1,915	**5,330**
Gains on sales of assets (Note 19.5)	(1,537)	(102)	108	270	(1,261)	–	–	**(1,261)**
Changes in value of investment property (Note 19.7)	46,106	143,031	255,177	(88)	444,226	–	–	**444,226**
Gains/(losses) on changes in value of assets due to impairment (Note 19.6)	(226)	(827)	–	25	(1,028)	(228)	244	**(1,012)**
Operating profit/(loss)	80,083	219,653	425,939	4,071	729,746	(924)	(54,414)	**674,408**
Financial profit (Note 19.8)	–	–	–	–	–	–	(111,034)	**(111,034)**
Profit before tax	–	–	–	–	–	–	563,374	**563,374**
Consolidated net profit	–	–	–	–	–	–	566,907	**566,907**
Net profit attributable to non-controlling interests (Note 13.6)	–	–	–	–	–	–	(93,065)	**(93,065)**
Net profit/(loss) attributable to shareholders of the Parent (Note 5)	–	–	–	–	–	–	473,842	**473,842**

The most significant transactions between segments in the year 2021 were as follows:

Thousands of euros	Traditional business	Flexible business	Corporate unit	Total Group
Income				
Revenue	7,290	–	–	**7,290**
Operating profit/(loss)	–	(7,290)	–	**(7,290)**

None of the Group's customers represented more than 10% of income from ordinary activities.

	Rentals (Traditional business)							
Thousands of euros	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible business	Corporate unit	Total Group
Assets								
Goodwill	–	–	–	–	–	–	–	**–**
Intangible assets, right-of-use assets, property, plant and equipment, investment property, assets classified as held for sale and inventories (Notes 7, 8, 9, 11 and 23)	1,522,996	3,232,366	7,497,284	19,765	12,272,411	32,974	44,730	**12,350,115**
Financial assets	8,388	17,092	4,346	273	30,099	1,725	228,198	**260,022**
Other non-current assets	–	–	–	–	–	–	56,073	**56,073**
Trade receivables and other current assets	–	–	–	–	–	–	61,314	**61,314**
Total assets	**1,531,384**	**3,249,458**	**7,501,630**	**20,038**	**12,302,510**	**34,699**	**390,315**	**12,727,524**

	Rentals (Traditional business)							
Thousands of euros	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible business	Corporate unit	Total Group
Liabilities								
Bank borrowings and other financial liabilities (Note 14)	–	71,124	–	–	71,124	–	1,147	**72,271**
Bonds and similar securities issued (Note 14)	–	–	–	–	–	–	4,593,662	**4,593,662**
Issuance of promissory notes (Note 14)	–	–	–	–	–	–	257,000	**257,000**
Derivative financial instruments (Note 15)	–	–	–	–	–	–	–	**–**
Lease liabilities (Note 7)	–	–	–	–	–	20,996	–	**20,996**
Operating liabilities (suppliers and payables)	–	–	–	–	–	–	135,808	**135,808**
Other liabilities	–	–	–	–	–	–	463,358	**463,358**
Total liabilities	**–**	**71,124**	**–**	**–**	**71,124**	**20,996**	**5,450,975**	**5,543,095**

Thousands of euros	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible business	Corporate unit	Total Group
Other information								
Investments in non-current assets, intangible assets, property, plant and equipment, investment property, inventories and assets classified as held for sale	86,323	78,443	160,393	205	325,364	2,117	1,791	329,272
Depreciation and amortisation	(29)	(854)	(312)	–	(1,195)	(4,124)	(2,793)	(8,112)
Expenses that do not entail outflows of cash other than the depreciation and amortisation for the year:								
Changes in provisions (Note 19.4)	(87)	475	(613)	(45)	(270)	169	(657)	(758)
Changes in value of investment property (Note 19.7)	46,106	143,031	255,177	(88)	444,226	–	–	444,226
Gains/(losses) on changes in value of assets due to impairment (Note 19.6)	(226)	(827)	–	25	(1,028)	(228)	244	(1,012)

7. Leases

The subsidiary Utopicus rents several offices as a lessee. Rental contracts are normally made for fixed terms of 4 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Leases do not impose covenants, but the leased assets cannot be used as collateral for loans.

7.1 Right-of-use assets

Thousands of euros	31 December 2022	31 December 2021
Property, plant and equipment	16,899	18,886
Right-of-use assets	**16,899**	**18,886**

7.2 Deferred taxes relating to rights of use

Thousands of euros	Note	31 December 2022	31 December 2021
Deferred tax assets relating to rights of use	18.5	289	528
Deferred taxes relating to rights of use		**289**	**528**

7.3 Lease liabilities

Thousands of euros	31 December 2022	31 December 2021
Non-current lease liabilities	16,162	17,737
Current lease liabilities	3,404	3,259
Lease liabilities	**19,566**	**20,996**

7.4 Operating leases as lessee

The subsidiary Utopicus has agreed under contract the following minimum lease payments with the lessors in accordance with the contracts in force, taking into account the impact of expenses, future CPI increases and other agreed rent updates:

Thousands of euros	2022	2021
Up to 12 months	2,463	3,181
Between 1 and 5 years	4,177	5,834
More than 5 years	–	869
Total minimum operating lease payments - as lessee	**6,640**	**9,884**

These amounts relate to the leases signed by the subsidiary Utopicus for the premises where it carries out its business.

7.5 Impacts on consolidated income statement

The impacts on the consolidated income statement are presented in the following table:

Thousands of euros	31 December 2022	31 December 2021
Depreciation and amortisation	(2,780)	(2,325)
Restated finance costs	(1,233)	(792)
Total	**(4,013)**	**(3,117)**

8. Property, plant and equipment

The changes in this caption of the consolidated statement of financial position have been the following:

Thousands of euros	Note	Property for own use	Other property, plant and equipment	Total
Balance at 31 December 2020		**37,495**	**19,246**	**56,741**
Acquisition cost		*43,365*	*30,945*	*74,310*
Accumulated depreciation and amortisation		*(4,858)*	*(11,699)*	*(16,557)*
Accumulated impairment		*(1,012)*	*–*	*(1,012)*
Additions		39	2,246	2,285
Depreciation charge		(562)	(2,521)	(3,083)
Disposals acquisition cost		–	(531)	(531)
Disposals accumulated depreciation		–	314	314
Transfers acquisition cost		–	(829)	(829)
Transfers accumulated depreciation		–	(4)	(4)
Impairment	19.6	269	–	269
Balance at 31 December 2021		**37,241**	**17,921**	**55,162**
Acquisition cost		*43,404*	*31,831*	*75,235*
Accumulated depreciation and amortisation		*(5,420)*	*(13,910)*	*(19,330)*
Accumulated impairment		*(743)*	*–*	*(743)*
Additions		115	3,928	4,043
Depreciation charge		(561)	(3,374)	(3,935)
Disposals acquisition cost		–	(2,414)	(2,414)
Disposals accumulated depreciation		–	2,414	2,414
Impairment	19.6	743	(703)	40
Balance at 31 December 2022		**37,538**	**17,772**	**55,310**
Acquisition cost		*43,519*	*33,345*	*76,864*
Accumulated depreciation and amortisation		*(5,981)*	*(14,870)*	*(20,851)*
Accumulated impairment		*–*	*(703)*	*(703)*

At 31 December 2022 and 2021, the Group used two floors of the building located at Avenida Diagonal, 530, in Barcelona, one floor of the building located at Paseo de la Castellana, 52, in Madrid, and one floor of the building located at 42, rue Washington in Paris for its own use, while the rest of these buildings are rented out. The cost of buildings earmarked for the Group's own use is recognised under "Properties for own use".

At 31 December 2022, it became evident that an impairment reversal in the amount of 40 thousand euros had to be recognised, evidenced by the appraisals performed by independent experts (Note 4.3). In 2021, an impairment loss of 269 thousand was recognised on the value of the assets.

In 2022 no assets were derecognised due to being replaced (2021: 217 thousand euros).

9. Investment property

The changes in this caption of the statement of financial position were:

Thousands of euros	Note	2022	2021
Beginning balance		**12,183,368**	**11,516,120**
Additions for subsequent capitalised disbursements		226,970	**263,660**
Additions arising from acquisitions		–	**52,561**
Additions to the scope of consolidation	2.6	485,145	**–**
Sale or disposal by other means	19.5	(26,136)	**(27,581)**
Assets classified as held for sale	23	(489,205)	**(61,503)**
Net gain/(loss) from fair value adjustments	19.7	(147,493)	**441,134**
Other entries	19.6	(697)	**(1,023)**
Ending balance		**12,231,952**	**12,183,368**

9.1 Movements in 2022

Additions for subsequent capitalised disbursements correspond to investments made in real estate assets, both in development and in operation, amounting to 226,970 thousand euros, including 9,017 thousand euros of capitalised financial expenses.

In February, SFL acquired 100% of the shares of SCI Pasteur 123, owner of a property in Paris, resulting in a capital gain of 485,145 thousand euros (Note 2.6).

In 2022, the Parent disposed of two properties and one premises in Madrid for a total sale price of 31,624 thousand euros, which resulted in a gain of 4,809 thousand euros in the consolidated income statement, including the indirect costs of the sale.

In 2022, properties were reclassified to the “Assets classified as held for sale” heading in the condensed consolidated statement of financial position, for a total of 489,205 thousand euros.

The other entries correspond to assets amounting to a total of 697 thousand euros being derecognised due to being replaced.

9.2 Movements in 2021

Additions for subsequent capitalised disbursements corresponded to investments made in real estate assets, both in development and in operation, amounting to 263,660 thousand euros, including 11,937 thousand euros of capitalised financial expenses.

In 2021, the Parent acquired a property in Barcelona for 47,454 thousand euros, including purchase costs. It also executed the third and last purchase option for the acquisition of one floor of a building in Madrid for a total amount of 5,107 thousand euros, including purchase costs, which implied a write-off, disposal or other disposition of the advance recorded in prior years of 500 thousand euros.

In addition, an office building was disposed of for a total sale price of 27,200 thousand euros, which resulted in a loss of 1,567 thousand euros, including indirect sale costs, being recognised in the consolidated income statement.

In 2021, properties were reclassified to the “Assets classified as held for sale” heading in the condensed consolidated statement of financial position, for a total of 61,503 thousand euros.

The other entries corresponded to assets amounting to a total of 1.023 thousand euros being derecognised due to being replaced.

9.3 Changes in value of investment property

The "Changes in value of investment property" heading in the consolidated income statement includes the results from the revaluation of investment property, according to valuations by independent experts as of 31 December 2022 and 2021 (Notes 4.4 and 19.7).

9.4 Capitalised financial costs

The details of borrowing costs plus cost of investment property is shown in Note 19.8.1.

9.5 Other information

The total surface area (above and under-ground) of investment property and projects under development is as follows:

Total surface area (sqm) of investment property

	Investment property		Investment property in progress (**)		Total	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Barcelona (*)	356,748	332,666	33,390	55,879	390,138	388,545
Madrid	553,118	601,938	157,997	196,643	711,115	798,581
Rest of Spain	–	16,901	–	23,557	–	40,458
Paris (*)	391,249	341,634	73,871	79,687	465,120	421,321
	1,301,115	**1,293,139**	**265,258**	**355,766**	**1,566,373**	**1,648,905**

(*) For 2022 and 2021, 100% of the surface area of the properties whose companies have been consolidated using the full consolidation method is included.
(**) They do not include 20,276 sqm of surface area of the subsidiary Peñalvento, since the asset is classified under "Inventories" (Note 11), and the areas of 101,501 sqm and 8.347 sqm, relating to 2022 and 2021, respectively, of property assets recorded under "Assets classified as held for sale" (Note 23).

As at 31 December 2022, the Group has pledged an asset to secure a mortgage loan with a carrying amount of 185,000 thousand euros, as security for a debt of 75,700 thousand euros (Note 14.7). At 31 December 2021, the corresponding balances were 169,961 thousand euros and 75,700 thousand euros, respectively.

10. Non-current financial assets

The changes in this caption of the consolidated statement of financial position have been the following:

Thousands of euros	31 December 2021	Inclusions	Disposals	31 December 2022
Deposits and guarantees given	26,296	304	–	26,600
Total non-current financial assets at amortised cost	**26,296**	**304**	**–**	**26,600**
Other financial instruments	–	2,760	–	2,760
Total non-current financial assets at fair value	**–**	**2,760**	**–**	**2,760**
Total non-current financial assets	**26,296**	**3,064**	**–**	**29,360**

Thousands of euros	31 December 2020	Inclusions	Disposals	31 December 2021
Deposits and guarantees given	29,047	–	(2,751)	26,296
Total non-current financial assets at amortised cost	**29,047**	**–**	**(2,751)**	**26,296**

Long-term deposits and guarantees basically comprise deposits made with the official bodies in each country for deposits collected for property leases, in accordance with prevailing legislation.

On 11 February 2022, the Parent acquired an interest in Fifth Wall Real State Technology amounting to 2,760 thousand euros.

11. Inventory

The composition of this caption in the consolidated statement of financial position is as follows:

Thousands of euros	31 December 2022	31 December 2021
Beginning balance	**60,689**	**52,409**
Additions	26,439	8,280
Ending balance	**87,128**	**60,689**

Inventories correspond to the office building that the Group is developing for a third party. On 3 October 2018, the Parent entered into a sale and purchase agreement, subject to a condition precedent, for 100% of the shares in the subsidiary Peñalvento. The contract provides for the sale and purchase to be completed during 2023, provided that the conditions precedent have been fulfilled. The Group received a total of 28,287 thousand euros in prepayments (see Note 16.3).

Details of finance costs capitalised as a cost of inventories are given in Note 19.8.1.

12. Trade receivables and other non-current assets

The composition of this current asset heading in the consolidated statement of financial position is as follows:

		31 December 2022		31 December 2021	
Thousands of euros	Note	Current	Non-Current	Current	Non-Current
Trade receivables for sales and services	12.1	19,220	–	17,306	–
Trade receivables for sale of properties	12.2	225	–	849	–
Accrual of lease incentives	12.3	20,572	83,865	20,817	55,377
Other receivables	12.4	2,266	–	89,104	–
Other assets		1,941	–	3,029	–
Impairment of receivables					
Trade receivables for sales and services		(6,595)	–	(7,875)	–
Other receivables	12.4	(866)	–	(85,473)	–
Total trade and other receivables		**36,763**	**83,865**	**37,757**	**55,377**

12.1 Trade receivables for sales and services

This mainly includes the amounts receivable from customers, fundamentally from the Group's rentals business, that are billed monthly, quarterly or yearly with no significant overdue balances not provided for at 31 December 2022 and 2021.

12.2 Trade receivables for sales of properties

This mainly includes the receivable amounts from the sale of assets.

12.3 Accrual of lease incentives

This includes the amount of the incentives in the operating lease agreements (grace periods, etc.) that the Group offers its customers, which are recognised in the consolidated income statement during the minimum operating lease term.

In 2022, 789 thousand euros relating to the accrual of rental incentives for a property classified as held for sale was transferred to "Assets classified as held for sale" in the consolidated income statement (2021: 547 thousand euros) (Note 23).

12.4 Other receivables

At 31 December 2022 and 2021, "Other Receivables" includes mainly the amounts owed by Nozar, S.A. as a result of the termination of the purchase contracts entered into in July 2007 for failure to comply with the conditions precedent, including the interest accrued to date.

On 21 May 2021, the Parent adhered to the proposed agreement with Nozar, S.A., whereby the Parent accepted a 97% debt reduction and a schedule of deferred payments over twelve, twenty-three and thirty-five months. On 21 December 2021, the agreement was ratified by Madrid Commercial Court No. 2.

13. Equity

13.1 Share capital

At 31 December 2022 and 2021, the share capital comprised 539,615,637 shares with a par value of 2.5 euros each, which had been fully subscribed and paid.

According to the detail included in section A.2 of the Annual Corporate Governance Report of the Parent for 2022, shareholders owning significant stakes in the Parent's share capital, both direct and indirect, as at 31 December 2022 and 2021, were as follows:

	31 December 2022		31 December 2021	
	Number of shares (*)	% ownership	Number of shares (*)	% ownership
Name or corporate name of the shareholder:				
Qatar Investment Authority (**)	102,675,757	19.03%	102,675,757	19.03%
Fernández González, Carlos	82,488,909	15.29%	80,028,647	14.83%
Puig, S.A.	39,795,000	7.37%	29,002,980	5.37%
Aguila Ltd.	28,880,815	5.35%	28,880,815	5.35%
Credit Agricole, S.A.	22,494,701	4.17%	22,494,701	4.17%
BlackRock Inc	15,956,812	2.96%	16,182,616	3.00%

(*) Does not include certain financial instruments linked to shares of the Parent.
(**) Qatar Investment Authority is responsible for managing 21,782,588 shares of the Parent owned by DIC Holding, LLC.

At 31 December 2022 and 2021, Aguila Ltd. and BlackRock Inc. had formally obtained financial instruments associated with the Parent's shares that, in the event the instruments are exercised, could give rise to an additional interest in the share capital of Colonial. These financial instruments do not and cannot involve the issue of new shares of the Parent.

The Parent is not aware of any other significant shareholdings.

The Annual General Meeting held on 21 June 2022 resolved to authorise the Board of Directors to issue, on behalf of the Parent and on one or more occasions and for a maximum period of five years, bonds convertible into new shares of the Parent or other similar securities that may give the right, directly or indirectly, to subscribe shares of the Parent, with the express power to exclude the pre-emptive subscription right of the shareholders up to a maximum of 20% of the share capital, and to increase the capital by the amount necessary to meet the conversion. The total maximum amount of the issue or issues of the securities that may be performed under this authorisation may not exceed a combined amount of 500,000 thousand euros or its equivalent in another currency.

On 21 June 2022, the Annual General Meeting resolved to authorise the Board of Directors, in accordance with article 297.1 b) of the Spanish Companies Act, to increase the share capital through monetary contributions by up to half the amount of the share capital, within a maximum period of five years, on one or more occasions and at the time and by the amount it deems appropriate. Within the maximum amount indicated, the Board of Directors is empowered to exclude the pre-emption right up to a maximum of 20% of the share capital.

13.2 Share premium

In 2021, as a result of the two capital increases, the amount of the net share premium increased by 204,261 thousand euros. In addition, on 30 June 2021, the General Shareholders' Meeting resolved to distribute dividends with a charge to the share premium amounting to 111,087 thousand euros, which were paid to shareholders.

On 21 June 2022, the General Shareholders' Meeting resolved to distribute dividends with a charge to the share premium amounting to 92,681 thousand euros, which were paid to shareholders.

At 31 December 2022, the share premium amounted to 1,491,773 thousand euros.

13.3 Own shares

The number of the Parent's own shares and their acquisition cost were as follows:

	31 December 2022		31 December 2021	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Free tranche	7,915,908	64,494	7,943,007	64,745
Liquidity contracts	302,462	1,880	229,500	1,912
Closing balance	**8,218,370**	**66,374**	**8,172,507**	**66,657**

13.3.1 Own shares – Free tranche

The number of the Parent's own shares and their acquisition cost were as follows:

		31 December 2022		31 December 2021	
	Note	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Opening balance		**7,943,007**	**64,745**	**3,131,110**	**22,546**
Buyback plan 2021		–	–	5,000,000	43,439
Delivery of incentives plan shares	20	(27,099)	(251)	(296,337)	(2,134)
Other acquisitions		–	–	108,234	894
Closing balance		**7,915,908**	**64,494**	**7,943,007**	**64,745**

Share buyback plan of the Parent

On 13 July 2021, the Parent agreed to carry out a treasury share buyback programme. The maximum number of shares to be acquired amounted to 5,000,000, equivalent to 0.93% of the share capital of the Parent at that date. On 16 November 2021, the Parent ended the share buyback programme.

13.3.2 Own shares - Liquidity contracts

The Parent enters into liquidity contracts to enhance the liquidity of its transactions and the regularity of its listed share price.

The number of the Parent's own shares under liquidity contracts and their acquisition cost were as follows:

	31 December 2022		31 December 2021	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Opening balance	**229,500**	**1,912**	**229,500**	**1,894**
Liquidity contract dated 11 July 2017				
Expenses	–	–	–	18
Liquidity contract dated 4 January 2022				
Purchase	17,945,849	116,688	–	–
Sale	(17,872,887)	(116,720)	–	–
Closing balance	**302,462**	**1,880**	**229,500**	**1,912**

On 11 July 2017, the Parent entered into a liquidity contract to enhance the liquidity of its transactions and the regularity of its quoted share price as provided for under CNMV Circular 1/2017 of 26 April.

On 4 January 2022, the Parent announced the termination of this contract, being replaced by a new one signed with Banco Sabadell, S.A. The contract is valid for 12 months and can be extended.

13.4 Other reserves

The following table shows details of the consolidated statement of financial position item “Other reserves” and of the movements in these reserves during the year:

Thousands of euros	Note	Legal reserve	Other reserves	Measurement of financial instrument hedges	Share-based payments	Transactions with non-controlling interests	Total
At 31 December 2020		**54,767**	**141,973**	**(19,457)**	**12,410**	**55,195**	**244,888**
Revaluation - gross		–	–	45,697	–	–	**45,697**
Deferred tax		–		–	–	–	**–**
Non-controlling interest in revaluation - gross		–	–	(114)	–	–	**(114)**
Deferred tax		–	–	–	–	–	**–**
Reclassification to profit - gross		–	–	(8,977)	–	–	**(8,977)**
Non-controlling interest in reclassification to profit/(loss) - gross		–	–	1	–	–	**1**
Deferred tax		–	–	–	–	–	**–**
Other comprehensive income		–	–	36,607	–	–	**36,607**
Transfer to/from retained earnings		–	–	–	(1,094)	–	**(1,094)**
Transactions with owners in their capacity as such:							
Share-based payments	20	–	–	–	1,463	–	**1,463**
Transactions with non-controlling interests		–	–	(28)	–	(42,438)	**(42,466)**
At 31 December 2021		**54,767**	**141,973**	**17,122**	**12,779**	**12,757**	**239,398**

Thousands of euros	Note	Legal reserve	Other reserves	Measurement of financial instrument hedges	Share-based payments	Transactions with non-controlling interests	Total
At 31 December 2021		**54,767**	**141,973**	**17,122**	**12,779**	**12,757**	**239,398**
Revaluation - gross		–	–	279,650	–	–	**279,650**
Deferred tax		–		(452)	–	–	**(452)**
Non-controlling interest in revaluation - gross		–	–	(1,117)	–	–	**(1,117)**
Deferred tax		–	–	–	–	–	**–**
Reclassification to profit - gross		–	–	(2,124)	–	–	**(2,124)**
Non-controlling interest in reclassification to profit/(loss) - gross		–	–	36	–	–	**36**
Deferred tax		–	–	–	–	–	**–**
Other comprehensive income		–	–	275,993	–	–	**275,993**
Transfer to/from retained earnings		3,873	–	–	–	–	**3,873**
Transactions with owners in their capacity as such:							
Share-based payments	20	–	–	–	4,710	361	**5,071**
Transactions with non-controlling interests		–	–	–	–	(687)	**(687)**
At 31 December 2022		**58,640**	**141,973**	**293,115**	**17,489**	**12,431**	**523,648**

13.4.1 Legal Reserve

Under the Consolidated Spanish Companies Law, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, this reserve may only be used to set off losses and provided no other sufficient reserves are available for this purpose.

On 21 June 2022, the General Meeting of Shareholders was held where it was approved to allocate 3,873 thousand euros to the legal reserve from the result of 2021.

At 31 December 2022 and 2021, the legal reserve is not fully constituted.

13.4.2 Other reserves

At 31 December 2022, the Parent had 169,439 thousand euros of restricted reserves. This item also includes the merger reserve generated by the operations carried out in 2019, with a debit balance of 27,466 thousand euros.

13.5 Retained earnings

The changes in retained earnings are as follows:

Thousands of euros	Note	2022	2021
Balance at 31 December of the previous year		**2,892,540**	**2,418,533**
Net profit for the year	5	7,979	473,842
To legal reserve	13.4.1	(3,873)	–
Transfer to/from other reserves		–	1,094
Other items of comprehensive income recognised directly in retained earnings:			
Capital increases		–	(1,223)
Profit/(loss) from own share transactions		(789)	125
Dividends		(34,855)	–
Other gains/(losses)		373	169
Balance at 31 December		**2,861,375**	**2,892,540**

Gains/(losses) on transactions with own shares relate to the deliveries of own shares to the beneficiaries of the long-term incentives plan (Note 20.1), calculated as the difference between the carrying amount of the shares delivered and the amount of the obligation assumed by the Parent (Note 4.11), as well as for transactions carried out by the financial intermediary under the liquidity contract.

13.6 Non-controlling interests

The changes in this caption of the consolidated statement of financial position have been the following:

Thousands of euros	Inmocol Torre Europa, S.A.	Utopicus Innovación Cultural, S.L.	SFL Subgroup	Wittywood, S.L.	Total
Balance at 31 December 2020	**11,447**	**309**	**1,416,473**	**4,387**	**1,432,616**
Income for the financial year (Note 19.10)	275	(59)	92,871	(22)	**93,065**
Dividends and other	–	–	(27,712)	–	**(27,712)**
Changes to scope (Note 2.6)	–	(250)	(312,177)	–	**(312,427)**
Financial instrument hedges	–	–	113	–	**113**
Balance at 31 December 2021	**11,722**	**–**	**1,169,568**	**4,365**	**1,185,655**
Income for the financial year (Note 19.10)	1,107	–	40,584	(52)	**41,639**
Dividends and other	–	–	(40,863)	–	**(40,863)**
Changes to scope (Note 2.6)	–	–	–	(4,313)	**(4,313)**
Financial instrument hedges	678	–	403	–	**1,081**
Balance at 31 December 2022	**13,507**	**–**	**1,169,692**	**–**	**1,183,199**

The breakdown of the items included in “Dividends and other” is as follows:

Thousands of euros	31 December 2022	31 December 2021
Dividend paid by the SFL subgroup to non-controlling interests	(3,007)	(17,829)
Dividend paid by subsidiaries of the SFL subgroup to non-controlling interests	(37,931)	(9,944)
Other	75	61
Total	**(40,863)**	**(27,712)**

The SFL subgroup has the following shareholders’ agreements with Prédica:

> SFL had two shareholder agreements in the SCI Washington and Parholding, in which SFL held 66% and 50% of their share capital, respectively.

> As a result of the transactions carried out by the Group in 2021 described in Note 2.6, SFL acquired the non-controlling interests in these companies, thereby terminating the previous agreements, in exchange for 49% of the companies SCI Paul Cézanne, SCI 103 Grenelle, SAS Cloud and SAS Champs-Elysées, for which SFL and Prédica signed a new shareholders’ agreement.

> SFL retains the former subsidiaries in which it holds a 51% interest. On the basis of the shareholders’ agreement, in which the conditions for qualifying these shareholdings as controlling interests are met (the decisions that most significantly affect the companies are controlled by SFL), SFL has sole control over the four companies. As a result, the Group has fully consolidated the four subsidiaries.

13.6.1 Summarised financial information on the main subsidiaries with non-controlling interests

The following table shows the summarised financial information for the main subsidiaries with non-controlling interests:

Thousands of euros

Non-controlling	% non-controlling	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Ordinary income	Profit/ (loss) for the year	Total comprehensive income	Cash flows
SFL Group	1.7%	8,159,380	168,614	2,323,226	528,333	204,517	181,616	206,102	(45,448)
Inmocol Torre Europa (*)	50%	39,429	5,316	20,697	1,266	–	(156)	(156)	3,630

(*) Pursuant to the shareholders’ agreement signed between the parties.

14. Bank borrowings, other financial liabilities and bonds and similar securities issued

The detail, by type of debt and maturity, of these headings in the consolidated statement of financial position is as follows:

31 December 2022

Thousands of euros	Current	Non-current						
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Older than 5 years	Total non-current	Total
Bank borrowings:								
Loans	–	–	–	–	420,000	–	420,000	**420,000**
Syndicated financing	–	100,000	–	–	–	–	100,000	**100,000**
Interest	2,354	–	–	–	–	–	–	**2,354**
Debt arrangement costs	(2,688)	(2,544)	(2,164)	(2,016)	(1,554)	–	(8,278)	**(10,966)**
Total debts with credit institutions	**(334)**	**97,456**	**(2,164)**	**(2,016)**	**418,446**	**–**	**511,722**	**511,388**
Other financial liabilities	2,473	–	–	–	–	–	–	**2,473**
Total other financial liabilities	**2,473**	**–**	**–**	**–**	**–**	**–**	**–**	**2,473**
Total debts with credit institutions and other financial liabilities	**2,139**	**97,456**	**(2,164)**	**(2,016)**	**418,446**	**–**	**511,722**	**513,861**
Bonds and similar securities issued:								
Bond issues	–	187,200	1,000,000	700,000	599,000	2,024,000	4,510,200	**4,510,200**
Interest	26,957	–	–	–	–	–	–	**26,957**
Debt arrangement costs	(9,463)	(9,419)	(8,607)	(7,150)	(5,667)	(3,460)	(34,303)	**(43,766)**
Total bonds and similar securities issued	**17,494**	**177,781**	**991,393**	**692,850**	**593,333**	**2,020,540**	**4,475,897**	**4,493,391**
Issue of promissory notes	409,000	–	–	–	–	–	–	**409,000**
Total issuance of promissory notes	**409,000**	**–**	**–**	**–**	**–**	**–**	**–**	**409,000**
Total	428,633	275,237	989,229	690,834	1,011,779	2,020,540	4,987,619	5,416,252

31 December 2021

	Current	Non-current						
Thousands of euros	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Older than 5 years	Total non-current	Total
Bank borrowings:								
Loans	–	75,700	–	–	–	–	75,700	**75,700**
Interest	702	–	–	–	–	–	–	**702**
Debt arrangement costs	(2,047)	(1,985)	(1,575)	(921)	(77)	–	(4,558)	**(6,605)**
Total debts with credit institutions	**(1,345)**	**73,715**	**(1,575)**	**(921)**	**(77)**	**–**	**71,142**	**69,797**
Other financial liabilities	2,474	–	–	–	–	–	–	**2,474**
Total other financial liabilities	**2,474**	**–**	**–**	**–**	**–**	**–**	**–**	**2,474**
Total debts with credit institutions and other financial liabilities	**1,129**	**73,715**	**(1,575)**	**(921)**	**(77)**	**–**	**71,142**	**72,271**
Bonds and similar securities issued:								
Bond issues	289,600	–	187,200	1,000,000	700,000	2,425,000	4,312,200	**4,601,800**
Interest	25,467	–	–	–	–	–	–	**25,467**
Debt arrangement costs	(6,362)	(6,134)	(6,090)	(5,277)	(3,820)	(5,922)	(27,243)	**(33,605)**
Total bonds and similar securities issued	**308,705**	**(6,134)**	**181,110**	**994,723**	**696,180**	**2,419,078**	**4,284,957**	**4,593,662**
Issue of promissory notes	257,000	–	–	–	–	–	–	**257,000**
Total issuance of promissory notes	**257,000**	**–**	**–**	**–**	**–**	**–**	**–**	**257,000**
Total	**566,834**	**67,581**	**179,535**	**993,802**	**696,103**	**2,419,078**	**4,356,099**	**4,922,933**

The changes in net financial debt in 2022, which arose from cash flows, are detailed in the table below:

Thousands of euros	31 December 2021	Cash flows	31 December 2022
Loans	75,700	344,300	420,000
Liabilities associated with assets classified as held for sale (Note 23)	–	75,700	75,700
Syndicated financing	–	100,000	100,000
Issue of promissory notes	257,000	152,000	409,000
Bond issues	4,601,800	(91,600)	4,510,200
Gross financial debt (nominal gross debt)	**4,934,500**	**580,400**	**5,514,900**
Cash and cash equivalents	(218,942)	58,985	(159,957)
Net financial debt	**4,715,558**	**639,385**	**5,354,943**

In 2022, the Parent reclassified a mortgage loan of 75,700 thousand euros to "Liabilities associated with assets classified as held for sale" (Note 23).

14.1 Issues of the Parent's straight bonds

The detail of the issues of standard bonds made by the parent company is as follows:

Thousands of euros

Issue date	Duration	Maturity	Fixed coupon payable annually	Issue amount	31 December 2022	31 December 2021
28-10-16	8 years	10-2024	1.450%	600,000	187,200	187,200
10-11-16	10 years	11-2026	1.875%	50,000	50,000	50,000
28-11-17	8 years	11-2025	1.625%	500,000	500,000	500,000
28-11-17	12 years	11-2029	2.500%	300,000	300,000	300,000
17-04-18	8 years	04-2026	2.000%	650,000	650,000	650,000
14-10-20	8 years	10-2028	1.350%	500,000	500,000	500,000
22-06-21	8 years	06-2029	0.750%	625,000	625,000	625,000
Total issues					**2,812,200**	**2,812,200**

In February, the Parent converted all of its outstanding bonds into "green bonds" under a Green Financing Framework, the pillars of which are energy efficiency and the prevention and reduction of carbon emissions from the Group's assets. The conversion was approved by the bondholders after accepting the consent solicitation launched for each series of bonds in accordance with the respective terms and conditions of each issue.

The bond issues dated 14-10-20 and 22-06-21 were admitted to trading on the regulated market (AIAF Fixed Income Securities Market) of the Madrid Stock Exchange (CNMV) and the remaining bond issues on the regulated market (Main Securities Market) of the Irish Stock Exchange.

At 31 December 2022 and 2021, the fair value of the bonds issued by the Parent was 2,440,714 thousand euros and 2,928,360 thousand euros, respectively.

14.1.1 European Medium Term Note Programme

On 5 October 2016, the Parent registered a 12-month European Medium Term Note programme for 3,000,000 thousand euros, which can be extended to 5,000,000 thousand euros, on the Irish Stock Exchange. On 8 June 2022, the CNMV approved the registration of the programme renewal in the official registers of the Parent's Euro Medium Term Note Programme.

14.1.2 Compliance with financial ratios

The simple obligations currently in force stipulate that certain financial ratios must be met by 30 June and 31 December of each year. Under these ratios, the value of the Group's unsecured assets in the consolidated statement of financial position at each of the above dates must be at least equal to the unsecured financial debt. These ratios were met at 31 December 2022 and 2021.

14.2 Issuance of straight SFL bonds

The detail of the issues of non-convertible bonds made by SFL is as follows:

Thousands of euros						
Issue date	Duration	Maturity	Fixed coupon payable annually	Issue amount	31 December 2022	31 December 2021
16-11-15	7 years	11-2022	2.250%	500,000	–	289,600
29-05-18	7 years	05-2025	1.500%	500,000	500,000	500,000
05-06-20	7 years	06-2027	1.500%	599,000	599,000	500,000
21-10-21	6.5 years	04-2028	0.500%	599,000	599,000	500,000
Total issues					**1,698,000**	**1,789,600**

In April and June 2022, SFL has formalised two extensions (TAP) on its bonds maturing in 2028 and 2027, respectively, amounting to 99,000 thousand euros each.

In September 2022, SFL made an early redemption of the entire outstanding balance of the bond issue dated 16-11-15, amounting to 289,600 thousand euros.

These bonds constitute non-subordinated bonds and without any preference among them, and have been admitted to trading on the Euronext Paris regulated market.

At 31 December 2022 and 2021, the fair value of the bonds issued by SFL was 1.470.152 thousand euros and 1,836,854 thousand euros, respectively.

14.3 Issue of promissory notes by the Parent

The parent company registered a European Commercial Paper programme on the Irish Stock Exchange in December 2018 for a maximum limit of 300,000 thousand euros with a short-term maturity, subsequently extended to 500,000 thousand euros. This programme was renewed on 22 September 2022. At 31 December 2022, there are no issues (140,000 thousand euros at 31 December 2021).

14.4 Issuing promissory notes by SFL

In September 2018, SFL registered a short-term promissory note (NEU CP) issuance programme for a maximum amount of 500,000 thousand euros with a short-term maturity. This programme was renewed in May 2022. As at 31 December 2022, outstanding issues amounted to 409,000 thousand euros (31 December 2021: 117,000 thousand euros).

14.5 Syndicated financing of the Parent

The detail of the parent company's syndicated financing is detailed in the following table:

		31 December 2022		31 December 2021	
Thousands of euros	Maturity	Limit	Nominal drawn down	Limit	Nominal drawn down
Credit policy	11-2027	1,000,000	–	1,000,000	–
Total parent company syndicated financing		**1,000,000**	**–**	**1,000,000**	**–**

On November 2022, the maturity of the credit line was extended to November 2027. This credit line is considered sustainable because its margin is pegged to the rating obtained by the GRESB agency.

The fixed interest rate is variable with a margin referenced to the EURIBOR.

14.5.1 Compliance with financial ratios

At 31 December 2022 and 2021, the Parent was complying with all financial ratios.

14.6 SFL syndicated financing

The detail of SFL's syndicated financing is detailed in the following table:

		31 December 2022		31 December 2021	
Thousands of euros	Maturity	Limit	Nominal drawn down	Limit	Nominal drawn down
Credit policy	06-2024	390,000	100,000	390,000	–
Total SFL syndicated financing		**390,000**	**100,000**	**390,000**	**–**

The fixed interest rate is variable with a margin referenced to the EURIBOR.

14.6.1 Compliance with financial ratios

At 31 December 2022 and 2021, SFL was complying with the financial ratios provided in its respective financing contracts.

14.7 Secured mortgage loans

Details of the Group's mortgage loans are shown in the table below:

		31 December 2022		31 December 2021	
Thousands of euros	Note	Mortgage debt	Asset market value	Mortgage debt	Asset market value
Investment property	9.5	–	–	75,700	170,400
Total secured mortgage loans		**–**	**–**	**75,700**	**170,400**

The Parent holds a "sustainable loan" amounting to 75,700 thousand euros, whose margin will vary according to the rating the Parent obtains in ESG (environment, social and corporate governance) from the GRESB sustainability agency.

This loan was reclassified in 2022 to "Liabilities associated with assets classified as held for sale" in the consolidated statement of financial position (Note 23).

14.7.1 Compliance with financial ratios

The Group's mortgage-backed loan is subject to compliance with various financial ratios. At 31 December 2022 and 2021, the Group complied with the required financial ratios.

14.8 Other loans

The Group holds unsecured loans. The total limits and balances provided are detailed below:

			31 December 2022		31 December 2021	
Thousands of euros	Society	Maturity	Limit	Nominal drawn down	Limit	Nominal drawn down
CADIF	SFL	06.2025	175,000	–	175,000	–
BECM	SFL	07.2027	200,000	–	150,000	–
Banque Postale	SFL	06.2024	75,000	–	75,000	–
BNP Paribas	SFL	05.2025	150,000	–	150,000	–
Société Générale	SFL	10.2025	100,000	–	100,000	–
Intesa Sanpaolo	SFL	12.2027	100,000	–	100,000	–
Caixabank	SFL	03.2027	100,000	–	–	–
Sabadell	SFL	11.2027	50,000	–	–	–
Bilateral loans (Revolving Credit Facility)			**950,000**	**–**	**750,000**	**–**
BBVA	Colonial	04.2027	100,000	100,000	–	–
BNP Term Loan	SFL	12.2027	300,000	300,000	–	–
Bankinter	Inmocol	02.2027	20,000	20,000	–	–
Other loans			**420,000**	**420,000**	**–**	**–**
Total loans			**1,370,000**	**420,000**	**750,000**	**–**

Bilateral loans in Revolving Credit Facility (RCF) format

In 2022, SFL increased the limit of the BECM loan by 50,000 thousand euros and extended the maturity by 4 years to July 2027. In addition, the maturity of the CADIF loan was extended by 2 years and the Sanpaolo loan by 1 year to 2025 and 2027, respectively.

In March 2022, SFL signed a new bilateral RCF loan with Caixabank for a limit of 100,000 thousand euros and maturity in 2027. In addition, in November 2022, SFL signed another bilateral RCF loan with Banco Sabadell for a limit of 50,000 thousand euros and maturity in 2027. At the year end, both loans were available in full.

Other loans

In February 2022, the subsidiary Inmocol Torre Europa, S.A. signed a new bilateral loan with the financial institution Bankinter for 20,000 thousand euros, as well as a new hedging derivative financial instrument to cover this liability, with Société Générale (Note 15).

In April 2022, the Parent signed a new bilateral loan for an amount of 100,000 thousand euros maturing in 2027. This loan is considered sustainable as its margin is linked to the ESG (environmental, social and corporate governance) rating obtained by the Parent from the sustainability agency GRESB.

In December 2022, SFL signed a Term Loan with different banks for a limit of 300,000 thousand euros and maturity in 2027, extendable annually for 2 years until 2029. This loan is fully drawn down at year end.

14.8.1 Compliance with financial ratios

All these SFL loans are subject to compliance with certain financial ratios on a half-yearly basis. At 31 December 2022 and 2021, SFL was complying with the financial ratios provided in its respective financing contracts.

Furthermore, at 31 December 2022, the Parent's loan complies with the financial ratios foreseen in its financing contract.

14.9 Guarantees given

At 31 December 2022, the Group has granted guarantees to government bodies, customers and suppliers in the amount of 8,883 thousand euros (8,845 thousand euros at 31 December 2021).

Of the total collateral provided, the main guarantee granted, amounting to 4,804 thousand euros, corresponds to commitments acquired by the company Asentia. In this regard, the Parent and Asentia have signed an agreement whereby, if any of the guarantees are executed, Asentia must compensate the Parent for any loss incurred within a maximum period of 15 days.

14.10 Cash and cash equivalents

At 31 December 2022 and 2021, this heading includes cash and cash equivalents for 159.957 thousand euros and 218,942 thousand euros, respectively, 1,382 thousand of which are restricted or pledged at 31 December 2022 (2021, 1,777 thousand euros).

14.11 Debt arrangement costs

In 2022 and 2021, the Group recognised in the consolidated statement income 8,636 thousand euros and 6,292 thousand euros, respectively, corresponding to arrangement costs paid during the year (Note 19.8).

14.12 Financing interest

The average interest rate of the Group in 2022 was 1.44% (1.73% in 2021) or 1.73% including the accrual of fees (2.04% in 2021). The average interest rate of the Group's debt at 31 December 2022 (spot) is 1.71% (1.40% at 31 December 2021).

The amount of accrued interest pending payment recorded in the consolidated statement of financial position amounts to:

Thousands of euros	31 December 2022	31 December 2021
Obligations	26,957	25,467
Bank borrowings	2,354	702
Total	**29,311**	**26,169**

14.13 Capital management and risk management policy

Companies that operate in the real estate sector require a significant level of investment to guarantee the development of their projects and the growth of their business through the acquisition of real estate in equity and/or land.

The Group's financial structure requires its sources of financing to be diversified in entities as well as products and maturity, with the objective of ensuring its companies continue to be profitable businesses and being able to maximise shareholder return.

14.14 Financial risk management policy

The Group efficiently manages financial risks with the objective of having an adequate financial structure that allows high levels of liquidity to be maintained as well as minimising financing costs, reducing volatility due to capital changes and ensuring compliance with its business plans.

Interest-rate risk: The risk management policy has the objective of limiting and controlling the impact of variations in interest rates on the result and cash flows, maintaining the level of indebtedness and the overall cost of debt in line with the Group's credit rating.

To achieve this objective, interest rate hedging instruments are contracted, if necessary, to cover possible financial cost fluctuations. The Group's policy is to contract instruments that comply with the provisions of the accounting regulations to be considered as efficient accounting coverage, and thus record its market value variations directly in the Group's other consolidated result. At 31 December 2022, the percentage of hedged or fixed-rate debt as a percentage of the Group's total debt was 96% (as at 31 December 2021 was 95%).

Liquidity risk: In order to manage liquidity risk and meet the diverse needs for funds, based on the annual treasury budget, the Group monitors the treasury forecasts monthly.

The Group considers the following mitigating factors for liquidity risk management: (i) the generation of recurring cash in the businesses on which the Group bases its activity; (ii) the ability to renegotiate and obtain new financing facilities based on long-term business plans and (iii) the quality of the Group's assets.

Occasionally there may be excess cash making it possible to have undrawn credit facilities or highly-liquid deposits with no risk. At 31 December 2022, the Group has sufficient financing facilities to meet its short-term maturities. The Group does not arrange high-risk financial products as a method of investing cash surpluses.

Counterparty risk: The Group mitigates this risk by carrying out financial operations with leading institutions, as well as accessing the debt market through bond issues.

Credit risk: the Group analyses the exposure implied by at-risk accounts receivable on an ongoing basis, monitoring their settlements and recognising charges whenever its receivables are deemed impaired.

15. Derivative financial instruments

The following table details the financial instruments and the fair value of each of them:

	Company	Counterparty	Interest rate	Maturity	Nominal (Thousands of euros)	Fair value - Assets / (Liabilities) (*)
Cash flow hedges						
CAP	SFL	CIC	2.0000%	2023	100,000	13
Swap	SFL	CIC	2.6250%	2027	100,000	1,762
Swap	SFL	Société Générale	2.4920%	2029	100,000	3,162
Swap	SFL	CIC	2.4240%	2029	100,000	3,603
Swap	SFL	CADIF	2.4925%	2029	200,000	6,322
Swap	Inmocol	Société Générale	0.8400%	2027	20,000	1,829
Cash flow hedges of planned future transactions						
Swap	Colonial	Natwest	0.3460%	2033	25,000	5,841
Swap	Colonial	Natwest	0.3490%	2033	150,000	35,010
Swap	Colonial	CA-CIB	0.5730%	2029	173,000	18,510
Swap	Colonial	BBVA	0.5673%	2029	165,700	17,752
Swap	Colonial	CaixaBank	0.5695%	2029	168,050	17,979
Swap	Colonial	Société Générale	0.6190%	2030	747,500	76,868
Swap	Colonial	Société Générale	0.7075%	2032	173,500	16,035
Swap	Colonial	Natixis	0.7040%	2032	173,300	16,059
Swap	Colonial	Société Générale	0.7600%	2033	213,500	19,140
Swap	Colonial	Natixis	0.7570%	2033	213,350	19,188
Swap	Colonial	JP Morgan	0.8000%	2033	102,750	8,982
Swap	Colonial	Natixis	0.7900%	2033	101,470	8,974
Total 31 December 2022					**3,027,120**	**277,029**

(*) Including accrued interest on cash flow hedges.

	Company	Counterparty	Interest rate	Maturity	Nominal (Thousands of euros)	Fair value - Assets / (Liabilities)
Cash flow hedges						
Collar	SFL	Société Générale	–0.11%/–0.60%	2026	100,000	1,671
Collar	SFL	CIC	–0.25%/–0.52%	2027	100,000	2,453
Cash flow hedges of planned future transactions						
Swap	Colonial	Natwest	0.3460%	2033	25,000	501
Swap	Colonial	Natwest	0.3490%	2033	150,000	2,966
Swap	Colonial	CA-CIB	0.5730%	2034	85,000	561
Swap	Colonial	BBVA	0.5673%	2034	82,500	623
Swap	Colonial	CaixaBank	0.5695%	2034	82,500	551
Swap	Colonial	Société Générale	0.6190%	2035	375,000	1,933
Swap	Colonial	Société Générale	0.7075%	2034	125,000	675
Swap	Colonial	Natixis	0.7040%	2034	125,000	704
Swap	Colonial	Société Générale	0.7600%	2035	156,250	761
Swap	Colonial	Natixis	0.7570%	2035	156,250	794
Swap	Colonial	JP Morgan	0.8000%	2035	75,000	251
Swap	Colonial	Natixis	0.7900%	2035	75,000	331
Total 31 December 2021					**1,712,500**	**14,775**

During the first half of 2022, SFL cancelled the two derivative instruments it had contracted for a nominal amount of 200,000 thousand euros. The amount recorded directly in equity associated with these instruments, which amounted to 15,295 thousand euros, will be recognised in the consolidated income statement over the life of the new bonds issued (TAP) by SFL (Note 14.2).

During the second half of 2022, the Parent cancelled forward starting hedging instruments for a nominal amount of 1,337,500 thousand euros, maturing in 2034 and 2035 (and initial terms of 7 and 10 years). The Parent applied hedge accounting to these instruments based on forecasted future debt issuance transactions. As the forecast transactions remain probable, the Parent has retained in equity the amount recorded for the change in market value of these hedges up to the time of cancellation (185,752 thousand euros). This amount will be reclassified to the consolidated income statement as of the date on which the initially hedged debt issues were planned. These cancellations have resulted in a cost recorded in the income statement amounting to 1,992 thousand euros. In parallel, the Parent has contracted new derivatives with a notional amount of 2,232,120 thousand euros and maturing in 2029, 2030, 2032 and 2033 (all with a term of 5 years).

In addition, SFL has contracted five cash flow hedges for a total of 600,000 thousand euros with CIC, Societe Generale and CADIF, maturing in 2023, 2027 and 2029. These hedges have an average rate of 2.42%.

The impact on the consolidated income statement of the recognition of derivative financial instruments for 2022 and 2021 is shown in the following table:

Thousands of euros	Note	2022	2021
Income from derivative financial instruments		–	8,912
Expenses from derivative financial instruments		(1,992)	(128)
Net expenses from derivative financial instruments	**19.8**	**(1,992)**	**8,784**

15.1 Hedge accounting

At 31 December 2022 and 2021, the Parent and SFL applied hedge accounting to different derivative financial instruments.

At 31 December 2022, the cumulative impact recognised directly in equity in the consolidated statement of financial position due to hedge accounting amounted to a credit balance of 293,115 thousand euros, after recognition of the tax impact and consolidation adjustments. At 31 December 2021, the impact recorded amounted to a credit balance of 17,122 thousand euros (Note 13.4).

15.2 Fair value of derivative financial instruments

The fair value of derivative financial instruments has been calculated from an update of estimated future cash flows based on an interest rate curve and volatility assigned at 31 December 2022, using the appropriate discount rates established by an independent third-party expert.

Variations of +/– 25 basis points in the interest rate curve have an effect on the fair value of derivative financial instruments of 32,814 and –27,361 thousand euros, respectively.

16. Trade creditors and other non-current liabilities

The breakdown of these headings by nature and due dates of the consolidated financial statements is as follows:

		31 December 2022		31 December 2021	
Thousands of euros	Note	Current	Non-Current	Current	Non-current
Trade and other payables		42,533	–	41,992	–
Payables for real estate purchases		34,991	–	35,445	–
Advances	11	59,956	–	31,282	28,287
Guarantees and deposits received		4,005	80,562	3,434	59,322
Debts with Social Security		2,885	–	3,170	–
Advanced income		2,187	–	1,952	–
Other payables and liabilities		22,397	359	18,533	566
Total		**168,954**	**80,921**	**135,808**	**88,175**

16.1 Trade and other payables

This mainly collects the outstanding amounts for trade purchases made by the Group, and their related costs.

16.2 Payables for real estate purchases

Collects debts derived from acquisitions of shares and/or real estate. As at 31 December 2022 and 2021, the amount included in this item corresponds mainly to payments for refurbishment or renovation works on various properties in the development of SFL. The effect of updating deferred payments is not significant.

16.3 Prepayments from customers

Non-current advances mainly include the amount of 28,287 thousand euros on account of the price of the asset being promoted by the Group under the sale and purchase agreement subject to suspensive conditions signed by the Parent and a third party (Note 11), as well as amounts collected in advance from SFL's customers amounting to 31,360 thousand euros.

16.4 Guarantees and deposits received

This essentially collects the amounts delivered by the tenants as collateral.

16.5 Advanced income

This collects the amounts received by SFL as entry fees, which correspond to amounts billed by tenants to reserve a unique space, and which are recognised as income in a linear manner during the minimum duration of the corresponding lease.

16.6 Average payment period to suppliers and trade creditors

The information required by the second final provision of Law 31/2014, of 3 December, which modifies the Corporate Enterprises Act for the improvement of corporate governance, and modifying the third additional provision of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, which establishes measures to combat late payments in commercial operations, all in accordance with the provisions of the resolution of 29 January 2016 of the Institute of Accounting and Audit of Accounts (ICAC) on the information to be incorporated in the report of the consolidated annual accounts in relation to the average period of payment to suppliers in trade operations, of the various Spanish companies making up the Group.

	2022	2021
	Days	Days
Average period of payment to suppliers	41	29
Ratio of transactions paid	41	28
Ratio of outstanding transactions	43	43
	Amount (Thousands of euros)	
Total payments made	178,185	
Total number of invoices paid	29,008	
Total outstanding payments	10,230	
Total payments made within the maximum legal deadline	145,671	
Total payments made within the maximum legal deadline over total payments made	82.00%	
Total invoices paid within the maximum legal deadline	26,732	
Total invoices paid within the maximum legal deadline as a percentage of total invoices paid	92.00%	

The data included in the previous table on payments to suppliers refer to those that by their nature are accounts payable for debts with suppliers of goods and services, so that data related to certain items of the “Trade payables and other accounts payable” are included from the consolidated statement of financial position.

On 26 July 2013, Law 11/2013 on measures to support entrepreneurs, stimulate growth and job creation, which modifies the Late Payment Law (Law 3/2004, of 29 December) entered into force. This modification establishes that the maximum period of payment to suppliers, from 29 July 2013, will be 30 days, unless there is a contract between the parties that raises this to a maximum of 60 days.

In relation to payments made outside the maximum legal term set, these correspond mainly to payments related to contracting works and real estate renovation, which are paid within the term established in the corresponding contracts signed with the contractors.

17. Provisions and contingent assets and liabilities

The movement of the headings of the consolidated statement of financial position "Current provisions" and "Non-current provisions" and their corresponding detail is as follows:

	Non-current	Current
Thousands of euros	Staff provisions	Provisions for risks and other provisions
Beginning balance	**1,877**	**3,661**
Provisions	1,193	380
Provisions against equity	(383)	–
Other disposals	(6)	(960)
Application	(12)	–
Transfers	(1,114)	1,114
Ending balance	**1,555**	**4,195**

17.1 Long-term provisions

17.1.1 Personal provision

Includes amounts corresponding to retirement indemnities and long-service bonuses for SFL employees (Note 4.11) amounting to 1,036 thousand euros at 31 December 2022 (1,346 thousand euros at 31 December 2021).

17.2 Current provisions

Current provisions include an estimate of various future risks of the parent company.

18. Tax matters

18.1 Option for SOCIMI and SIIC Tax Regime

On 30 June 2017, the parent company opted for the REIT tax regime (Note 1). SFL has filed tax returns under the French tax regime applicable to listed real estate investment companies ("the SIIC regime").

18.2 Tax receivables and tax payables

Details of "Tax assets" and "Deferred and non-current tax assets" in the consolidated statement of financial position are as follows:

		Current		Non-current	
Thousands of euros	Note	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Tax refunds receivable		9	5	–	–
Income tax refunds receivable		606	519	–	–
VAT refundable		18,621	23,033	–	–
Deferred tax assets	18.5	–	–	510	696
Total		**19,236**	**23,557**	**510**	**696**

Details of “Tax liabilities” and “Deferred and non-current tax liabilities” in the consolidated statement of financial position are as follows:

		Current		Non-current	
Thousands of euros	Note	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Income tax payable		374	938	–	–
Other taxes payable		3,327	3,324	–	–
VAT payable		7,720	5,274	–	–
Deferred tax liabilities	18.6	–	–	348,156	360,109
Total		**11,421**	**9,536**	**348,156**	**360,109**

18.3 Reconciliation of income tax results

Law 27/2014, of 27 November, on corporate tax, effective 1 January 2015, established in its article 29 that the general tax rate for taxpayers was 25 percent.

The aforementioned Royal Decree-Law also established the limitation to the compensation of negative tax bases at 25% of the tax base, prior to said compensation, for companies whose revenue is equal to or greater than 60 million euros.

On 30 June 2017, the parent company opted for the SOCIMI tax regime, which was applicable with effect 1 January 2017 (Note 1). After the option for the REIT system, the results derived from the REIT activity are taxed at a rate of 0% as long as the requirements for this are met (Note 4.14-m).

The details of the “Income tax” heading of the consolidated income statement was as follows:

Thousands of euros	2022	2021
Income tax expense	(3,647)	(2,750)
Deferred tax revaluation assets at fair value (IAS 40)	13,208	7,594
Other non-main components	(1,935)	(1,311)
Income tax expense	**7,626**	**3,533**

18.4 Reconciliation between income tax expense and prima facie tax

Thousands of euros	2022	2021
Profit from continuing activities before tax	41,992	563,374
	41,992	**563,374**
Taxed at the Spanish tax rate of 25%	(10,498)	(144,144)
Tax effect of amounts that are not deductible (taxable) in the calculation of the tax benefit:		
IAS 40 application (revaluations and redemptions of depreciation)	4,127	118,650
Impairment of goodwill	–	3
Other adjustments	(2,198)	13,074
Subtotal	**(8,569)**	**(12,417)**
Difference in tax rates by REIT and SIIC regime	19,921	15,674
Difference in foreign tax rates	(971)	(962)
Adjustments to current tax for previous years	1	258
Unrecognised tax losses previously used to reduce deferred tax expense	773	–
Unrecognised tax losses previously recovered now to reduce current tax expense	(637)	–
Tax losses for the year not recognised in accounting	(2,892)	980
Income tax expense	**7,626**	**3,533**

18.5 Deferred tax assets

The detail of deferred tax assets registered by the Group is as follows:

		Recognised in accounting			
Thousands of euros	Note	31 December 2021	Inclusions	Write-offs	31 December 2022
Leases	7.2	528	–	(239)	289
Other		168	53	–	221
Total		**696**	**53**	**(239)**	**510**

18.5.1 Prior years' tax losses pending offset

The Corporate Income Tax in force in Spain as of 1 January 2016 stipulates that previous years' tax loss carryforwards may be offset in future years without any time limit, although it generally establishes an offset limit of 70% of taxable income, with a minimum of 1 million. In the event that the revenues recognised by the Company or the tax group fall between 20 million euros and 60 million euros, the offset is limited to 50% of taxable income, while if revenues are equal to or exceed 60 million euros the offset limit is reduced to 25% of taxable income.

The tax loss carryforwards of Spanish companies accumulated at 31 December 2022 amount to 5,384,125 thousand euros.

18.5.2 Deferred assets for tax credits through deductions

The Group has various deductions pending application at 31 December 2022 due to insufficient tax liability amounting to a total of 8,085 thousand euros not activated.

18.6 Deferred tax liabilities

The details of deferred tax liabilities along with their movements are detailed in the following tables:

Thousands of euros	31 December 2021	Inclusions	Write-offs	31 December 2022
Asset revaluation	355,224	(12,057)	(161)	343,006
Asset revaluation-Spain	144,559	(4,886)	(161)	139,512
Asset revaluation-France	210,665	(7,171)	–	203,494
Deferral for reinvestment	4,409	(187)	–	4,222
Hedge Instruments	–	452	–	452
Other	476	–	–	476
Total	**360,109**	**(11,792)**	**(161)**	**348,156**

18.6.1 Deferred liability for asset revaluation

This corresponds, essentially, to the difference between the accounting cost of market-valued real estate investments (IFRS base) and their tax cost (valued at acquisition cost, net of amortisation and impairment of the value that would have been deductible).

Asset revaluation - Spain

This includes the amount of deferred taxes associated with the Group's real estate investments located in Spain, which would be accrued if said assets are transmitted at the fair value to which they are registered, using the effective rate that would apply to each of companies taking into account the applicable regulations and the existence of unregistered tax credits.

Following the adoption of the REIT tax regime in 2017, the movements in deferred taxes recognised, which mainly relate to the properties owned by the companies that have not opted for this regime, Inmocol Torre Europa, S.A for 2022 (Wittywood, S.L. and Inmocol Torre Europa, S.A. for 2021), which are wholly owned by the Parent, were recognised at an effective rate of 18.75% (tax rate of 25% with a limit on the offset of tax loss carryforwards of 25%). Consequently, in calculating deferred tax liabilities, the Group considers the application of 46,403 thousand euros of deferred tax assets derived from negative tax bases (difference between the 25% tax rate and the effective settlement rate applied to 18.75%).

Asset revaluation - France

Includes the amount of the deferred taxes associated with the Group's investment property located in France, which would accrue if those assets are sold. It should be recalled that almost all assets in France are subject to the SIIC regime (Note 4.14-m), so they will not generate additional tax at the time of transmission. At 31 December 2022 and 2021 , only the assets of the member companies of the Parholding Subgroup were left out of said tax regime.

18.7 Tax years pending verification and inspection actions

The Group has the last four tax years open for inspection for all taxes applicable to it in Spain and France, except for corporate income tax of Spanish companies with negative tax bases to be offset or deductions pending application, in which case the verification period extends to 10 tax years.

On 2 November 2022, the Parent was notified of the commencement of general verification and investigation audits for corporate income tax for 2018 to 2021, and for value-added tax, withholdings on account of non-residents and withholdings and payments on account of income from employment, professional activities and economic activities for the period October 2018-December 2021.

It is not expected that additional liabilities will be accrued for the Group as a result of a possible inspection.

18.8 Disclosure requirements relating to REIT status, Law 11/2009, as amended by Law 16/2012

The information requirements relating to the REIT status of the Parent and its subsidiaries are included in the corresponding notes to the individual financial statements.

18.9 Compliance with the code of good tax practices

On 10 December 2015, the Board of Directors of the Parent agreed to adhere to the Code of Best Tax Practices ("CBPT" hereinafter). This agreement was communicated to management on 8 January 2016. During 2022, the Parent presented the Annual Tax Transparency Report for companies adhering to the CBPT for 2021, following the proposal for the reinforcement of good corporate tax transparency practices for companies adhering to the Code of Good Tax Practices, approved at the plenary session of 20 December 2016.

19. Income and expense

19.1 Revenue

The net amount of revenues corresponds to the ordinary income from contracts with clients for rents derived from the Group's equity activity, which basically focuses on the markets of Barcelona, Madrid and Paris. The net amount of turnover and its distribution by geographic segments is included in the following table:

Thousands of euros	2022	2021
Barcelona	44,569	41,793
Madrid	98,201	89,899
Rest of Spain	–	1,672
Paris	204,517	174,634
Total assets (traditional business)	**347,287**	**307,998**
Total flexible business	**14,326**	**8,721**
Total net turnover	**361,613**	**316,719**

Revenue for 2022 and 2021 include the effect of rental incentives throughout the minimum duration of the contract (Note 4.15). Revenue also includes the accrued amounts received in connection to rights of entry (Note 16.5). At December 2022, the impact of the above accruals led to an increase in turnover of 25,493 thousand euros (for 2021 this entailed a decrease of 6,500 thousand euros).

The total amount of the minimum future lease charges corresponding to the Group's non-cancellable operating leases, in accordance with the contracts in force on each date, and without taking into account the impact of common expenses, future increases in the CPI or future income updates based on contractually agreed market parameters is as follows:

Thousands of euros	Nominal Value (*) 31 December 2022	31 December 2021
Less than one year	*360,423*	*314,513*
Spain	132,192	126,807
France	228,231	187,706
Between one and five years	*901,344*	*698,233*
Spain	220,234	187,602
France	681,110	510,631
More than five years	*689,312*	*501,738*
Spain	40,323	26,019
France	648,989	475,719
Total	**1,951,079**	**1,514,484**
Spain	*392,749*	*340,428*
France	*1,558,330*	*1,174,056*

(*) Nominal value without taking into account the effect of rental incentives.

19.2 Other operating income

This heading relates mainly to property services rendered. At 31 December 2022 and 2021, this amounted to 9,304 thousand and 5,330 thousand respectively.

19.3 Personnel expenses

The “Staff costs” heading in the consolidated income statement is as follows:

Thousands of euros	2022	2021
Wages and salaries	19,017	25,904
Compensation	4,790	903
Social security costs	6,252	6,757
Other welfare expenses	7,388	4,761
Contributions to defined benefit plans	217	288
Internal reallocation	(1,445)	(1,236)
Total staff costs	**36,219**	**37,377**
Spain	*17,836*	*14,638*
France	*18,383*	*22,739*

The heading “Wages and salaries” for 2021 includes the accrual, in accordance with current French labour legislation, of extraordinary remuneration for certain employees of the subsidiary SFL arising from extraordinary transactions carried out in 2021 (sales of investment property and non-controlling interests) amounting to 8,128 thousand euros.

“Other employee benefit expenses” includes amounts corresponding to costs accrued in 2022 under the Parent’s long-term remuneration plan (Note 20.1) and SFL’s share option plan (Note 20.2), totalling 5,320 thousand euros (3,787 thousand euros in 2021).

The contributions made by the Parent in 2022 and 2021 amounted to 7.388 thousand euros and 4,761 thousand euros, respectively, and are recognised under “Employer’s social security contributions”. At the end of both years, there are no outstanding amounts to contribute to the mentioned pension plan.

The number of people employed by the Group, as well as the average number of employees during the year distributed by categories and gender, was as follows:

No. employees

	2022		2021		Average 2022		Average 2021	
	Men	Women	Men	Women	Men	Women	Men	Women
General and Area Management	11	8	11	8	11	8	11	9
Qualified technicians and middle managers	39	45	33	45	36	43	37	43
Office clerks	36	98	29	95	34	94	29	92
Other	5	1	5	1	5	1	5	1
Total employees by gender	**91**	**152**	**78**	**149**	**86**	**146**	**82**	**145**
Total Group employees	**243**		**227**		**232**		**227**	

Of the total number of employees of the Group, the number of employees with a disability of 33% or more as at 31 December 2022 is 4 (2021: 1).

19.4 Other operating expenses

The "Other operating expenses" heading of the consolidated statement of income is as follows:

Thousands of euros	2022	2021
External services and other expenses	27,935	18,191
Taxes	27,363	25,914
Total Other operating expenses	**55,298**	**44,105**

19.4.1 Net change in provisions

The movement in the year in the operating provisions included in external services and other expenses is as follows:

Thousands of euros	2022	2021
Net application operating provisions	–	(526)
Net provision for doubtful debts and other provisions	1,488	1,195
Other allocations/(reversals) of provisions	(968)	(4,772)
Total Net variation of provisions	**520**	**(4,103)**

19.5 Net gains on sales of assets

The composition of the Group's net results from asset sales (Notes 9 and 23), as well as their geographical distribution, are detailed below:

	Spain		France		Total	
Thousands of euros	2022	2021	2022	2021	2022	2021
Sale price	56,624	85,597	26,872	264,000	83,496	349,597
Asset derecognition (Notes 9 and 23)	(49,650)	(84,678)	(27,035)	(262,684)	(76,685)	(347,362)
Write-off of waiting periods	(2)	(269)	–	71	(2)	(198)
Indirect and other costs	(594)	(2,019)	(277)	(1,279)	(871)	(3,298)
Net result from asset sales	**6,378**	**(1,369)**	**(440)**	**108**	**5,938**	**(1,261)**

19.6 Gains/(losses) on changes in value of assets due to impairment

The detail of the nature of the impairments recorded in the "Result due to changes in asset value and impairment" heading of the consolidated income statement is presented in the following table:

Thousands of euros	Note	2022	2021
Impairment / (Reversal) of property for own use	8	40	269
Substitute write-offs	9	(697)	(1,281)
Right-of-use assets		26	–
Result due to variation in asset value and impairment		**(631)**	**(1,012)**

19.7 Changes in value of investment property

The breakdown of the result of the "Variations in value in real estate investments" heading of the consolidated income statement broken down by type is as follows:

Thousands of euros	Note	2022	2021
Investment property	9	(147,493)	441,134
Assets classified as held for sale – Investment property	23	–	3,092
Changes in property investment value		**(147,493)**	**444,226**
Spain		*(186,129)*	*189,049*
France		*38,636*	*255,177*

19.8 Finance income and costs

The breakdown of the financial result broken down by type is as follows:

Thousands of euros	Note	2022	2021
Financial income:			
Other interests and similar income		657	488
Income from derivative financial instruments	15	–	8,912
Total Financial Income		**657**	**9,400**
Financial expenses:			
Financial expenses and similar expenses		(82,525)	(86,974)
Capitalised financial costs	9 and 11	9,407	12,404
Restated finance costs	7 and 18	(1,233)	(872)
Financial costs associated with debt cancellation and restructuring		(1,912)	(2,484)
Financial expenses associated with repurchase of bonds		–	(36,088)
Finance costs associated with arrangement expenses	14.11	(8,636)	(6,292)
Expenses from derivative financial instruments	15	(1,992)	(128)
Total Financial costs		**(86,891)**	**(120,434)**
Total Financial Result (Loss)		**(86,234)**	**(111,034)**

19.8.1 Capitalised interest costs

The detail of financial costs capitalised as plus cost of investment property and inventories is shown in the table below:

		Capitalised in the period		
Thousands of euros	Note	Investment property	Inventory	Average interest rate
2022				
Inmobiliaria Colonial, SOCIMI, S.A.	9	5,130	–	1.88%
Inmocol Torre Europa, S.A.	9	274	–	1.88%
Peñalvento, S.L	11	–	390	1.88%
Wittywood, S.L.	9	37	–	1.88%
SFL Subgroup	9	3,576	–	1.13%
Total 2022		**9,017**	**390**	
2021				
Inmobiliaria Colonial, SOCIMI, S.A.	9	5,879	–	2.28%
Peñalvento, S.L.	11	–	467	2.28%
SFL Subgroup	9	6,058	–	1.45%
Total 2021		**11,937**	**467**	

19.9 Transactions with related parties

There were no related party transactions in 2022 and 2021.

19.10 Result by company

The contribution of each company included in the scope of consolidation to the consolidated results for the year was as follows:

Thousands of euros	Net consolidated income		Net result attributed to non-controlling interests		Net profit for the year attributable to the Parent	
Company	2022	2021	2022	2021	2022	2021
Inmobiliaria Colonial, SOCIMI, S.A.	(134,719)	203,778	–	–	(134,719)	203,778
SFL Subgroup	181,616	364,346	40,584	92,871	141,032	271,475
Inmocol Torre Europa, S.A.	2,213	550	1,107	275	1,106	275
Peñalvento, S.L.U.	(127)	(180)	–	–	(127)	(180)
Colonial Tramit, S.LU	1	–	–	–	1	–
Utopicus Innovación Cultural, S.L.	1,151	(1,540)	–	(59)	1,151	(1,481)
Wittywood, S.L.	(517)	(44)	(52)	(22)	(465)	(22)
Inmocol One, S.A.	–	(1)	–	–	–	(1)
Inmocol Two, S.L.	–	(1)	–	–	–	(1)
Inmocol Three, S.L.	–	(1)	–	–	–	(1)
Total	**49,618**	**566,907**	**41,639**	**93,065**	**7,979**	**473,842**

20. Stock option plans

20.1 Long-term remuneration plan of the Parent

20.1.1 Former long-term remuneration plan of the Parent

On 21 January 2014, the Annual General Meeting of the parent company established, for the Chairman and CEO of the parent company, as well as for the members of the Group's steering committee, a long-term compensation plan to be applicable from 2014 to 2018.

The plan was extended twice, and was rendered ineffective by the adoption of the new plan.

Shares received under this plan cannot be sold or transferred by beneficiaries within the first three years of receiving them, except as required to pay any taxes chargeable in this regard.

On 24 April 2021, the Parent settled the outstanding obligations relating to compliance with the plan once the Board had calculated the number of shares to be delivered to the beneficiaries of the Plan, in accordance with the level of fulfilment of indicators for 2021, which stood at 296.337 shares (Note 13.3.1). On that date, the shares were delivered to their beneficiaries. Of these, 131,861 shares were delivered to the members of the Board of Directors and 164,476 to members of senior management, at a market value at the time of delivery of 1,364 and 1,702 thousand euros, respectively.

20.1.2 New long-term remuneration plan of the Parent

On 30 June 2021, the General Shareholders' Meeting approved a new long-term incentive plan consisting of the delivery of shares in the Parent, aimed at executives, including the Parent's executive directors, and other employees of the Colonial Group (the "Plan").

The new plan has a duration of five years and is divided into three overlapping annual cycles of three years each, independent of each other. The first cycle of the New Plan corresponds to the three-year period between 1 January 2021 and 31 December 2023, the second cycle of the New Plan to the three-year period between 1 January 2022 and 31 December 2024 and the third cycle of the New Plan to the three-year period between 1 January 2023 and 31 December 2025. The maximum number of shares to be delivered to the executive directors in the first cycle of the New Plan is 170,196 shares for the executive chairman of the Board of Directors of the Company and 340,392 shares for the chief executive officer of Colonial.

As a general rule, the maximum total number of shares of the Company that, in execution of the Plan, will be delivered to the beneficiaries of the Plan at the end of each cycle will be the result of dividing the maximum amount allocated to the corresponding cycle by the weighted average listed price of the Company's shares in the 30 trading days prior to 1 January 2021. In addition, the number of shares to be received will be increased by a number of shares equivalent to the amount of dividends per share distributed by Colonial to its shareholders during each cycle based on the number of shares assigned to the beneficiary in the cycle. For these purposes, the weighted average of Colonial's share price on the dividend payment dates in each of the years of the cycle will be taken as the reference value of the share.

The delivery of the Parent's shares under the first cycle of the New Plan will take place in 2024, after the audited financial statements for 2023 have been prepared. The specific date of delivery of the shares will be determined by the Board of Directors.

Exceptionally, on 17 July 2022, following a resolution of the Board of Directors of the Parent (Note 22.1), 41,691 shares were delivered in advance to Juan José Brugera Clavero as accrual of the first cycle of the new plan while he had maintained his employment relationship with the Parent, including 14,592 shares earmarked for the fulfilment of the tax obligations of payment on account. These shares had a market value at the time of delivery of 252 thousand euros.

Shares received under this plan may not be sold or transferred by beneficiaries within the first two years of receiving them, except as required to pay any taxes chargeable in this regard.

In 2022, an expense of 983 thousand euros (an expense of 670 thousand euros in 2021) has been recorded under the heading "Personnel expenses" in the consolidated income statement (Note 19.3), to cover the incentive plan approved on 30 June 2021.

20.2 SFL stock option plans

The subsidiary SFL maintains a free share allocation plan at 31 December 2022, whose details are as follows:

	Plan 5	Plan 5	Plan 5
Meeting date	20.04.2018	20.04.2018	19.11.2021
Board of Directors Date	06.02.2020	11.02.2021	18.02.2022
Initial target number	34,476	33,460	30,624
% initially expected	100%	100%	100%
Number initially expected	34.476	33.460	30.624
Value per share (euros)	65.38	54.59	73.37
Options cancelled / outflows	–596	–468	–128
% expected at closing	200%	100%	100%
Estimated number at closing	67,760	32,992	30,496

Each share allocation plan has been calculated based on the expected number of shares multiplied by the unit fair value of those shares. This expected number of shares corresponds to the total number of shares multiplied by the expected purchase attribution percentage. The resulting amount is allocated linearly during the allocation period.

The fair value of the attributed shares is determined by the price at the date of attribution, corrected by the updated value of future dividends paid during the acquisition period, applying the Capital Asset Pricing Model (CAPM) method.

At 31 December 2022, the expected percentage at year-end for the 2020 plan was 200%, while for the 2021 and 2022 plan it was 100%.

During the first half of 2022, 64,992 free shares from Plan 5 from 2018 were delivered.

At 31 December 2022 and 2021, a total of 4,301 thousand euros and 3,870 thousand euros were recognised in the consolidated statement of income relating to these bonus share plans (Note 19.3).

21. Balances with related parties and associated companies

At 31 December 2022 and 2021 the Group did not have any balances outstanding with related parties and associates, with the exception of those detailed below.

In the context of the public tender offer for shares in the subsidiary launched by the Parent (Note 2.6), in September 2021, certain directors and senior management contributed their SFL shares to the proposed exchange.

22. Remuneration and other benefits to the Board of Directors and members of senior management

22.1 Composition of the Parent's Board of Directors

At 31 December 2022, the Board of Directors of the Parent consists of 7 men and 4 women (8 men and 3 women in 2021).

At 31 December 2022, the composition of the Parent's Board of Directors is as follows:

	Position	Director Type
Mr Juan José Brugera Clavero	Chairman	Other external
Mr Pedro Viñolas Serra	Vice-chairman	Executive
Mr Sheikh Ali Jassim M. J. Al-Thani	Director	Proprietary
Mr Adnane Mousannif	Director	Proprietary
Mr Carlos Fernández González	Director	Proprietary
Mr Juan Carlos García Cañizares	Director	Proprietary
Mr Luis Maluquer Trepat	Director	Independent
Ms Silvia Mónica Alonso-Castrillo Allain	Director	Independent
Ms Ana Lucrecia Bolado Valle	Director	Independent
Ms Ana Cristina Peralta Moreno	Director	Independent
Ms Begoña Orgambide García	Director	Proprietary

Pursuant to Article 229 of the Spanish Limited Liability Companies Law, at the close of 2022, the directors of the Parent reported that neither they nor any parties related thereto have any direct or indirect conflict with the interests of the Parent.

On 22 February 2022, the Parent reported that the Chairman of the Board of Directors, Juan Brugera Clavero, reached, in April 2022, the maximum age set in France to hold the position of Chairman of the Board of Directors and, therefore, on that date, he ceased to hold the position of Chairman of the Board of Directors of SFL. In this regard, the Board of Directors of the Parent, following a favourable report from the Appointments and Remuneration Committee ("ARC" hereinafter), has also resolved, effective 30 April 2022, to terminate his executive duties as Chairman of the Board of Directors of the Parent and to continue as a non-executive chairman with the status of "other external".

In addition, with effect from 30 April 2022, the Board of Directors of the Parent, following a report from the ARC, has considered that the figure of the coordinating director required by law is not necessary for those cases in which the Chairman of the Board of Directors is an executive director. Therefore, Luis Maluquer Trepat continues as an independent director.

On 30 August 2022, the director Javier López Casado left the Board due to death.

On 27 September 2022, Begoña Orgambide García was appointed proprietary director in place of Javier López Casado.

22.2 Remuneration of the Board of Directors

The remuneration accrued in 2022 and 2021 by the Parent's Board of Directors, classified by item, was as follows:

	31 December 2022			31 December 2021		
Thousands of euros	Parent company	Other Group companies	Total	Parent company	Other Group companies	Total
Remuneration accrued by executive directors (*):	**6,313**	**–**	**6,313**	**3,541**	**113**	**3,654**
Non-executive directors per diems:	**831**	**27**	**858**	**871**	**45**	**916**
Attendance fees of Executive Directors (*):	**–**	**–**	**–**	**–**	**46**	**46**
Fixed remuneration for non-executive directors:	**1,105**	**25**	**1,130**	**778**	**40**	**818**
Directors' remuneration	838	25	863	525	40	565
Additional compensation audit and control committee	117	–	117	150	–	150
Additional remuneration appointments and remuneration committee	150	–	150	103	–	103
Remuneration executive directors (*):	**–**	**–**	**–**	**–**	**50**	**50**
Total	**8,249**	**52**	**8,301**	**5,190**	**294**	**5,484**
Amount of the remuneration obtained by the executive directors (*):	6,313	–	6,313	3,541	209	3,750

(*) The amount corresponding to the accrued expense associated with the long-term incentive plan described in Note 20 is not included.

At 31 December 2022 and 2021, the Parent had taken out a civil liability insurance policy that covers all the directors, members of senior management and employees of the Parent, with a premium amounting to 620 thousand euros and 500 thousand euros, respectively. The aforementioned amount includes, for both years, the civil liability insurance premium paid for damages caused by acts or omissions.

The Annual General Meeting held on 28 June 2016 approved granting the executive directors a defined contribution scheme that covers retirement contingencies and, where appropriate, disability and death. At 31 December 2022 and 2021, the Parent recognised 150 thousand euros and 225 thousand euros, respectively, in this regard under "Staff costs" in the consolidated income statement.

In addition to that stated in the previous paragraph, the Group has not been awarded loans or taken out pension plans or life insurance for the previous and current members of the Board of Directors of the parent company.

At 31 December 2022 one member of the board of directors had signed golden parachute clauses in the event of certain cases of termination or change of control, all of which were approved at the General Shareholders' Meeting (two members of the Board of Directors at 31 December 2021).

On 30 April 2022, Juan José Brugera Clavero's employment relationship with the Parent was terminated, resulting in the payment of an indemnity of 3,000 thousand euros, which is included under the heading "Remuneration accrued by executive directors".

Likewise, in 2022 and 2021, there were no terminations, modifications or early terminations of contracts beyond the ordinary business activities between the Parent and the members of the Board of Directors or any person acting on their behalf.

22.3 Compensation to senior management

The senior management of the Parent, excluding the Chief Executive Officer and other executive directors whose remuneration is included in the remuneration of the members of the board of directors, consists of all senior executives and other persons other than the Chief Executive Officer who, reporting directly to the Chief Executive Officer, assume the management of the Parent. At 31 December 2022, senior management comprised three men and three women (three men and two women at 31 December 2021).

Monetary remuneration received by senior management in 2022 amounted to 2,375 thousand euros (1,629 thousand euros in 2021). Furthermore, in 2021, they received 988 thousand euros corresponding to the long-term incentives plan.

The Board of Directors held on 27 July 2016 approved awarding a member of senior management a defined contribution scheme that covers retirement contingencies and, where appropriate, disability and death. At 31 December 2022 and 2021, the Parent recognised 67 thousand euros and 63 thousand euros, respectively, in this regard under “Staff costs” in the consolidated income statement.

At 31 December 2022 and 2021, a member of senior management had signed a guarantee or golden parachute clause for certain cases of dismissal or change of control.

23. Assets classified as held for sale and liabilities associated with assets classified as held for sale

23.1 Assets classified as held for sale

The movements in this section of the statement of financial position have been the following:

		Investment property	
Thousands of euros	Note	31 December 2022	31 December 2021
Beginning balance		**27,000**	**281,959**
Additions for subsequent capitalised disbursements		35	180
Transfers	9 and 12.3	489,994	62,050
Sale or disposal by other means		(50,549)	(320,281)
Net gain/(loss) from fair value adjustments	19.7	–	3,092
Ending balance		**466,480**	**27,000**

23.1.1 Movements 2022

In 2022, Le Vaisseau in Paris, owned by SFL, was sold for a total of 26,872 thousand euros. The Group recorded a loss of 441 thousand euros in the consolidated income statement, including indirect costs of sale (note 19.5).

In 2022, the Group transferred 8 assets from the consolidated statement of financial position heading “Investment property” for 489,205 thousand euros and from “Trade and other receivables” corresponding to the accrual of lease incentives for 789 thousand euros. These transfers have been approved by the respective boards of directors.

In addition, in October 2022, the Parent Company disposed of a property located in Madrid, Sagasta, 27, for a sale price of 23,514 thousand euros. The Group recorded a profit of 841 thousand euros in the consolidated income statement, including indirect costs of sale (note 19.5).

23.1.2 Movements in 2021

In 2021, the Parent transferred 61,503 thousand euros from "Investment property" in the consolidated balance sheet (Note 7) and 547 thousand euros from "Trade and other receivables" that corresponded to the accrual of lease incentives.

In 2021, SFL disposed of two properties, Wagram and Percier, both located in Paris, for a sale price of 120,500 thousand euros and 143,500 thousand euros, respectively. The Parent also disposed of a logistics asset and a property for a total sale price of 58,397 thousand euros.

Of the total number of properties disposed of, the Group recorded a loss of 595 thousand euros in the consolidated income statement, including indirect costs of sale.

23.1.3 Changes in the value of investment property classified as held for sale

The "Changes in value of investment property" heading in the consolidated income statement includes the revaluation results of assets classified as held for sale according to independent expert valuations (Note 4.4), as well as additional information available at year-end.

23.2 Liabilities associated with assets classified as held for sale

One of the assets transferred from the consolidated statement of financial position heading "Investment property" to "Non-current assets classified as held for sale" is associated with a mortgage loan amounting to 75,700 thousand euros and, therefore, in 2022, this debt was transferred from "Bank borrowings and other financial liabilities" under non-current liabilities (Note 14.7) to "Liabilities associated with assets classified as held for sale" in the consolidated statement of financial position.

		Mortgage loan	
Thousands of euros	Note	31 December 2022	31 December 2021
Beginning balance		**–**	**–**
Transfer from "Bank borrowings and other financial liabilities"	14.7	75,700	–
Ending balance		**75,700**	**–**

24. Remuneration to auditors

Fees incurred for auditing services in 2022 and 2021 provided to the various companies composing the Colonial Group by the principal auditor and other auditors are set forth below:

	2022			2021		
Thousands of euros	Main auditor	Other companies in the PwC network	Other auditors	Main auditor	Other companies in the PwC network	Other auditors
Audit services	335	359	307	304	349	284
Other verification services	99	–	4	141	25	29
Total audit and related services	**434**	**359**	**311**	**445**	**374**	**313**
Tax advice services	–	–	170	–	–	179
Other services	68	86	349	55	37	115
Total professional services	**68**	**86**	**519**	**55**	**37**	**294**

The principal auditor of the Group for 2022 and 2021 is PricewaterhouseCoopers Auditores, S.L.

The principal auditor's fees for other assurance services include 99 thousand euros and relate to services provided to the Group for limited reviews, issuance of comfort letters and agreed-upon procedures reports on ratios linked to financing contracts (141 thousand euros in 2021).

At 31 December 2022,the principal auditor's fees for other professional services rendered to the Group amount to 68 thousand euros and correspond to reviews of ESG indicators contained in the integrated Annual Report, the Green Bonds report, and the Greenhouse Gas Inventory (55 thousand euros as at 31 December 2021).

In addition, the companies of the PwC Network have provided other professional services to the Group for a total amount of 86 thousand euros corresponding to technical reviews of cybersecurity, as well as reviews of English translations of corporate information (37 thousand euros at 31 December 2021).

The principal auditor's fees represent less than 1% of the Group's billings in Spain.

25. Events after the reporting date

From 31 December 2022 to the date on which these consolidated financial statements were authorised for issue, no significant events took place with the exception of:

> On 19 January 2023, the Parent signed a contract for the sale of three properties located in Madrid for a total sale price of 315 million euros.

> In January 2023, the Group repaid two loans drawn down for 100 million euros and 76 million euros respectively, reducing the financial liabilities indexed to ESG indicators to 0.4%.

> On 31 January 2023, SFL signed a promise of sale agreement for the Hanovre property.

Appendix

Companies included in the scope of consolidation At 31 December 2022 and 2021, the fully consolidated subsidiaries and the information thereon were as follows:

Spanish subsidiaries

	% shareholding					
	Direct		Indirect			
	2022	2021	2022	2021	Shareholder	Activity
Colonial Tramit, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	100%	100%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Real estate
Inmocol Torre Europa, S.A. (*) Avda. Diagonal 532 08006 Barcelona (Spain)	50%	50%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Real estate
Wittywood, S.L. Avda. Diagonal 532 08006 Barcelona (Spain)	100%	50%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Real estate
Inmocol One, S.A.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	100%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Real estate
Inmocol Two, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	100%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Real estate
Inmocol Three, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	100%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Real estate
Peñalvento, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	100%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Real estate
Utopicus Innovación Cultural, S.L. (*) Príncipe de Vergara, 112 28002 Madrid (Spain)	100%	100%	–	–	Inmobiliaria Colonial SOCIMI, S.A	Co-working

(*) Company audited in 2022 by PricewaterhouseCoopers.

French subsidiaries

	% shareholding					
	Direct		Indirect			
	2022	2021	2022	2021	Shareholder	Activity
SA Société Foncière Lyonnaise (SFL) 42, *rue* Washington 75008 Paris (France)	98.33%	98.33%	–	–		Real estate
SNC Condorcet Holding (**) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SNC Condorcet Propco (**) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SNC Condorcet Holding	Real estate
SCI Washington (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SCI 103 Grenelle (*) 42, *rue* Washington 75008 Paris (France)	–	–	51%	51%	SFL	Real estate
SCI Paul Cézanne (*) 42, *rue* Washington 75008 Paris (France)	–	–	51%	51%	SFL	Real estate
SA Segpim (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SFL	Marketing of real estate and provision of services
SAS Locaparis (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	Segpim	Marketing of real estate and provision of services
SAS Maud (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SAS SB2 (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SAS SB3 (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SCI SB3 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SAS Parholding (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SFL	Real estate
SAS 92 Champs-Elysées (**) 42, *rue* Washington 75008 Paris (France)	–	–	51%	51%	SFL	Real estate
SAS Cloud (**) 42, *rue* Washington 75008 Paris (France)	–	–	51%	51%	SFL	Real estate
SCI Pasteur 123 (**) 42, *rue* Washington 75008 Paris (France)	–	–	100%	–	SFL	Real estate

(*) Company audited in 2022 by PricewaterhouseCoopers.
(**) Company audited in 2022 by Deloitte & Associés.

French subsidiaries (continued)

	% shareholding					
	Direct		Indirect			
	2022	2021	2022	2021	Shareholder	Activity
SC Parchamps (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SAS Parholding	Real estate
SC Pargal (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SAS Parholding	Real estate
SC Parhaus (*) 42, *rue* Washington 75008 Paris (France)	–	–	100%	100%	SAS Parholding	Real estate

(*) Company audited in 2022 by PricewaterhouseCoopers.
(**) Company audited in 2022 by Deloitte & Associés.

At 31 December 2022 and 2021, the Group companies were audited by PricewaterhouseCoopers Auditores, S.L., except the SFL Group, which was jointly audited by Deloitte and PricewaterhouseCoopers.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated management report for the year ended 31 December 2022

1. Group Status

Rental Market Situation

Barcelona

Take-up in the Barcelona office market stood at 331,000 sqm in 2022, in line with the last 10-year average. Demand polarization for city centre products has decreased the CBD vacancy rate to 5.4%. Demand continues to be led by technology and professional services sector, capturing 50% of the market. Prime rents remained at a high of €28/sqm/month.

In Barcelona, the investment volume reached 1,100 million euros, with 60% of the transactions taking place in 22@. High economic uncertainty has pushed prime yields to 4%.

Madrid

In the office market in Madrid, 507,000 sqm were signed in 2022, up +23% compared to the previous year. More than 50% of the contracts were signed on assets in city centre locations, within the M-30. This dynamic has reduced the vacancy rate to 11.3% (12.3% in December 2021). The vacancy rate in the CBD decreased to 5.5% and for Grade A product it was down to 1.9%. This high volume and number of letting transactions in the CBD has settled prime rents at €37/sqm/month in 2022.

In Madrid investment increased by +99% in 2022 compared to 2021, reaching €1,188m. Prime yields stood at 4%.

Paris

In the Paris office market, take-up in 2022 reached 2,108,300 sqm, an increase of +10% compared to 2021. Demand in the city centre leads the growth, increasing +19% compared to the previous year. The vacancy rate in the CBD remains low levels at 2.5% and Grade A availability is stable at 0.4%. In 2022 prime rents increased to €1,000/sqm/year.

The investment volume in the office market of Paris reached 10,456 million euros in 2022: 50% of the transactions were carried out in the city centre and Paris CBD by domestic investors, comprising 75% of the total invested. Prime yields stood at 3.25%.

Organisational structure and operation

Colonial is the benchmark SOCIMI in the quality office market in Europe and since the end of June 2017 it has been a member of the IBEX 35, which is the reference index of the Spanish stock market.

The company has a market capitalisation of approximately 3,300 million euros with a free float of around 60% and manages an asset volume of more than 13,000 million euros.

The company's strategy focuses on building industrial value through creating the highest quality prime product through real estate transformation and repositioning of the assets.

In particular, the strategy is based on the following pillars:

> A business model focused on the transformation and creation of high-quality offices in prime locations, mainly central business districts (CBD).

> Maximum commitment in creating offices that respond to the best demands in the market, with special emphasis on efficiency and sustainability.

> A diversified pan-European strategy in the Barcelona, Madrid and Paris office markets.

> An investment strategy that combines core acquisitions with prime factory acquisitions and value-added components.

> A clearly industrial real estate approach to capture above-market-average value creation.

Today Colonial is a leading European company that specifically focuses on areas in city centres and leads the Spanish property market in terms of quality, sustainability and efficiency in its portfolio of offices.

Likewise, it has adopted a comprehensive approach to all areas of Corporate Social Responsibility, aiming at the highest standards of (1) sustainability and energy efficiency, (2) corporate governance and transparency, as well as (3) excellence in HR and social actions and making them an integral part of the Group's strategy.

In recent years, the Colonial Group has made significant divestments of non-core assets for more than 2 billion euros, with ongoing valuation premiums.

Furthermore, as part of the improvement of the Group's Prime portfolio, Colonial has acquired more than 4,000 million euros of core CBD properties since 2015, identifying assets with added value potential in market segments with solid fundamentals.

At the end of 2022, the Colonial Group has a robust capital structure with a solid "Investment Grade" rating. The Group's LTV (Loan to value) is 38.7% at December 2022 (36.9% post divestments).

The company's strategy is to consolidate itself as the leader of prime offices in Europe with special emphasis on the Barcelona, Madrid and Paris markets:

> A solid capital structure with a clear commitment to maintaining the highest credit rating standards – investment grade.

> An attractive return for the shareholder based on a recurring return combined with creating real estate value from value-added initiatives.

Staff management

Colonial professionals are the Group's main asset. At year end 2022, the Colonial Group team comprised a total of 243 employees, divided into 4 categories.

The number of people employed by the Group, as well as the average number of employees during the year distributed by categories and gender, was as follows:

	No. employees							
	2022		2021		Average 2022		Average 2021	
	Men	Women	Men	Women	Men	Women	Men	Women
General and Area Management	11	8	11	8	11	8	11	9
Qualified technicians and middle managers	39	45	33	45	36	43	37	43
Office clerks	36	98	29	95	34	94	29	92
Other	5	1	5	1	5	1	5	1
Total employees by gender	**91**	**152**	**78**	**149**	**86**	**146**	**82**	**145**
Total Group employees	**243**		**227**		**232**		**227**	

Of the total number of employees of the Group, the number of employees with a disability of 33% or more as at 31 December 2022 is 4 (2021:1).

2. Business performance and results

Introduction

At 31 December 2022, the Group's turnover was 362 million euros, of which 354 million euros correspond to Analytical Rental Income (APM).

The revaluation in investment property and assets classified as held for sale, in accordance with the independent valuation carried out by CB Richard Ellis and Cushman & Wakefield in Spain and France at year-end, as well as on the basis of additional information available at year-end, was (147) million euros. The change in value, which occurred in both France and Spain, does not represent a cash outflow.

Net financial profit was (86) million euros.

Profit/(loss) before tax and non-controlling interests at the end of 2022 amounted to 42 million euros.

Lastly, after subtracting profit attributable to non-controlling interests (42) million euros, and income tax of 8 million euros, the profit after tax attributable to the Parent amounted to 8 million euros.

2022 results

Recurring net income (APM) per share of 29.8 cents of euro exceeding the upper range of guidance

1. Recurring net income (APM) of 161 million euros, +26% compared to the previous year

The Colonial Group closed 2022 with a strong increase in the recurring results driven by the double-digit growth in rental income:

> Analytical rental income of 354 million euros, +13% over the previous year.

> Recurring net income of 161 million euros, +26% compared to the previous year.

> Recurring net income per share of €29.8cts, +21% compared to the previous year.

The significant increase in the Recurring Net Profit is mainly due to the growth in rental income driven by Colonial's asset portfolio. Thanks to its prime positioning, it is able to capture the indexation impacts, as well as a growth in rental prices on signed contracts. In addition, the successful project delivery has enabled the Company to obtain significant additional income.

The efficient management of operating costs has resulted in an EBITDA growth of +14% year-on-year which, together with controlled financial costs, has led to an increase of +26% in the net recurring profit, reaching 161 million euros for 2022.

The Gross Asset Value amounted to 13,005 million euros at 31 December 2022 and remained stable in like-for-like terms (1+% like-for-like), consequently the net profit of the Colonial Group amounted to 8 million euros.

2. Analytical rental income of 354 million euros, +13% vs last year

Colonial closes 2022 with Analytical Rental Income of 354 million euros, +13% vs 2021 thanks to the high Pricing Power of the Colonial portfolio and the successful delivery of projects together with a clear Prime focus on quality in Paris, Madrid and Barcelona.

Income growth: Pricing Power & Projects

Three growth drivers delivered +56 million euros in additional rents compared to 2021, contributing +18% to income growth:

1. Pricing Power - contribution of +6% to overall growth

   The Core portfolio contributed +20 million euros to income growth based on a solid like-for-like growth of +7% due to the strong Pricing Power, enabling to fully capture the indexation impact and to achieve maximum market rents.

2. Projects delivered - contribution of +7% to overall growth

   Project deliveries and the renovation program have contributed +22 million euros to income growth (a contribution of +7% to overall growth). Highlighted is the income contribution from Marceau and Biome in Paris, as well as from Velázquez 86D, Miguel Ángel 23 and Ortega & Gasset in Madrid.

3. Acquisition of Prime Assets – a contribution of +4% to global growth

   The acquisitions of the Amundi headquarters in Paris and the Danone headquarters in the CBD of Barcelona have contributed +14 million euros to income growth.

4. Disposal program - Flight to Quality

   The disposal of non-strategic assets and other non-comparable impacts have led to a (5%) decrease year-on-year in the rental income of 2022.

Income growth: Polarization and Prime Pan-European Positioning

The Group's annual revenue growth is solid both in total terms with +13%, as well as in comparable terms with an increase of +7% like-for-like demonstrating the strength of Colonial's positioning.

The like-for-like revenue increase of +7% is among the highest in the sector and is a clear reflection of the polarisation of the market towards the best branch product.

1. The largest growth in rental income was in the Paris market, with an increase of +17% in total terms and +8% like-for-like. This increase is mainly due to the higher rents and occupancy levels in the Édouard VII, #Cloud and Washington Plaza assets, as well as higher rents in the 92 Champs Elysées asset.

2. In the Madrid portfolio, the rental revenue increased +8% in absolute terms. The comparable perimeter of assets registered an increase of +6% like-for-like. This like-for-like increase is mainly due to the José Abascal 45, Castellana 163, Serrano 73 and Estébanez Calderón assets, based on a combination of higher rents and higher occupancy levels.

3. In Barcelona, the rental revenue increased +8% for the entire portfolio, driven by a strong increase of +9% like-for-like, mainly due to higher rents on the Parc Glories, Diagonal 609-615, Dau Retail, Diagonal 682 and Diagonal 197 assets.

3. Disposal program of more than 500 million euros – Flight to Quality

At the closing date of this document, the Colonial Group is finalizing a disposal program of more than 500 million euros with prices in line with the appraisal.

Of the total disposal program, 84 million euros was made in 2022. Additionally, during the first half of 2023, the disposal of 6 assets is expected to be finalized amount 420 million euros. It is important to highlight that 3 of the assets have already been sold and the rest of the disposals program is expected to be finalized during the 1H 2023.

The disposal program includes 10 assets with a total surface area of 98,215 sqm with no further value creation potential. Of the almost 100,000 sqm of the disposal program, 27% corresponds to land plots of land and/or non-strategic assets with high vacancy levels, another 35% to buildings in secondary locations and the rest correspond to mature assets without long-term value creation potential.

The sale price of the program implies an initial yield (EPRA Net Initial Yield) below 2.6% and the CBD assets in Madrid were disposed of for a capital value of more than €9,000/sqm.

The disposal program is part of the flight to quality strategy, which, through the active management of the portfolio, divests mature and/or non-strategic assets in order to recycle capital for new opportunities of value creation and to continually improve the risk return profile of the Group.

4. Resilient asset values - Polarization & Prime Positioning

The gross asset value of the Colonial Group at the close of 2022 amounted to 13,005 million euros (13,727 million euros including transfer costs), showing an increase of +5% compared to the previous year. In like-for-like terms, Colonial's portfolio was revalued by +1% compared to the previous year.

Polarization & Prime Pan-European Positioning

In a highly volatile environment with interest rate hikes, the value of the asset portfolio has shown defensive performance, thanks to its Pan-European Prime Positioning. The Colonial Group's successful bet on Paris is reflected in the solid results. The Paris portfolio has registered the best growth in the Group's portfolio with year-on-year growth of +2% like-for-like. Madrid and Barcelona have remained stable thanks to the focus in CBD and city centre locations, which have shown a much more defensive nature than secondary areas.

Alpha Value Creation: "Pricing Power" & Projects

In a market environment of interest rate hikes, the valuation of Colonial's assets have been impacted by an expansion in the valuation yields1 (24bps in 12 months). However, it is important to highlight that those impacts have been offset by two Alpha value creation drivers: (1) Pricing Power: the improvement in the cash flows due to the capture of the indexation impact, as well as higher market rents (ERVs) and (2), the successful delivery and progress of projects that have enabled the crystallization of double-digit value creation margins.

Resilient Net Asset Value (NAV)

The Net Asset Value as of 31 December 2022 amounted to €6,384 million euros corresponding to €11.83/share. Including the dividend paid of €0.24/share, the Net Asset Value for Colonial's shareholders was €12.07/share, in line with the NTA 2021 of €12.04/share.

In an environment with high volatility and an energy crisis, the quality positioning together with the active management of Alpha value creation has enabled Colonial to maintain a stable Net Asset Value.

Significant acceleration in the operating fundamentals

1. Record take-up volume – Polarization and greater market

At the close of 2022, the Group has signed more than 176,000 sqm, reaching the second highest take-up volume in its history and exceeding by +4% the previous year, which already was a record year in letting activity.

The solid results are a clear evidence of the polarization trend in the office markets, characterized by a demand that prioritizes top-quality Grade A products in the best locations. Colonial's prime portfolio clearly benefits in this context and is capturing additional market share in the rental markets in which it operates.

In economic terms (sqm signed multiplied by signed rents), contracts were signed for an annualized rent amount of 75 million euros.

61% of the total letting activity (107,419 sqm) corresponds to new contracts signed, spread across the three markets in which the Group operates. Regarding contract renewals, a total of 69,476 sqm were signed, highlighting 54,443 sqm renewed in Madrid.

2. Sound occupancy levels

The occupancy of the Colonial Group stands at 96%. Of special mention is the Paris market with almost full occupancy at 99.8%.

A large part of the current office vacancy corresponds to the recently delivered renovation programs and the corresponding entries into operation, highlighting in Barcelona the Torre Marenostrum and Diagonal 530 assets. At the current date, advanced conversations are taking place for various floors plant in the Diagonal 530 building, one of the best assets in the Barcelona market.

3. Rent Increases - Polarisation & Pricing Power”

Pricing Power – Capturing the highest rental prices on the market

In an environment of rental demand polarization and given the scarcity of Grade A product, Colonial’s prime portfolio attracts clients that sign at maximum rental prices.

The maximum rents signed in the portfolio of the Group reached €1,000/sqm/year in Paris, as well as €40/sqm/month in Madrid and €28/sqm/month in Barcelona.

With these pricing levels, Colonial’s portfolio clearly sets the benchmark for prime assets in each of the markets in which it operates.

Pricing Power - Indexation captured in all contracts with an average growth of +5%

The Colonial Group’s asset portfolio captures the impact of the indexation on rents: The Colonial Group has applied in all the contracts the corresponding indexation of the rental price. As a result of the indexation on the contract portfolio in 2022, the annualized passing rents of the corresponding contracts have increased by +5% (+7% in Spain and +3% in Paris).

These results show the strong Pricing Power of Colonial’s Prime portfolio. Both the quality of the clients and the nature of the Colonial Group’s contracts enable the full indexation impact to be captured, providing clear protection over the cash flow of the assets in an inflationary environment such as the current one.

Pricing Power – Rental income growth above market rents

The Colonial Group closed 2022 with a growth of +5% in rental prices compared to the market rents (ERV) as of December 2021.

The greatest increases in rental prices were signed on the Paris portfolio with a +5% increase (+6% for the office portfolio), and in Madrid, prices were signed +5% higher than the market rents of 31/12/21.

Pricing Power - Increase in rent renewals, release spreads of +6%

Rent increases in renewals: Colonial has increased the rents with current clients by +6% compared to the previous rents (release spreads). These ratios highlight the reversionary potential of Colonial’s contract portfolio with significant room for improvement on the current rents.

The increases compared to the previous rents (release spreads) were significant in the three markets in which the Group operates. Worth mentioning are the asset portfolios in Madrid and Paris, with a release spread of +6%. In Barcelona, the release spread was at +5%.

These increases highlight the pricing power of Colonial’s assets to unlock the reversionary potential of Colonial’s contract portfolio.

Project Pipeline and Renovation Program

1. Pipeline of projects practically delivered and pre-leased

The Colonial Group has a project pipeline of 184,455 sqm across 8 assets.

At the date of publication of these results, the pre-let levels and the levels of project delivery on the pipeline were both very high:

1. High level of pre-letting of the portfolio: 7 of 8 projects

    > Of the 8 projects of the project pipeline, 7 are already pre-let (6 projects at 100% and Velázquez at 86%), with the Campus in Méndez Álvaro being the only asset pending to be pre-let. At the end of 2022, the commercialization of this unique project began generating high interest in the Madrid market.

    > In Barcelona, an agreement has been reached to rent 100% of the Plaza Europa 34 asset.

    > The current pre-let volume is at 55 million euros, corresponding to 67% of the total income from the project portfolio, amounting to 82 million euros. These pre-lets ensure significant future income increases that will be completely crystallized in the profit and loss accounts of 2023 and 2024.

2. High degree of progress in delivery/entry into operation

The degree of progress in the project portfolio is very high; to date, 6 out of 8 projects are all practically delivered.

> Marceau and Diagonal 525 were delivered at the end of 2021.

> Velázquez 86D and Miguel Angel 23 in Madrid & Biome in Paris entered into operation by the end of 2022.

> In the coming weeks, the Plaza Europa 34 project in Barcelona will be delivered.

> The Méndez Álvaro and Louvre Saint Honoré projects are progressing according to the expected timeline.

2. Renovation program successfully executed

The Colonial Group's renovation program counts on 108,294 sqm spread over 9 assets, 4 assets located in Paris (103 Grenelle, Charles de Gaulle, Washington Plaza and Cézanne St. Honoré), 2 assets in Madrid (Cedro and Ortega y Gasset) and 3 assets in Barcelona (Torre Marenostrum, Diagonal 530 and Parc Glories II).

Of the entire renovation program, 8 assets (with a total surface area of 90,434 sqm) have been delivered and pre-let with significant rental price increases. The project portfolio in renovation has potential rents of 46 million euros.

The renovation program on the Parc Glories II building in Barcelona is currently under analysis.

Capital structure

1. A strong balance sheet for future growth

At the close of 2022, the Colonial Group had a solid balance sheet, both in terms of LTV and liquidity, specifically taking into account the disposal program.

Including the disposal program impact for more than 500 million euros, the debt profile of the Colonial Group considerably improves in all metrics:

> Net debt would be reduced by 421 million euros to 4,934 million euros and liquidity would increase to 2,645 million euros.

> Pro forma LTV would decrease by (180bp) to 36.9% (post divestments).

The current liquidity, between cash and undrawn credit lines, enables the Colonial Group to cover all their debt maturities until 2027.

Likewise, the Colonial Group's debt has a high level of interest rate coverage thanks to a high volume of fixed-rate bonds together with hedging instruments contracted for long-term maturities.

> 100% of the Group's net debt is a fixed interest rate (post disposals).

> 70% of the Colonial Group's debt has maturities from 2025 onwards.

> 53% of the future issues of the Group's debt have interest rate pre-hedging instruments at a 0.6% strike rate, significantly limiting the impact of the interest rate hikes after the bond maturities.

> At the close of 2022, the market value (Mark-to-Market) of the interest rate coverage contracted by the Colonial Group amounts to 277 million euros.

Thanks to the successful hedging strategy, the Colonial Group closed the year with a Net Disposal Value (NDV) of 6,862 million euros corresponding to 12.72 euros/share, an increase of +15% vs the previous year, driven by the positive mark-to-market impact in the debt.

The Group's strong financial profile is reflected in a BBB+ credit rating from Standard & Poor's, the highest in the Spanish real estate sector.

3. Liquidity and capital resources

See “Capital management and risk management policy” section of Note 14.14 of the consolidated financial statements for the year ended 31 December 2022.

The Average Payment Period (APP) of the Group’s Spanish companies to their suppliers for 2022FY1 was 41 days. In relation to payments made outside the maximum legal term set, these correspond mainly to payments related to contracting works and real estate renovation, which are paid within the term established in the corresponding contracts signed with the contractors.

The Group has set two payment days per month to comply with the requirements established under Law 11/2013 of 26 July. In this regard, the dates of entry are on the 5th and 20th of each month and the corresponding payments are made on the 5th and 20th of the following month.

4. Objective and risk management policies

Asset management is exposed to various internal and external risks and uncertainties that can impact Colonial’s activity. Therefore, Colonial aims to create sustainable value by optimising the constantly evolving ratio between profitability and risk in financial, environmental, social and economic areas, among others. This balance, together with a holistic and dynamic vision of risk, reinforces Colonial’s leadership in the sector and consolidates its position in the long term. Risk management is a key aspect in Colonial’s organisational culture, and for this reason, the Group has developed the Risk Control and Management System (hereinafter, RCMS), which establishes a basis for efficient and effective management of the risks throughout the organisation.

To meet these corporate objectives, the risks to which Colonial is exposed are identified, analysed, evaluated, managed, controlled and updated. With the objective of maintaining an effective and updated RCMS, Colonial has prepared a corporate risk map, which identifies the main risks that affect the Group, and evaluates them in terms of impact and probability of occurrence. This map is reviewed and updated periodically every year, with the aim of having an integrated and dynamic risk management tool, which evolves with changes in the environment in which the company operates and changes in the organisation itself.

The main responsibilities in relation to the RMCS correspond to the board of directors, the audit and control committee and the internal audit unit. The RCMS also explicitly determines the responsibilities of senior management, operational management and risk owners in relation to risk management.

The Board of Directors is assigned the function of determining the risk control and management policy, including tax policies, identifying the main risks of the Group and implementing and supervising the internal information and control systems, in order to ensure future viability. and competitiveness of the Group, adopting the most relevant decisions for its best development. For the management of this function, it has the support of the audit and control committee, which performs, among others, the following functions related to the field of control and risk management:

- Submit a report on risk policy and risk management to the board for approval.
- Periodically review the control and risk management systems, so that the main risks are identified, managed and adequately disclosed.
- Oversee the process of preparing, the integrity and presentation of mandatory (financial and non-financial) public information.

Additionally, Colonial has the regulatory compliance unit and the internal audit unit as tools to reinforce said objective. The regulatory compliance unit is responsible for ensuring adequate compliance with the norms and laws that may affect it to undertake its activity, and the internal audit function is responsible for carrying out the necessary supervision activities, contemplated in its annual plans approved by the Audit and Control Committee, to evaluate the effectiveness of the risk management processes and the action plans and controls implemented by the corresponding management teams to mitigate said risks.

For better risk management, Colonial differentiates in two broad areas the different types of risks to which the Group is exposed based on their origin:

- External risks: risks related to the environment in which Colonial carries out its activity and that influence and condition the company’s operations.
- Internal risks: risks originated from the company’s own activity and its management team.

The main external risks that Colonial faces to achieve its objectives include:

> Economic risks arising from the political and macroeconomic climate in the countries in which it operates and changes in investors' own expectations and capital markets.

> Market risks, derived from transformation in the industry and the business model itself, the greater complexity to develop the investment/divestment strategy, and the fluctuation of the real estate market with an impact on the valuation of real estate assets.

> Financial risks, related with restrictions on capital markets, fluctuating interest rates, the impact of changes in tax regulations and those of the counterparty of the main clients.

> Environmental risks, such as those related to crisis management, those arising from regulation and more stringent ESG demands, and mainly those related to physical and transition risks caused by climate change with consequences for the Group's activity.

The main internal risks that Colonial faces to achieve its objectives include:

> Strategic risks in relation with the Group's size and diversification, with the asset portfolio breakdown.

> Diverse operating risks related with the maintenance of occupancy levels of properties and the level of rental agreements, with the cost of the works projects, as well as the timeframe for their execution, with the management of debt levels and the current credit rating, with cyberattacks or failures in reporting systems, together with those specific to the management of the organisational structure and talent.

> Risks arising from compliance with all applicable regulations and contractual obligations, including tax risks related to the loss of the status of REIT by Colonial and the loss by its French subsidiary Société Foncière Lyonnaise of its status as a Real Estate Investment Trust (REIT).

With regard to the main materialised risks to be highlighted in 2022, in which the effects of the pandemic began to stabilise, the outbreak of the war in Ukraine and the prolongation of this conflict has generated a high level of uncertainty in the economic environment worldwide and especially in Europe. Against this geopolitical and macroeconomic backdrop, the risk linked to the fluctuation of the real estate cycle has been highly impacted, mainly from the second half of the year, as a result of the historic increase in interest rates with the aim of trying to contain the high inflation that has characterised this year of 2022. In addition, given this context, the complexity of divestment operations of non-strategic assets remained high this year, as well as investment operations in new assets with attractive profitability, given that investment market strategies have been paralysed.

As a consequence of this sharp rise in interest rates, and in view of the uncertainty of a possible economic recession, the management of debt levels has continued to be a priority this year, with the aim of improving the levels of loan-to-value levels and to have a stronger financial structure to face the next financial year and to increase investment capacity in the face of opportunities that may arise in the sector.

Likewise, the increase in raw material, fuel and supply prices has had a significant impact worldwide and also on the real estate sector, especially on the execution and development of the Group's construction projects.

The physical and transitional risks linked to climate change have led to the implementation of climate change policies and strategies, with specific actions aimed at improving the quality of buildings and measuring their energy consumption levels, as well as optimising their environmental impact. Adaptation to the growing non-financial reporting requirements of the various stakeholders has led to a review of compliance with these requirements and the definition and implementation of control systems to respond to this increasingly demanding environment with the objective of the Group's commitment and compliance in this area.

Finally, regulatory risks, which are always present, have increased significantly, particularly in the ESG area, given the uncertainty generated by the impact of the European taxonomy.

In this complex context, the Group has reviewed and monitored the evolution of these risks, showing a high level of resilience, particularly in the strategic, operational and financial areas, and the proper functioning of the control systems in place, which has enabled it to manage and mitigate these risks adequately and to guarantee operations and preserve the Group's value.

5. Events after the reporting date

From 31 December 2022 to the date on which these consolidated financial statements were authorised for issue, no significant events took place with the exception of:

> On 19 January 2023, the Parent signed a contract for the sale of three properties located in Madrid for a total sale price of 315 million euros.

> In January 2023, the Group repaid two loans drawn down for 100 million euros and 76 million euros respectively, reducing the financial liabilities indexed to ESG indicators to 0.4%.

> On 31 January 2023, SFL signed a promise of sale agreement for the Hanovre property.

6. Outlook

This year has been characterised by an economic context marked by high inflation and uncertainty. The conflict between Russia and Ukraine together with the energy crisis, among other factors, have led to an economic downturn in 2022, although the second half of the year was more resilient than expected. The outlook for 2023 is weaker for growth and lower dynamics are expected than those observed during 2022.

Barcelona and Madrid

As far as the office market in Barcelona and Madrid is concerned, the prime market remains stable and the secondary and peripheral areas show a weak profile. The demand for quality assets in prime locations continues to be the most sought after by companies, basically due to the need to attract talent in companies with high added value, to offer the best working environment to their employees and to have the best mobility options.

Regarding rents, increases are observed in the city centre. In Barcelona, the prime rental benchmark has risen slightly to €28/sqm/month. In Madrid, Prime rent has surpassed the pre-Covid levels of late 2019, standing at €37/sqm/month.

The high uncertainty in the economic environment has put upward pressure on prime yields, with yields in Madrid and Barcelona reaching 4% in 2022.

Paris

The Paris market is one of the most important worldwide and has a high level of liquidity.

As of today, the availability of office space in the city's best Grade A areas stands at 0.4%. The lack of product combined with the high demand from companies for prime products means that consultants expect office rents to remain high. In this regard, at the end of the second half of 2022, prime rents have increased to levels of €1,000/sqm/year.

Future strategy

In this market context, Colonial's strategy continues to be committed to long-term value creation in the prime office sector, with the focus on quality and yields adjusted to risk, and with a strong credit rating and liquidity position.

7. Research and development activities

As a result of the Group's own characteristics, its activities and its structure, research and development activities are not usually carried out at Inmobiliaria Colonial, SOCIMI, S.A.

8. Treasury Shares

At 31 December 2022, the Parent had 8,218,370 treasury shares with a nominal value of 20,546 thousand euros, which represents 1.52% of the Parent's share capital.

9. Other significant information

On 10 December 2015, the Board of Directors of the Parent agreed to adhere to the Code of Best Tax Practices ("CBPT" hereinafter). This agreement was communicated to management on 8 January 2016. During 2022, the Parent presented the Annual Tax Transparency Report for companies adhering to the CBPT for 2021, following the proposal for the reinforcement of good corporate tax transparency practices for companies adhering to the Code of Good Tax Practices, approved at the plenary session of 20 December 2016.

10. Annual corporate governance report and annual remuneration report

Pursuant to Article 538 of the Spanish Limited Liability Companies Law, it is hereby noted that the annual corporate governance report and annual remuneration report for 2022 are included in this Management Report in a separate section.

Alternative Performance Measures (European Securities and Markets Authority)

Below follows an explanatory glossary of the Alternative Performance Measures, including their definition and relevance for Colonial, in accordance with the recommendations of the European Securities and Markets Authority (ESMA) published in October 2015 (ESMA Guidelines on Alternative Performance Measures). These Alternative Performance Measures have not been audited or revised by the Parent's auditor (Deloitte, S.L.).

Alternative Performance Measure	Form of calculation	Definition/Relevance
Market Value including transaction costs or *GAV including Transfer costs*	Valuation of all assets in the Group's portfolio made by appraisers outside the Group, before subtracting transaction costs or transfer costs.	Standard analysis ratio in the real estate sector.
Market Value excluding transaction costs or *Gross Asset Value (GAV) excluding Transfer costs*	Valuation of all assets in the Group's portfolio made by appraisers outside the Group, deducting transaction costs or transfer costs.	Standard analysis ratio in the real estate sector.
Like-for-like Valuation	Amount of market valuation excluding transaction costs or market valuation including transaction costs comparable between two periods. In order to obtain it, income from rentals from investments or divestitures made between both periods is excluded from both periods.	This makes it possible to compare, on a like-for-like basis, the change in the portfolio's market valuation.
EPRA[1] NTA (EPRA Net Tangible Assets)	This is calculated on the basis of Equity attributable to equity holders of the Parent and adjusted for certain items in accordance with EPRA recommendations.	Standard analysis ratio in real estate and recommended by EPRA.
EPRA[1] NDV (EPRA Net Disposal Value)	Calculated by adjusting the following items in the EPRA NTA: the market value of the financial instruments, the market value of the financial debt, the taxes that would accrue on the sale of the assets at their market value, applying the tax credits available to the Group on a going concern basis.	Standard analysis ratio in real estate and recommended by EPRA.
Gross Financial Debt (GFD)	Calculated as the sum of the items *"Bank borrowings and other financial liabilities"*, *"Issuance of bonds and other similar securities"*, and *"Promissory notes"* excluding *"Interest"* (accrued), *"Arrangement expenses"*, *"Other financial liabilities"* and "*Liabilities associated with assets classified as held for sale"* in the consolidated statement of financial position.	Relevant indicator for analysing the Group's financial position.
Net Financial Debt (NFD)	Calculated by adjusting in *gross financial debt (GFD)* the item *"Cash and cash equivalents".*	Relevant indicator for analysing the Group's financial position.
Loan to Value Group or LtV Group	Calculated as the result of dividing "*Net financial debt (NFD)"* by the sum of the *"Market Valuation including transaction costs of the Group's asset portfolio"* plus the *"Parent's treasury shares valued at EPRA NTA".*	This makes it possible to analyse the relationship between net financial debt and the valuation of assets in the Group's portfolio.

[1] EPRA (European Public Real Estate Association) which recommends the standards for best practices to follow in the property sector. The calculation of these APMs follows the instructions set by EPRA.

Alternative Performance Measure	Form of calculation	Definition/Relevance
Holding Company LtV or Colonial LtV	Calculated as the result of dividing *"Gross financial debt"* minus the amount of the item *"Cash and cash equivalents"* of the Parent and the *wholly-owned Spanish subsidiaries*, adjusted by the amount of the commitments for *"deferrals for real estate asset purchase and sale transactions"*, between the sum of *"the Market Valuation including transaction costs of the asset portfolio of the Group's parent company and wholly-owned Spanish subsidiaries"*, *"treasury shares of the parent company"* and *the EPRA NTA of the remaining financial holdings in subsidiaries"*.	This makes it possible to analyse the relationship between net financial debt and the valuation of assets in the Group's parent company.
Like-for-like Rental Income	Amount of rental income for rentals included in *"Revenue"* comparable between two periods. In order to obtain this amount, income from investments or divestitures made between both periods, those from assets included in the project and renovation portfolio, as well as other atypical adjustments (for example, compensation for early termination of rental agreements) are excluded from both periods.	This makes it possible to compare, on a like-for-like basis, the change in rental income of an asset or group of assets.
Analytical EBITDA *(Earnings Before Interest, Taxes, Depreciation and Amortisation)*	Calculated as *"Operating profit"* adjusted for "*Depreciation and amortisation", "Variations in value of investment property", "Net change in provisions"* and *"Gains/(losses) on changes in value of assets due to impairment",* as well as expenses incurred in *"Depreciation and amortisation"* and *"Net finance income/ (expense)"* arising from the recording of *"IFRS 16 finance leases",* associated with the flexible business (co-working).	Indicator of the Group's capacity to generate profits considering only its productive activity, eliminating depreciation allowances, the effect of indebtedness and the tax effect.
EBITDA income	Calculated by adjusting to the *analytical EBITDA* the "*general expenses"* and *"extraordinary expenses"* not associated with the operation of property.	Indicator of the Group's earning capacity considering only its leasing activity, before depreciation, provisions, the effect of indebtedness and the tax effect.
Other analytical income	Calculated as *"Other revenue"* in the condensed consolidated income statement and adjusted by *"Other revenue relating to the corporate segment", "Revenue, Personnel expenses and Other operating expenses eliminated on consolidation associated with the flexible business", "Revenue eliminated on consolidation associated with the flexible business", "Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard"* and *"Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard".*	Relevant magnitude for analysing the Group's results.

Alternative Performance Measure	Form of calculation	Definition/Relevance
Spending structure analytics	Calculated as the sum of items *"Other revenue", "Personnel expenses"* and *"Other operating expenses"* in the condensed consolidated income statement and adjusted by *"Analytical net operating expenses", "Personnel expenses and Other operating expenses associated with the generation of flexible business income", "Personnel expenses and Other operating expenses not associated with flexible business", "Personnel expenses and Other extraordinary operating expenses", "Net change in provisions", "Other operating expenses eliminated on consolidation associated with the flexible business"* and *"Other revenue associated with the leasing business".*	Relevant magnitude for analysing the Group's results.
Analytical extraordinary expenses	Calculated as the sum of items *"Personnel expenses"* and *"Other operating expenses"* in the condensed consolidated income statement for the six months ended 30 June 2022 and adjusted by *"Analytical net operating expenses", "Personnel expenses and Other operating expenses associated with the corporate segment", "Personnel expenses and Other operating expenses not associated with flexible business", "Other operating expenses eliminated on consolidation associated with the flexible business"* and *"Net change in provisions".*	Relevant magnitude for analysing the Group's results.
Revaluations and sales margin of analytical properties	Calculated as the sum of the items *"Net gains on sales of assets"* and *"Changes in value of investment property"* in the consolidated income statement.	Relevant magnitude for analysing the Group's results.
Analytical depreciation and provisions	Calculated as the sum of *"Depreciation and amortisation"* and *"Gains/(losses) on changes in value of assets due to impairment"* in the consolidated income statement and adjusted by *"Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard"* and *"Net change in provisions".*	Relevant magnitude for analysing the Group's results.
Analytical financial result	Calculated as the sum of *"Finance income"* and *"Finance costs"* in the consolidated income statement and adjusted by *"Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard".*	Relevant magnitude for analysing the Group's results.
EPRA Earnings and Recurring net income	Calculated in accordance with EPRA recommendations, adjusting certain items to the net profit for the year attributable to the parent company.	Standard analysis ratio in real estate and recommended by EPRA.

Alternative Performance Measures included in the foregoing table arise from items in the consolidated financial statements and in the consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries or from the breakdowns of the items (sub-items) included in the corresponding explanatory notes to the report, except as indicated below.

The following is a reconciliation of those alternative performance measures whose origin does not derive, in their entirety, from items or sub-items of the consolidated annual financial statements of Inmobiliaria Colonial, as provided in paragraph 28 of the aforementioned recommendations.

Market Value including transaction costs or GAV including Transfer costs

Millions of euros	2022	2021
Total Market Value excluding transaction costs	13,005	12,436
Plus: transaction costs	722	655
Total Market Value including transaction costs	**13,727**	**13,091**
Spain	4,904	4,953
France	8,823	8,138

Market Value excluding transaction costs or GAV excluding Transfer costs

Millions of euros	2022	2021
Barcelona	1,261	1,423
Madrid	2,733	2,518
Paris	7,525	6,633
Leased out	**11,519**	**10,574**
Projects	1,466	1,843
Other	20	20
Total Market Value excluding transaction costs	**13,005**	**12,436**
Spain	4,759	4,830
France	8,246	7,606

Like-for-like Valuation

Millions of euros	2022	2021
Valuation at 1 January	12,436	12,020
Like-for-like Spain	(21)	292
Like-for-like France	179	411
Acquisitions and divestitures	412	(288)
Valuation at 31 December	**13,005**	**12,436**

EPRA NTA (EPRA Net Tangible Assets)

Millions of euros	2022	2021
“Net equity attributable to the parent company's shareholders”	**6,159**	**5,999**
Includes/Excludes:		
Adjustments from (i) to (v) with respect to strategic alliance interests	–	–
Diluted NTA	**6,159**	**5,999**
Includes:		
(ii.a) Revaluation of investment assets	–	–
(ii.b) Revaluation of assets under development	–	–
(ii.c) Revaluation of other investments	147	149
(iii) Revaluation of finance leases	–	–
(iv) Stock revaluation	14	12
Diluted NTA at Fair Value	**6,321**	**6,160**
Excludes:		
(v) Deferred taxes	339	351
(vi) Market value of financial instruments	(276)	(15)
EPRA NTA	**6,384**	**6,496**
Number of shares (millions)	539.6	539.6
EPRA NTA per share	**11.83**	**12.04**

EPRA NDV (Net Disposal Value)

Millions of euros	2022	2021
"Net equity attributable to the parent company's shareholders"	**6,159**	**5,999**
Includes/Excludes:		
Adjustments from (i) to (v) with respect to strategic alliance interests	–	–
Diluted NDV	**6,159**	**5,999**
Includes:		
(ii.a) Revaluation of investment assets	–	–
(ii.b) Revaluation of assets under development	–	–
(ii.c) Revaluation of other investments	147	149
(iii) Revaluation of finance leases	–	–
(iv) Stock revaluation	14	12
Diluted NDV at Fair Value	**6,321**	**6,160**
Excludes:		
(v) Deferred taxes	–	–
(vi) Market value of financial instruments	–	–
Includes:		
(ix) Market value of debt	541	(203)
EPRA NDV	**6,862**	**5,957**
Number of shares (millions)	539.6	539.6
EPRA NDV per share	**12.72**	**11.04**

Loan to Value Grupo o LtV Grupo

Millions of euros	2022	2021
Gross financial debt	5,515	4,935
Commitments of deferrals for transactions selling real estate assets	–	–
Less: "Cash and cash equivalents"	(160)	(219)
(A) Net financial debt	**5,355**	**4,716**
Market Value including transaction costs	13,727	13,091
Plus: Shares in treasury stock of the parent company valued at EPRA NTA	98	98
(B) Market Value including transaction costs and Parent's treasury shares	**13,825**	**13,189**
Loan to Value Group (A)/(B)	**38.7%**	**35.8%**

Holding Company LtV or Colonial LtV

Millions of euros

Holding Company	2022	2021
Gross financial debt	2,988	3,028
Commitments of deferrals for transactions selling real estate assets	–	–
Less: “Cash and cash equivalents” of the parent company and the fully-owned Spanish subsidiaries	(85)	(101)
(A) Net financial debt	**2,903**	**2,927**
(B) Market Value including transaction costs	**9,971**	**10,036**
Loan to Value Holding (A)/(B)	**29.1%**	**29.2%**

Like-for-like Rental Income

Millions of euros	Barcelona	Madrid	Paris	Total
2021 Rental Income	**44**	**95**	**175**	**314**
Like-for-like	4	5	12	20
Projects and inclusions	(1)	7	7	13
Investments and divestitures	1	(3)	11	9
Other and compensation	–	(1)	–	(1)
2022 Rental Income	**48**	**102**	**205**	**354**

Analytical EBITDA

Millions of euros	31/12/2022	31/12/2021
Operating profit	128	674
Adjustments: “Depreciation and amortisation”	9	8
Adjustments: “Net gains on sales of assets”	(6)	1
Adjustments: “Net change in provisions”	1	1
Adjustments: “Changes in value of investment property”	147	(444)
Adjustments: “Gains/(losses) on changes in value of assets due to impairment”	1	1
Adjustments: “Extraordinary Income”	6	10
Adjustments: “Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard”	(3)	(2)
Adjustments: “Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard”	(1)	(1)
Analytical EBITDA	**282**	**248**

EBITDA income

Millions of euros	31/12/2022	31/12/2021
Net turnover amount	362	317
Adjustments: "Flexible business income"	(14)	(9)
Adjustments: "Revenue eliminated on consolidation associated with the flexible business"	7	6
Analytical rental income	**354**	**314**
Staff costs	(36)	(37)
Other operating expenses	(55)	(44)
Adjustments: "Personnel expenses and Other operating expenses not associated with the corporate segment"	49	43
Adjustments: "Personnel expenses and Other operating expenses not associated with the flexible business"	6	5
Adjustments: "Personnel expenses and Other extraordinary operating expenses not associated with the flexible business"	6	10
Adjustments: "Other operating expenses eliminated on consolidation associated with the flexible business"	2	1
Adjustments: "Net change in provisions"	1	1
Analytical net operating expenses	**(28)**	**(21)**
EBITDA income	**326**	**293**

Other analytical income

Millions of euros	31/12/2022	31/12/2021
Other income	9	5
Adjustments: "Other corporate segment revenues"	(3)	(2)
Adjustments: "Net turnover amount and Personnel expenses and Other operating expenses eliminated on consolidation associated with the flexible business"	10	6
Adjustments: "Revenue eliminated on consolidation associated with the flexible business"	(9)	(7)
Adjustments: "Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard"	(3)	(2)
Adjustments: "Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard"	(1)	(1)
Other analytical income	**4**	**(1)**

Spending structure analytics

Millions of euros	31/12/2022	31/12/2021
Other income	9	5
Staff costs	(36)	(37)
Other operating expenses	(55)	(44)
Adjustments: “Analytical net operating expenses”	28	21
Adjustments: “Personnel expenses and Other operating expenses eliminated on consolidation associated with the flexible business”	4	3
Adjustments: “Personnel expenses and Other extraordinary operating expenses not associated with the flexible business”	6	10
Adjustments: “Net change in provisions”	1	1
Adjustments: “Other operating expenses eliminated on consolidation associated with the flexible business”	2	1
Adjustments: “Other revenue associated with the leasing business”	(6)	(3)
Spending structure analytics	**(48)**	**(43)**

Analytical extraordinary expenses

Millions of euros	31/12/2022	31/12/2021
Staff costs	(36)	(37)
Other operating expenses	(55)	(44)
Adjustments: “Analytical net operating expenses”	28	21
Adjustments: “Personnel expenses and Other operating expenses associated with the corporate segment”	49	43
Adjustments: “Personnel expenses and Other operating expenses eliminated on consolidation associated with the flexible business”	6	5
Adjustments: “Other operating expenses eliminated on consolidation associated with the flexible business”	2	1
Adjustments: “Net change in provisions”	1	1
Analytical extraordinary expenses	**(6)**	**(10)**

Revaluations and sales margin of analytical properties

Millions of euros	31/12/2022	31/12/2021
Net gains on sales of assets	6	(1)
Changes in value of investment property	(147)	444
Revaluations and sales margin of analytical properties	**(142)**	**443**

Analytical depreciation and provisions

Millions of euros	31/12/2022	31/12/2021
Depreciation and amortisation	(9)	(8)
Gains/(losses) on changes in value of assets due to impairment	(1)	(1)
Adjustments: "Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard"	3	2
Adjustments: "Net change in provisions"	(1)	(1)
Analytical depreciation and provisions	**(8)**	**(8)**

Analytical financial result

Millions of euros	31/12/2022	31/12/2021
Finance income	1	9
Finance cost	(87)	(120)
Adjustments: "Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard"	1	1
Analytical financial result	**(85)**	**(110)**

EPRA Earnings and Recurring Net Income

Millions of euros	2022	2021
Net profit/(loss) attributable to the Group	**8**	**474**
Net profit/(loss) attributable to the Group - Cts€/share	***1.48***	***91.10***
Includes/(excludes):		
(i) Changes in value of investments, investment projects and other interests	148	(443)
(ii) Profit or loss of sales of assets, investment projects and other interests	(6)	1
(iii) Profits or losses on sales of assets held for sale including changes in the value of such assets	–	–
(iv) Tax for sale of assets	–	–
(v) Impairment of goodwill	–	–
(vi) Changes in the value of financial instruments and cancellation costs	4	30
(iv) Deferred tax for considered EPRA adjustments	(13)	(9)
(ix) Adjustments from (i) to (viii) regarding strategic alliances (except if included by proportional integration)	–	–
(x) Minority interests with respect to previous items	13	66
EPRA Earnings (pre-adjustments specific to the company)	**155**	**120**
Adjustments specific to the company:		
(a) Extraordinary contingencies and charges	6	10
(b Non-recurring profit/(loss)	–	–
(c) Tax credits	–	–
(d) Minority interests in respect of the above items	–	(2)
Recurring Net Income (post company specific adjustments)	**161**	**128**
Average number of shares (millions)	539.6	520.1
Recurring Net Income (post company specific adjustments) - Cts€/share	***29.84***	***24.59***

GR

Annual Corporate
Governance Report
2022

02. Annual Corporate Governance Report 2022

Inmobiliaria Colonial, SOCIMI, S.A.

Annual Corporate Governance Report of listed Spanish companies

A. Ownership structure

A.1. Fill out the following table on the share capital and attached voting rights at year-end, where applicable including those relating to shares with loyalty voting rights:

Indicate whether the Company Bylaws provide for double loyalty voting rights:

No

Date of last change	Share capital (€)	Number of shares	Total number of voting rights
06/09/2021	1,349,039,092.50	539,615,637	539,615,637

Indicate whether there are different types of shares with different associated rights:

No

A.2. State the direct and indirect holders of significant stakes at year-end, including directors with a significant stake:

Name or company name of the shareholder	% voting rights attached to the shares		% voting rights through financial instruments		% total voting rights
	Direct	Indirect	Direct	Indirect	
AGUILA, LTD	0.00	5.35	0.00	1.75	7.10
BLACKROCK, INC	0.00	2.96	0.00	0.95	3.90
CREDIT AGRICOLE, S.A.	0.00	4.17	0.00	0.00	4.17
DIC HOLDING LLC	4.04	0.00	0.00	0.00	4.04
MR CARLOS FERNÁNDEZ GONZÁLEZ	0.00	15.29	0.00	0.00	15.29
PUIG, S.A.	0.00	7.37	0.00	0.00	7.37
QATAR INVESTMENT AUTHORITY	0.00	19.03	0.00	0.00	19.03

Details of the indirect stake:

Name or company name of the indirect holder	Name or company name of the direct holder	% voting rights attached to the shares	% voting rights through financial instruments	% total voting rights
AGUILA, LTD	PARK, S.A.R.L.	5.35	0.00	5.35
BLACKROCK, INC	BLACKROCK HOLDING	2.96	0.95	3.90
CREDIT AGRICOLE, S.A.	PREDICA	4.17	0.00	4.17
MR CARLOS FERNÁNDEZ GONZÁLEZ	FINACCESS INMOBILIARIA, S.L.	13.33	0.00	13.33
MR CARLOS FERNÁNDEZ GONZÁLEZ	FINACCESS CAPITAL INVERSORES, S.L.	1.09	0.00	1.09
MR CARLOS FERNÁNDEZ GONZÁLEZ	FINACCESS CAPITAL, S.A. DE C.V.	0.41	0.00	0.41
PUIG, S.A.	TRUMRBA XXI, S.L.U.	7.37	0.00	7.37
QATAR INVESTMENT AUTHORITY	QATAR HOLDING NETHERLANDS BV	14.99	0.00	14.99
QATAR INVESTMENT AUTHORITY	DIC HOLDING LLC	4.04	0.00	4.04
MR CARLOS FERNÁNDEZ GONZÁLEZ	FONDO LATIN 10 (AXESCAP)	0.46	0.00	0.46

Indicate the most significant changes in shareholder structure during the year:

Most significant changes

On 18 November 2022, Aguila LTD informed the Company that it had signed an agreement to extend the duration of the “Total return SWAP” to 3 years from 06/09/2022 by means of a financial instrument.

On 4 March 2022 Puig, S.A. informed the Company that it owns 100% of the share capital of Exea Ventures, S.A. which in turn holds 100% of Exea Ventures, S.L.’s share capital. Exea Ventures, S.L. owns 100% of the share capital of TruMRba XXI, S.L.

On 21 December 2022, Blackrock INC informed the Company that the voting rights attached to its shares had fallen below 3%.

A.3. Provide details of the stake, regardless of its percentage, held at year-end by those members of the Board who hold voting rights attached to shares in the company or through financial instruments, excluding the directors identified in section A.2 above:

Name or company name of the director	% voting rights attached to the shares (including loyalty votes)		% voting rights through financial instruments		% total voting rights	Of the % of total voting rights that may be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JUAN JOSÉ BRUGERA CLAVERO	0.09	0.00	0.00	0.00	0.09	0.00	0.00
MR PEDRO VIÑOLAS SERRA	0.10	0.00	0.00	0.00	0.10	0.00	0.00
MR LUIS MALUQUER TREPAT	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS ANA CRISTINA PERALTA MORENO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	0.00	0.00	0.00	0.00	0.00	0.00	0.00

% of total voting rights held by members of the Board of Directors	15.48

All the directors reported on in this section have voting rights on company shares, although in some cases this stake is less than 0.01% of the share capital of Inmobiliaria Colonial, SOCIMI, S.A.

Details of the indirect stake:

Name or company name of the director	Name or company name of the direct holder	% voting rights attached to the shares (including loyalty votes)	% voting rights through financial instruments	% total v oting rights	Of the % of total voting rights that may be transferred through financial instruments
MR LUIS MALUQUER TREPAT	MS MARTA MALUQUER DOMINGO	0.00	0.00	0.00	0.00

Details of the total percentage of voting rights represented in the Board of Directors:

% of total voting rights represented in the Board of Directors	41.61

Shareholdings held by significant shareholders that have Board representation but do not have direct director status:

> Aguila, LTD: 7.10%

> Qatar Investment Authority: 19.03%

A.4. Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant stakes, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities, except for those reported in section A.6:

Related name or corporate name	Type of relationship	Brief description
No data		

A.5. Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Related name or corporate name	Type of relationship	Brief description
PUIG, S.A.	Corporate	Colonial and the company Inmo, S.L., which belongs to the Puig, S.A. corporate group, are conducting a joint project to build a 21-storey building with a surface area of 14,000 sqm in Plaza Europa, 34, L'Hospitalet de Llobregat.

A.6. Describe the relationships, unless insignificant for both parties, between the significant shareholders, or their representatives, on the Board, and the directors, or their representatives, when the administrators are a legal entity.

Explain, where appropriate, how the significant shareholders are represented. In particular, specify any directors who have been appointed to represent significant shareholders, those whose appointment was promoted by significant shareholders, or those who were related to significant shareholders and/or entities in their group, indicating the nature of such relationship. Indicate, in particular, the existence, identity and position, if any, of members of the Board, or directors' representatives, of the listed company who are also members of the governing body, or their representatives, in companies with a significant stake in the listed company or in group companies of such significant shareholders.

Name or company name of the related director or representative	Name or company name of related significant shareholder	Company name of the significant shareholder's group company	Description of the relationship/position
MR CARLOS FERNÁNDEZ GONZÁLEZ	GRUPO FINACCESS S.A.P.I. DE C.V.	GRUPO FINACCESS S.A.P.I. DE C.V.	Proprietary Director of Colonial proposed by Grupo Finaccess S.A.P.I. de C.V., of which he is Chairman of the Board of Directors and Managing Director
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	BEVCO LUX, S.A.R.L.	Director
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	AGUILA, LTD	Colonial's proprietary director proposed by Aguila Ltd.
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	PARK, S.A.R.L.	Director
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	SNI INTERNATIONAL HOLDINGS, S.A.R.L.	Director
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	QATAR INVESTMENT AUTHORITY	Proprietary Director of Colonial proposed by Qatar Investment Authority
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	26 CHAMPS ELYSEES	Director
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	AL NURAN BANK	Director
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	HAPPAG LLOYD	Director
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	RAYYAN ISLAMIC BANK	Director
MR ADNANE MOUSANNIF	QATAR INVESTMENT AUTHORITY	QATAR INVESTMENT AUTHORITY	Proprietary Director proposed by Qatar Investment Company
MR ADNANE MOUSANNIF	QATAR INVESTMENT AUTHORITY	ELYPONT	Director
MS BEGOÑA ORGAMBIDE GARCÍA	GRUPO FINACCESS S.A.P.I. DE C.V.	GRUPO FINACCESS S.A.P.I. DE C.V.	Proprietary Director of Colonial proposed by Grupo Finaccess S.A.P.I. de C.V.
MS BEGOÑA ORGAMBIDE GARCÍA	GRUPO FINACCESS S.A.P.I. DE C.V.	FINACCESS INMOBILIARIA, S.L.	Director
MS BEGOÑA ORGAMBIDE GARCÍA	GRUPO FINACCESS S.A.P.I. DE C.V.	FINACCESS CAPITAL INVERSORES, S.L.	Director

A.7. Indicate whether the Company has been notified of any shareholders' agreements affecting it as provided in Articles 530 and 531 of the Spanish Limited Liability Companies Law. If so, provide a brief description and list the shareholders that are party to the agreement:

No

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

No

Expressly indicate any amendments to, or termination of, such covenants, agreements or arrangements during the year:

A.8. Indicate whether any individual or legal entities currently exercise control or could exercise control over the company pursuant to Article 5 of the Securities Market Law. If so, identify them:

No

A.9. Complete the following tables on the Company's treasury shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
8,218,370		1.52

(*) Through:

Name or company name of the direct holder of an ownership interest	Number of direct shares
N/A	

Explain the significant changes that occurred during the year:

Explain the significant changes

Sale transactions were carried out in 2022 through a financial intermediary (Banco Sabadell) pursuant to a liquidity contract concluded on 4 January 2022. A total of 17,945,849 shares were thus bought, and 17,872,887 sold, in 2022.

In addition, on 14 July 2022 shares were awarded under the long-term incentive plan approved by the General Meeting at its meeting of 30 June 2021. A total of 27,099 shares were awarded.

A.10. Give details of the applicable conditions and current timeline for the general meeting to authorise the board of directors to issue, buy back or transfer treasury shares.

At its meeting of 21 June 2022, the General Meeting of Shareholders of Colonial granted authorisation to the Board of Directors for the derivative acquisition of treasury shares under item five of the agenda. As to the terms and conditions of the authorisation: i) the nominal value of the shares directly or indirectly acquired, in addition to those already held by the Company and its subsidiaries, may not exceed 10% of the subscribed share capital or any maximum amount that may be established by law; ii) the minimum price or consideration for the acquisition shall be €0.01 per share, and the maximum price or consideration for the acquisition shall be the equivalent of the listing price of the treasury shares acquired on an official regulated secondary market at the time of acquisition plus a maximum of 5%, which may be increased to up to 25% above the share price if the treasury shares are acquired by means of a public offer to all shareholders; iii) the procedure for acquisition may be sale and purchase, swap or any other type of transaction for consideration, as may be advisable in the circumstances; and iv) the authorisation is given for 5 years. The authorisation granted expressly provides that the shares acquired may be used in whole or in part for delivery or transfer to the directors, executives or employees of the Company or Group companies, directly or as a result of their option rights, within the scope of the Company's share price-based remuneration systems.

With regard to the authorisation to issue shares, the General Meeting of Shareholders of Inmobiliaria Colonial, SOCIMI, S.A. held on 30 June 2021 authorised the Board of Directors, in accordance with article 297.1b) of the Spanish Limited Liability Companies Law, to increase the share capital through monetary contributions up to half the amount of share capital, within a maximum period of five years, on one or more occasions, and at the time and in the amount it may deem appropriate. Within the maximum amount specified, the Board of Directors was given the power to disapply preemptive rights up to a maximum 20% of the share capital.

In addition to the foregoing, the General Meeting of Shareholders of Inmobiliaria Colonial, SOCIMI, S.A., at its meeting of 30 June 2021, authorised the Board of Directors to issue on behalf of the Company, once or several times and for a maximum five-year period, new bonds that can be converted into Company shares or other similar securities giving their holder the direct or indirect right to subscribe for shares in the Company, with the express option to disapply shareholders' pre-emptive rights up to a maximum of 20% of the share capital and to increase the share capital as may be necessary to cater for the conversion. As part of the long-term incentive plan consisting of the award of shares in Inmobiliaria Colonial, SOCIMI, S.A. approved at the General

Meeting of 30 June 2021, it was resolved to authorise the Board of Directors to acquire the Company's treasury shares under the terms, and subject to the limits, established by law in order to cover the implementation of the Plan.

A.11. Estimated floating capital:

	%
Estimated floating capital	41.43

A.12. Give details of any restrictions (statutory, legal or otherwise) on the transfer of securities and/or voting rights. In particular, detail the existence of any kinds of restrictions that could hinder the company takeover through the purchase of its shares in the market, as well as any prior authorisation or communication rules that, with regard to the purchase or transfer of financial instruments in the company, would be applicable under the industry regulations.

No

A.13. Indicate whether the general meeting has resolved to adopt neutralisation measures to address a takeover bid by virtue of the provisions of Law 6/2007.

No

If applicable, explain the measures approved and the terms under which these restrictions may be lifted:

A.14. Indicate whether the company has issued securities not traded in a regulated market of the European Union.

No

Where applicable, state the various classes of shares, and the rights and obligations attached to each class.

B. General Meeting

B.1. Indicate and state, if any, the differences with respect to the minimums stipulated in the Spanish Limited Liability Companies Law (LSC) with regard to the quorum required for the constitution of the general meeting.

No

B.2. Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the Spanish Limited Liability Companies Law (LSC):

No

B.3. Indicate the rules governing amendments to the company's bylaws. In particular, indicate the majorities required to amend the bylaws and, if applicable, the rules for protecting shareholders' rights when the bylaws are amended.

Under the Company Bylaws, in order for the General Meeting to validly resolve to increase or reduce share capital or make any other amendment to the Company Bylaws, shareholders holding at least 50% of the subscribed capital with voting rights must be present or represented on first call. On second call, shareholders representing 25% of share capital shall be sufficient. As regards the adoption of resolutions, the Bylaws establish that issues that are substantially Independent shall be voted on separately, in particular the amendment of any article or group of articles in the Company Bylaws which stand alone.

Furthermore, a vote in favour by more than 50% of the share capital present in person or by proxy shall be sufficient to adopt resolutions with an absolute majority, whereas a vote in favour by two thirds of the share capital present in person or by proxy at the General Meeting shall be necessary when, on second call, the shareholders present represent 25% or more of the subscribed capital with voting rights, but less than 50%.

B.4. Indicate the attendance figures for the general meetings held during the year and those of the two previous years:

	Attendance information				
			% distance voting		
Date of the General Meeting	% attendance	% attendance by proxy	Electronic voting	Other	Total
30/06/2020	0.30	83.81	0.00	0.15	84.26
Of which floating capital:	0.00	29.59	0.00	0.15	29.74
28/06/2021	20.89	26.40	0.00	28.72	76.01
Of which floating capital:	0.00	26.40	0.00	2.80	29.20
30/06/2021	0.30	83.81	0.00	0.15	84.26
Of which floating capital:	0.00	29.59	0.00	0.15	29.74
21/06/2022	12.00	71.73	0.00	0.00	83.73
Of which floating capital:	0.14	31.99	0.00	0.00	32.13

B.5. Specify if there have been any items on the agenda at the General Meetings held during the year that, for whichever reason, were not adopted by the shareholders.

No

B.6. Indicate whether the bylaws contain any restrictions with respect to a minimum number of shares required to attend general meetings or to vote remotely:

Yes

Number of shares required to attend general meetings	500
Number of shares needed to vote remotely	1

In order to facilitate the exercise of the right to vote remotely with respect to the resolutions of the General Meetings, Colonial does not require a number of shares necessary to vote remotely. Under Article 19 of the Company Bylaws, General Meetings of Shareholders may be attended and voted at, in person or by proxy, by shareholders holding, individually or as a group, at least 500 shares, which must be entered in the register of shareholders at least five days before the date scheduled for the General Meeting, and provided they can prove this by showing, at the registered office or at the entities specified in the call notice, the relevant authentication certificate or attendance card issued by Colonial or any entities responsible for keeping the register of book entries or any other method allowed by the current legislation. In this regard, the Company's Board of Directors may enable, for each General Meeting, remote attendance by the shareholders and proxies by electronic means concurrently. In such event, the Board of Directors will establish the terms, forms and means set for shareholders and proxies to exercise their rights, in accordance with the laws, the Company Bylaws, and the Regulations of the General Meeting. All this will be included in the notice of the meeting. And for the purpose of ensuring adequate exercise of voting rights, shareholders may vote at the General Meeting or grant proxy by remote means (i.e. by post, electronically or any other remote media, provided that the shareholder's identity is guaranteed and, where appropriate, electronic communications are secure). Shareholders who vote remotely will be considered as present for the purposes of quorum of the Meeting (Art. 12 of the Regulations of the General Meeting). The exercise of remote voting rights has been indicated and duly informed to shareholders in the notice of the General Meeting.

B.7. Indicate if there is a rule establishing that certain decisions, other than those established by law, that involve the purchase, disposal, contribution to another company of key assets, or other similar corporate operations, should be put to the vote at the General Meeting of Shareholders.

No

B.8. Indicate the address and method for accessing corporate governance content on the company's website, as well as other information on general meetings that must be made available to shareholders on the Company website.

https://www.inmocolonial.com/accionistas-e-inversores/accionistas-e-inversores

Through this access, shareholders and the entire market are provided with all legally required information, in addition to that which the Company considers necessary for greater and better transparency and compliance with good market practices in the area of corporate governance.

C. Structure of the company's governing body

C.1. Board of Directors

C.1.1 The maximum and minimum number of directors stipulated in the Company Bylaws and the number stipulated by the General Meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors stipulated by the General Meeting	11

On 30 June 2020 the following stopped being directors of the Company: Mr Javier Iglesias de Ussel Ordís and Mr Carlos Fernández-Lerga Garralda. As no substitutes were appointed at the following General Meeting of the Company, the number of directors has been established at 11.

C.1.2 Fill in the following table with the Board members' particulars:

Name or corporate name of the director	Representative	Category of the director	Position on the board	Date of first appointment	Date of last appointment	Appointment procedure
MS ANA CRISTINA PERALTA MORENO		Independent	DIRECTOR	14/06/2019	14/06/2019	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN		Independent	DIRECTOR	24/01/2019	14/06/2019	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MR CARLOS FERNÁNDEZ GONZÁLEZ		Proprietary	DIRECTOR	28/06/2016	30/06/2020	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MS ANA LUCRECIA BOLADO VALLE		Independent	DIRECTOR	14/06/2019	14/06/2019	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MR PEDRO VIÑOLAS SERRA		Executive	CEO AND VICE-CHAIRMAN	18/07/2008	21/06/2022	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MR JUAN JOSÉ BRUGERA CLAVERO		Other external	CHAIRMAN	19/06/2008	21/06/2022	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MR LUIS MALUQUER TREPAT		Independent	DIRECTOR	31/07/2013	21/06/2022	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MR JUAN CARLOS GARCÍA CAÑIZARES		Proprietary	DIRECTOR	30/06/2014	21/06/2022	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MR SHEIKH ALI JASSIM M.J. AL-THANI		Proprietary	DIRECTOR	12/11/2015	30/06/2020	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MR ADNANE MOUSANNIF		Proprietary	DIRECTOR	28/06/2016	30/06/2020	RESOLUTION: GENERAL MEETING OF SHAREHOLDERS
MS BEGOÑA ORGAMBIDE GARCÍA		Proprietary	DIRECTOR	27/09/2022	27/09/2022	CO-OPTION

Total number of directors	11

Indicate any resignations from the Board of Directors during the reporting period, whether due to resignation or by resolution of the General Meeting:

Name or company name of the director	Category of director at date of departure	Date of last appointment	Date of departure	Special committees the director was a member of	Indicate whether the director left before the end of their term in office
MR JAVIER LÓPEZ CASADO	Proprietary	21/06/2022	27/08/2022	Audit and Control Committee	YES

Reason for departure if it occurs before the end of the term in office and other remarks; information on whether the director has sent a letter to the other members of the board and, in the case of the removal of non-executive directors, an explanation or opinion of the director removed by the general meeting.

The departure of Mr Javier López Casado is due to his passing away.

C.1.3 Complete the following tables on board members and their respective categories:

Executive directors

Name or company name of director	Position in the company organisation chart	Profile
MR PEDRO VIÑOLAS SERRA	Vice Chairman and Chief Executive Officer	He is a graduate in Business Management and MBA from ESADE and Universidad Politécnica de Cataluña, and holds a Diploma in Business Management from Universidad de Barcelona, where he also studied Law. In 1990, Pedro Viñolas began to work as Director of the Research Department at the Barcelona Stock Exchange, of which he later became Deputy Managing Director, where he remained until 1997. He then took up duties as Managing Director of FILO, S.A., a listed real estate company, where he remained until 2001. Subsequently, until July 2008, he was Partner and CEO at the Riva y García Financial Group. He has been Chairman of the Urban Land Institute in Spain and a member of the Board of Directors of the Riva y García Financial Group. He was also Chairman of the Spanish Institute of Financial Analysts in Catalonia from 1994 to 2000. He is currently the Chairman of the Board of Directors of Société Foncière Lyonnaise. He is a member of the Board of Trustees of ESADE, a member of the Board of Directors of Bluespace, S.A., and a member of the Board of Directors of the European Public Real Estate Association (EPRA).

Total number of executive directors	1
% of the total board	9.09

External proprietary directors

Name or company name of director	Name or company name of the significant shareholder represented or proposing appointment	Profile
MR CARLOS FERNÁNDEZ GONZÁLEZ	GRUPO FINACCESS S.A.P.I. DE C.V.	An industrial engineer, he has followed senior management programmes at Instituto Panamericano de Alta Dirección de Empresa. For more than 30 years he has held positions of substantial responsibility, complexity and skills in the management of companies in various sectors. He was CEO (1997-2013) and Chairman of the Board of Directors (2005-2013) of Grupo Modelo. Between his appointment as CEO and 2013, this Group became the leading beer company in Mexico, the seventh group in the world and the largest beer export company in the world. Furthermore, he has been a Director in international and national companies, including Anheuser Busch (USA), Emerson Electric Co. (USA), Televisa Group (Mexico), Crown Imports, Ltd. (USA), Inbursa (Mexico) and Mexico Stock Exchange. Likewise, he was also a member of the international advisory board of Banco Santander, S.A. (Spain), Director of Grupo Financiero Santander México S.A.B de C.V. and, until October 2019, Director of Banco Santander, S.A. (Spain). He is currently Chairman of the Board of Directors and general manager of Grupo Finaccess S.A.P.I. de C.V. (which he founded), which operates in Mexico, the United States, Europe, China, Australia and New Zealand. In addition to Inmobiliaria Colonial, SOCIMI, S.A., he is also a Proprietary Director at AmRest Holdings, S.E. and Restaurant Brands New Zealand Limited.
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	Industrial Engineer. He also studied management programmes at IMD Switzerland, and holds an MBA granted jointly by the New York University Stern School of Business, LonMR School of Economics and HEC Paris. He is an investor and was previously an investment banker who led mergers and acquisitions and the funding of acquisitions for over $35 billion over a period spanning more than 25 years. He was Vice-Chair of Planning for Bavaria, one of Latin America's leading breweries, where he was responsible for the $4 billion international brewery acquisition programme and for the subsequent $8 billion merger with SABMiller plc, creating the world's second largest brewery. He later led negotiations on behalf of the Santo Domingo Group for the conversion of its holding in SABMiller into a stake in Anheuser Busch Inbev as part of the merger between the two companies, an operation that was completed in 2016. Before joining the Santo Domingo Group, he was co-founder and Main Partner of Estrategias Corporativas, an investment bank firm in Latin America. He is currently the Managing Director of Quadrant Capital Advisors, Inc. in New York (a Santo Domingo Group investment company based in New York). He is the head of Quadrant Capital's Strategic Investments Group, including investments in AB InBev and a portfolio of public and private minority investments, primarily in the US and European consumer sectors. He sits on various Boards of Directors including, among others, Bevco Lux S.A.R.L. (Luxembourg), Bavaria, S.A. and Valorem, S.A. (Colombia), and the Advisory Board of the International Finance Center of the Yale School of Management (United States).

External proprietary directors

Name or company name of director	Name or company name of the significant shareholder represented or proposing appointment	Profile
MR SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	A Qatar national. He has been working for more than 30 years with the Government of Qatar mainly in the fields of trade, finance and real estate. Since 2007, he has been a Senior Advisor on Strategy and Investments. Until 2016, he was Vice-Chair, member of the Board of Directors and of the Executive Committee of Housing Bank for Trade and Finance of Jordan (listed company and the second most important bank in Jordan). He was a member of the Board of Directors and Vice President of the United Arab Shipping Company in Dubai, UAE, from 2003 until 2016. Since 2007, he has been Vice President of LQB - Libyan Qatari Bank and in 2009 he was appointed Chairman and Managing Director of Qatar Navigation (having been a member of the Board of Directors of this listed company in Qatar since 2003). This holding company operates in sea transport and real estate. Since 2012, he has been a member of the Board of Directors of QADIC-Qatar Abu Dhabi Investment Company, a company specialising in real-estate investments and private equity. In November 2015, he was appointed Director of Sociètè Foncière Lyonnaise (SFL).
MR ADNANE MOUSANNIF	QATAR INVESTMENT AUTHORITY	He has dual French-Moroccan nationality and is currently working at the Qatar Investment Authority (QIA), the sovereign investment fund of Qatar. In recent years, he has taken part, on behalf of QIA, in most of its real-estate operations in Europe and America, including the acquisition of the Canary Wharf Group in LonMR and the acquisition of the Virgin Megastore building in the Champs Elysees of Paris. He also took part, representing QIA, in acquiring a stake in Société Foncière Lyonnaise and in Inmobiliaria Colonial in Spain. Previously, he'd worked for several years for the Morgan Stanley Real Estate Investing funds in Europe. He has a Master's Degree in Business Creation and Finance from ESCP Europe Business School and a Bachelor's Degree in Civil Engineering.
MS BEGOÑA ORGAMBIDE GARCÍA	GRUPO FINACCESS S.A.P.I. DE C.V.	Ms Orgambide has a Bachelor's Degree in Management and Finance with honours and a Master's Degree in Investment Project Evaluation, both of them from the Panamerican University in Mexico. She has a Diploma in Corporate Reputation and Communication from Anáhuac University and has successfully completed the International Senior Management Programme taught by Instituto Tecnológico Autónomo de México (ITAM) in partnership with Kellogg, Stanford and Ashridge. She has worked mainly in finance, primarily analysing companies' financial situation, project viability and profitability and on the implementation of financial and corporate communication strategies for investors and analysts. Ms Orgambide has been Head of Investor Relations at both Grupo Modelo S.A.B. de C.V. and, afterwards, Grupo Sports World S.A.B. de C.V. In 2015 she joined Walmart de México S.A.B. de C.V. as Head of Strategic Planning and M&A. She is currently Head of Investor Relations at Finaccess Capital, S.A. de C.V., where she has worked on investment analysis, mainly in the restaurant and real estate sector, and on evaluations of returns. She is also responsible for designing and implementing the communication strategy on the financial status and performance of investments for the group of investors. In addition, she sits on the Boards of Directors of the companies FCapital Dutch, Finaccess Restauración, Finaccess Inmobiliaria, Finaccess Inversores and Atrides, all of which are subsidiaries of Finaccess Capital and invest directly in restaurant and real estate companies. Furthermore, she is a member of the Investment Committee of the open-end fund AXESCAP, which is part of the investment fund operator Finaccess Mexico's portfolio.

Total number of proprietary directors	5
% of the total board	45.45

External independent directors

Name or company name of director	Profile
MS ANA CRISTINA PERALTA MORENO	Ms Ana Peralta is currently an Independent Director of BBVA and Grenergy Renovables, S.A. She has extensive experience in the financial sector. She began her professional career with Bankinter in 1990, where she worked in extremely different areas until late 2008. She headed up Bankinter's first Internet Office and ran the Chairman's Office. During her last years at the Bank she was Chief Risk Officer and a member of the Management Committee. From 2009 to 2012 she sat on the Management Committee at Banco Pastor, where she worked as General Manager of Risk. From 2012 to 2018 Ms Ana Peralta divided her time between a post as Senior Advisor with Oliver Wyman Financial Services and was a member of several boards of directors. She was an Independent director at Banco Etcheverría, at Deutsche Bank, SAE and also at Lar Holding Residencial. She holds a degree in Economics and Business Administration from the Madrid Complutense University and a Master's Degree in Financial Management from CEF (1991), and studied the PMD Programme (Program for Management Development) at Harvard Business School (2002) and the PADE programme at the IESE business school (2016).
MS SILVIA MÓNICA ALONSO- CASTRILLO ALLAIN	Holds a degree in Political Sciences from the Sciences Po University (Paris) and a Master's Degree in Spanish and Latin American Studies from the Paris-Sorbonne University. By civil service examination, she became a teacher of Spanish studies in France. She has been teaching and researching for 25 years (1984-2009) in a number of French academic institutions: University of Toulouse, Sciences Po and the ESSEC Business School. Author of several books on history and contemporary Spanish politics. Ms Alonso-Castrillo worked for the French Embassy in Singapore as a science and culture advisor, before being appointed regional director of INSEAD. She supervised the development of two campuses in Singapore: the French Lycée and INSEAD (1996-1999). Upon her return to Europe in 2000, she worked for 15 years with ESSEC, managing international development and fundraising for the business school, which also opened a campus in Singapore. In 2007 she founded the consulting firm Sociedad de Estudios Hispano Franceses, S.L. in Madrid, which she led until 2019 and of which she is the sole shareholder and director. Since 2013, Ms Alonso-Castrillo has run the family farm in the Loire Valley of France. She has served on the Board of the College de Bernardins (Paris) and on the Executive Committee of the Fondation pour les Sciences Sociales (Paris). She was a Director of SFL from 2017 to January 2019 and of Koiki Home S.L. from 2017 to February 2023.
MS ANA LUCRECIA BOLADO VALLE	She holds a degree in Pharmacy from the Madrid Complutense University, and also a Master's Degree in Business Administration (MBA) from IE Business School. In the course of her professional career, Ms Ana Bolado Valle has held various management positions at Santander Group (1986-2017), managing important business areas both wholesale and retail, digital transformation projects and key areas for the Group such as Corporate Human Resources Division between 2005 and 2010. She has also been a Board member of Parques Reunidos Servicios Centrales, S.A. and Unicaja Banco, S.A. Currently Ms Ana Bolado Valle is a proprietary director of Metrovacesa, S.A., appointed at the proposal of Banco Santander, S.A., Caceis Group and Caceis Bank. With regard to the latter organisation, Ms Ana Bolado is a member of the following committees: Strategy, Audit, Risks and Compliance and Appointments and Remunerations. Furthermore, she is a Senior Advisor for Fellow Funders – an equity crowdfunding platform to support the funding of start-ups and SMEs – and a member of the Instituto de Consejeros y Administradores (ICA, Institute of Directors and Administrators) and of Women Corporate Directors.
MR LUIS MALUQUER TREPAT	He holds a degree in Law from the University of Barcelona and a Diploma in International Institutions from the University of Geneva. Throughout his career, he has advised various national and international organisations in the specialist field of financial, banking and real estate law through his firm. He has also taught financial and banking law at various institutions, such as the Barcelona Chamber of Commerce, and he was a director of the European Society for Banking and Financial Law (AEDBF Paris).He is the founding partner of Despacho Maluquer Advocats, SCP and a Board member and secretary of a number of companies, including Société Fonciére Lyonnaise, on whose Board he sat until April 2022. He was Chairman of the Argentinian Chamber of Commerce in Spain until 2019 and is currently a member of its Governing Board.

Total number of Independent directors	4
% of the total board	36.36

List any Independent directors who receive from the Company or its group any amount or benefit other than standard director remuneration or who currently have or have had in the last fiscal year business dealings with the Company or any group company, either in their own name or as a significant shareholder, director or senior officer of an entity that currently has or has previously had such a relationship.

If applicable, include a statement from the board detailing the reasons why it believes this director may carry out duties as an Independent director.

Name or company name of the director	Description of the relationship	Reasoned statement
N/A		

Other external directors

Identify the other external directors and explain why these directors may not be considered proprietary or Independent directors, and what their connection is with the Company, its officers or its shareholders:

Name or company name of the director	Reasons	Company, officer or shareholder to which this person is linked	Profile
MR JUAN JOSÉ BRUGERA CLAVERO	He was an executive Director of the Company until 30 April 2022.	INMOBILIARIA COLONIAL, SOCIMI, S.A.	Chairman of Inmobiliaria Colonial, SOCIMI, S.A. since 2008, and previously held the position of CEO from 1994 to 2006. Chairman of Société Foncière Lyonnaise between 2010 and April 2022. Previously he was Chief Executive Officer of Mutua Madrileña, CEO of SindiBank and Deputy General Manager of Banco de Sabadell. Other positions: He has been Chairman of the Board of Trustees of Universidad Ramón Llull (URL); Chairman of the ESADE Foundation, Panrico, Holditex and the Círculo de Economía in Barcelona, and director of El Periódico de Catalunya. He is an Industrial Technical Engineer and holds an MBA from ESADE. PDG from IESE and Honorary Doctorate from the University of Rhode Island.

Total number of external directors	1
% of the total board	9.09

Indicate any changes in the status of each director that may have occurred during the year:

Name or company name of the director	Date of change	Prior category	Current category
MR JUAN JOSÉ BRUGERA CLAVERO	01/05/2022	Executive	Other external

C.1.4 Complete the following table with the information on the number of female directors over the past 4 years and their category:

	Number of female board members				% of total directors of each category			
	2022	2021	2020	2019	2022	2021	2020	2019
Executive					0.00	0.00	0.00	0.00
Proprietary directors	1				20.00	0.00	0.00	0.00
Independent directors	3	3	3	3	75.00	75.00	75.00	50.00
Other External Female Directors					0.00	0.00	0.00	0.00
Total:	**4**	**3**	**3**	**3**	**36.36**	**27.27**	**27.27**	**23.08**

C.1.5 Indicate whether the company has diversity policies in place for its Board of Directors with regards to age, gender, disability, education or work experience, among other matters. Small and medium businesses, as described by the Law on Audits of Accounts, should at least report about the policy they have established to ensure gender diversity.

Yes

If this is the case, describe the diversity policies, their targets, measures, and the way they have been implemented and their outcome in the fiscal year. Also indicate the specific measures taken by the Board of Directors and the Appointments and Remuneration Committee to ensure a balanced and diverse ratio of directors.

Should the company not have a diversity policy in place, explain the reasons for it.

Description of policies, targets, measures and way they have been implemented, as well as their outcome.

In recent years, the Company has approved a Selection and Diversity Policy that lays down strict parameters for its application and has been developing a specific plan for the implementation of this policy, which had the positive result of tripling the number of female directors in 2019. Their number also increased during 2022. Thus, this Selection and Diversity Policy, applicable to the appointment and re-election of candidates to the Board of Directors, is based on the principles of diversity and balance in the composition of the Board of Directors, within the general objective of providing effectiveness and professionalism to the operation of this body and increasing the quality of corporate management. In accordance with the Selection and Diversity Policy, the selection of candidates for directorship will require a prior analysis of the Company's needs, which will be carried out by the Board of Directors based on a report by the Appointments and Remuneration Committee ("ARC"). In this process, individuals will be sought who meet the requirements of professional and personal qualifications and honesty, as well as capacity, set out in the Policy. Upon recruiting such candidates, the Board will make sure that the selection processes foster diversity in age, gender, disability, education and work experience in the Board of Directors. As to diversity, following the most recent modification carried out in 2020, the Policy's aims still include continuing to increase the number of female directors in order to achieve a gender diversity balance on the Board in accordance with the good governance recommendations. Likewise, the Policy also includes as a target that the appointment of Directors should meet the general criteria on the composition of the Board of Directors, in particular, having a balanced number of executive, proprietary and Independent Directors, subject to the principles and recommendations listed in the GGC. In 2020, at the proposal of the ARC, a request to modify the Diversity Policy was submitted to the Board for approval to align the policy with the new recommendations of the Good Governance Code for listed companies, approved by the Spanish Securities Market Commission (CNMV) in June 2020. In addition to the above-mentioned modification regarding gender diversity, one of the most significant changes worth highlighting is the inclusion of age as a criterion for the selection of directors. In 2022, following an analysis of the composition of the Board, its needs and the Company's shareholder structure, the Board of Directors proposed the re-election of the following directors: Juan José Brugera Clavero, Mr Pedro Viñolas Serra, Mr Javier López Casado, Mr Juan Carlos García Cañizares and Mr Luis Maluquer Trepat. In addition, due to the vacancy resulting from Mr Javier López Casado's death, the Board of Directors resolved, following a favourable report from the Appointments and Remuneration Committee, to appoint Ms Begoña Orgambide García by co-option.

C.1.6 Explain any measures that may have been agreed by the appointments committee to prevent any implicit bias in selection procedures to hinder the selection of female directors, and for the company to deliberately strive to include women with the professional profile sought as candidates, and that will ensure a balanced ratio of women and men. Also indicate whether these measures include encouraging the company to have a significant number of female senior officers:

Explanation of the measures

The Board of Directors of Colonial, pursuant to its internal policies and in particular to the aforementioned Selection and Diversity Policy, has maintained as a goal for 2022 the promotion of the presence of women on the Board. This task was started in 2019 with the General Meeting's appointment of three new Independent female directors, all this within the framework of the Company's internal policies, which are in line with international standards and Recommendation 14 of the Code of Good Governance, while also ensuring cultural diversity and the presence on the Board of members with international knowledge and experience. In 2022 the Appointments and Remuneration Committee verified compliance with the Selection and Diversity Policy and reported its findings to the Board of Directors.

When, despite any measures adopted, there are few or no female directors or senior officers, explain the reasons:

Explanation of the reasons

In 2022 Ms Begoña Orgambide García was appointed to the Board of Directors, thus continuing to increase the number of female directors, who now account for 36% of the Board. It is also worth noting that the Audit and Control Committee, the Appointments and Remuneration Committee and the Sustainability Committee have female chairs, and the percentages of female members in those committees account for 66%, 40% and 60% of their totals respectively.

C.1.7 Explain the conclusions of the Appointments Committee on the verification of compliance with the policy aimed at fostering an appropriate composition of the Board of Directors.

As part of verifying that Colonial's Selection and Diversity Policy is being properly complied with, in 2022 the Appointments and Remuneration Committee analysed the composition of the Board of Directors, its needs and the shareholding structure of the Company in order to consider the conditions to be met by directors in the exercise of their duties and the dedication required for their adequate performance, all this as part of various selection processes. Pursuant to the foregoing, and in order to continue to foster a diverse composition that meets the needs of the Board of Directors, the Appointments and Remuneration Committee reported favourably to the Board on Ms Begoña Orgambide García's appointment as proprietary Director of the Company and proposed that she be appointed to the Audit and Control Committee. The Committee also examined the qualifications of the members of the Board of Directors in accordance with the corporate documents, the Spanish Limited Liability Companies Law and the corporate governance recommendations.

C.1.8 Explain any reasons for which proprietary directors have been appointed at the behest of shareholders accounting for less than 3% of share capital:

Name or company name of the shareholder	Justification
N/A	

Provide details of any rejections of formal requests for board representation from shareholders whose shareholding is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been granted.

No

C.1.9 Indicate the powers, if any, including in relation to the issue or buyback of shares, delegated by the Board of Directors to directors or to Board committees:

Name or company name of the director or committee	Brief description
MR PEDRO VIÑOLAS SERRA	In his capacity as CEO, he has been granted all the powers that may be delegated by the Board of Directors. In addition, as Vice-Chairman of the Board of Directors, he has been assigned the powers set out in the Board Regulations.

C.1.10 Identify any Board members working as managing directors, representatives of managing directors or officers at other companies forming part of the listed company's group:

Name or company name of the director	Group company name	Position	Does the member have executive functions?
MR PEDRO VIÑOLAS SERRA	Société Foncière Lyonnaise	Chairman	NO
MR PEDRO VIÑOLAS SERRA	Inmocol One, S.A.U.	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	Inmocol Torre Europa, S.A.	Director	NO
MR PEDRO VIÑOLAS SERRA	Inmocol Two, S.L.U.	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	Inmocol Three, S.L.U.	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	Colonial Tramit, S.L.	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	Utopicus Innovación Cultural, S.L.	Director	NO
MR JUAN JOSÉ BRUGERA CLAVERO	Société Foncière Lyonnaise	Director	NO
MR SHEIKH ALI JASSIM M.J. AL-THANI	Société Foncière Lyonnaise	Director	NO

C.1.11 Provide details of the positions of director or equivalent, or representative thereof, held in other companies, whether or not they are listed companies, by directors or representatives of directors who are members of the Board of Directors of the company:

Identification of the director or representative	Company name, whether or not it is a listed company	Position
MR JUAN CARLOS GARCÍA CAÑIZARES	Valorem, S.A.	DIRECTOR
MR JUAN CARLOS GARCÍA CAÑIZARES	SNI International Holding, S.A.R.L.	DIRECTOR
MR JUAN CARLOS GARCÍA CAÑIZARES	Park, S.A.R.L.	DIRECTOR
MR JUAN CARLOS GARCÍA CAÑIZARES	Bavaria, S.A.	DIRECTOR
MR JUAN CARLOS GARCÍA CAÑIZARES	Bevco Lux, S.A.R.L.	DIRECTOR
MR JUAN CARLOS GARCÍA CAÑIZARES	Quadrant Capital Advisors, INC	DIRECTOR
MS ANA LUCRECIA BOLADO VALLE	Metrovacesa, S.A.	DIRECTOR
MS ANA LUCRECIA BOLADO VALLE	Caceis Group	DIRECTOR

Identification of the director or representative	Company name, whether or not it is a listed company	Position
MS ANA LUCRECIA BOLADO VALLE	Caceis Bank	DIRECTOR
MS ANA CRISTINA PERALTA MORENO	Banco Bilbao Vizcaya Argentaria, S.A.	DIRECTOR
MS ANA CRISTINA PERALTA MORENO	Grenergy Renovables, S.A.	DIRECTOR
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	Koiki Home, S.L.	REPRESENTATIVE OF A DIRECTOR
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	Sociedad de Estudios Hispano Franceses, S.L.	JOINT AND SEVERAL DIRECTOR
MR PEDRO VIÑOLAS SERRA	Blue Self Storage, S.L.	DIRECTOR
MR SHEIKH ALI JASSIM M.J. AL- THANI	26 Champs Elysees	DIRECTOR
MR SHEIKH ALI JASSIM M.J. AL- THANI	Al Nuran Bank	CHAIRMAN
MR SHEIKH ALI JASSIM M.J. AL- THANI	Happag Lloyd	DIRECTOR
MR SHEIKH ALI JASSIM M.J. AL- THANI	Rayyan Islamic Bank	DIRECTOR
MR SHEIKH ALI JASSIM M.J. AL- THANI	Qatar Insurance and re-insurance co.	DIRECTOR
MR LUIS MALUQUER TREPAT	Filux, S.A.	SOLE DIRECTOR
MS BEGOÑA ORGAMBIDE GARCÍA	Finaccess Capital	ATTORNEY
MS BEGOÑA ORGAMBIDE GARCÍA	FCapital Dutch	DIRECTOR
MS BEGOÑA ORGAMBIDE GARCÍA	Finaccess Restauración	DIRECTOR
MS BEGOÑA ORGAMBIDE GARCÍA	Finaccess Inmobiliaria	DIRECTOR
MS BEGOÑA ORGAMBIDE GARCÍA	Finaccess Capital Inversores	DIRECTOR
MS BEGOÑA ORGAMBIDE GARCÍA	Atrides	DIRECTOR
MR ADNANE MOUSANNIF	Elypont	DIRECTOR
MR CARLOS FERNÁNDEZ GONZÁLEZ	AmRest Holding, S.E.	DIRECTOR
MR CARLOS FERNÁNDEZ GONZÁLEZ	Restaurant Brands New Zealand Limited	DIRECTOR
MR CARLOS FERNÁNDEZ GONZÁLEZ	Centros de Conocimiento Tecnológico, S.A. de CV	DIRECTOR
MR CARLOS FERNÁNDEZ GONZÁLEZ	Estudia Mas, S.A.P.I. de C.V. (formerly Promotora de Crédito Educativo, S.A.P.I. de C.V.)	DIRECTOR
MR CARLOS FERNÁNDEZ GONZÁLEZ	Prepárate, S.A. de C.V.	DIRECTOR
MR CARLOS FERNÁNDEZ GONZÁLEZ	Fundación CEPA González Díez	CHAIRMAN
MR CARLOS FERNÁNDEZ GONZÁLEZ	Grupo Finaccess S.A.P.I. de C.V.	CHAIRMAN AND CEO
MR CARLOS FERNÁNDEZ GONZÁLEZ	Endeavor España	TRUSTEE
MR CARLOS FERNÁNDEZ GONZÁLEZ	Grupo Far-Luca, S.A. de C.V.	CHAIRMAN
MR CARLOS FERNÁNDEZ GONZÁLEZ	Ciniia de Mexico, S.A. de C.V.	CHAIRMAN
MR CARLOS FERNÁNDEZ GONZÁLEZ	Finacprom, S.A. de C.V.	CHAIRMAN
MR CARLOS FERNÁNDEZ GONZÁLEZ	Solidaridad y Trabajo Virgen del Camino, S.L.	CHAIRMAN
MR CARLOS FERNÁNDEZ GONZÁLEZ	Fundación Solidaridad y Trabajo Virgen del Camino	REPRESENTATIVE OF A DIRECTOR
MR CARLOS FERNÁNDEZ GONZÁLEZ	Fundación de Ayuda a la Ancianidad, I.A.P.	TRUSTEE

Based on the information available to the Company, all the positions reported, except for those held in non-profit organisations, are directly or indirectly remunerated.

Indicate any other remunerated activities of any kind carried out by the directors or their representatives, other than those set forth in the above table.

Identification of the director or representative	Other remunerated activities
MR LUIS MALUQUER TREPAT	Partner at Maluquer Advocats, S.C.P.
MS BEGOÑA ORGAMBIDE GARCÍA	Head of Investor Relations at Finaccess Capital

C.1.12 Indicate, and explain where appropriate, whether the company has established rules on the maximum number of company boards the company's directors may sit on, identifying, if any, where these rules are established:

Yes

Explanation of the rules and identification of the document where they are established

Colonial, in view of its internal principles of organisation and the proper functioning of its administrative and management structure, and in the company's best interests, establishes in its Regulations of the Board of Directors that directors may not sit on more than four boards of directors of Spanish listed companies other than Colonial. However, the Executive Directors of the Company may not sit on more than two boards of directors of listed companies other than Inmobiliaria Colonial or Group companies. The Board of Directors may dispense with this ban in exceptional circumstances. It should also be noted that the general duties incumbent on directors under the Board Regulations include the duty to carry out their functions and fulfil the obligations imposed on them by law, the Company Bylaws and other internal regulations with the diligence of an orderly businessman, taking account of the nature of the post and the functions assigned to them, with an appropriate degree of dedication at all times, and taking the necessary steps to ensure the proper management and control of the Company.

C.1.13 Specify the amounts of the following items relating to the global remuneration of the Board of Directors:

Remuneration accrued by the Board of Directors during the fiscal year (thousands of euros)	8,007
Amount of funds accumulated by current directors under long-term savings schemes with vested economic rights (thousands of euros)	1,272
Amount of funds accumulated by current directors under long-term savings schemes with non-vested economic rights (thousands of euros)	
Amount of funds accumulated by former directors under long-term savings schemes (thousands of euros)	

C.1.14 List any members of senior management who are not also executive directors and state the total remuneration accrued to them during the year:

Name or corporate name	Position(s)
MR ALBERTO ALCOBER TEIXIDO	Chief Operating Officer
MR CARLOS ESCOSA FARGA	Head of Internal Audit
MR JUAN MANUEL ORTEGA MORENO	Chief Investment Officer
MS NURIA OFERIL COLL	Chief Legal Officer
MS CARMINA GANYET CIRERA	Chief Corporate Officer
MS BEGOÑA MUÑOZ LÓPEZ	Chief Human Resources and General Services

Number of women in senior management	3
Percentage of total members of senior management	50.00

Total remuneration of senior management (thousands of euros)	**2,349**

In accordance with section C.1.13 above, this figure includes the total remuneration for the senior management team at group level.

C.1.15 Indicate whether any amendments have been made to the board regulations during the year:

No

C.1.16 Indicate the procedures for the selection, appointment, re-election and removal of directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

In order to meet the highest standards in the selection of candidates for directors, based on knowledge and experience in the sector and in the management of listed companies, Colonial has developed its procedures for the selection, appointment, re-election and removal of directors, which are regulated in the Regulations of the Board of Directors, through the Selection and Diversity Policy, approved by the Board at the proposal of the ARC. In accordance with this policy, the Board of Directors will first analyse the Company's and the Group's needs, with the support of appropriate advisors, and, in any case, will base its analysis on the appointment proposed by the Appointments and Remuneration Committee or its report on the matter. The directors are appointed by the General Meeting or, in the event of early vacancies, by the Board, exercising its power to co-opt. The ARC makes proposals for the appointment or re-election of Independent directors. In all other cases, the Board is responsible for making proposals. Proposals must be accompanied by a supporting report from the Board that assesses the competence, experience and merits of the proposed candidates, which will be attached to the minutes of the General Meeting or the Board meeting.

The proposal for the appointment or re-election of any non-Independent director should also be preceded by an ARC report. In order for the shareholders at the General Meeting to have the information necessary for the appointment of directors, from the publication of the call notice and until the General Meeting is held, the Company must continuously post on its corporate website the following information, at least, on the persons proposed for appointment, ratification or re-election as Board members: their identity, CV and category to which each belongs, and the aforementioned proposal and reports and ARC explanatory report containing the findings of the analysis performed beforehand of the Board's needs. Additionally, the Selection and Diversity Policy establishes a series of situations that prevent a candidate from being a director. Directors may be removed from office at any time by the General Meeting, even if the removal is not on the agenda. In addition, directors must place their position at the disposal of the Board of Directors and tender, if the latter deems it appropriate based on a report from the ARC, their resignation, all in accordance with the provisions of the Regulations of the Board of Directors, in the instances set forth in section C.1.19 below. The Board of Directors shall not propose the removal of any Independent directors before the expiry of their office as set forth in the Company Bylaws, except where just cause is found by the Board, based on a report by the ARC. It shall be understood that there is just cause when the director takes up a new post or takes on new duties that prevent him/her from devoting the necessary time to the performance of the duties associated with the directorship, when the director fails to carry out the duties inherent to his/her post or when the director is involved in circumstances which cause him/her to lose his/her Independent status in accordance with the provisions of the legislation applicable. The removal of Independent directors may also be proposed following a takeover bid, merger or similar corporate operation entailing changes in the Company's capital structure, when these changes have been propitiated by the proportionality criterion. Without prejudice to the foregoing, the Board Regulations stipulate that Independent directors may not retain their status as such for a continuous period of more than 12 years. In addition, the Board of Directors may propose the removal of other directors prior to the expiry of the statutory period for which they were appointed for exceptional and justifiable reasons as approved by the Board following a report by the ARC. When, as a result of their resignation or for some other reason, directors leave their post before their term has expired, they shall explain the reasons in a letter submitted to all Board members, notwithstanding the notification of the departure as other significant information and the reporting of the reason for the departure in the Annual Corporate Governance Report.

C.1.17 Explain to what extent the annual evaluation of the Board has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of changes

The annual assessment of the Board of Directors for 2021 was satisfactory and did not result in any significant changes to the Company's internal organisation and/or the procedures applicable to its activities.

Describe the assessment procedure and the areas assessed by the Board of Directors with the support, if any, of an external consultant, regarding the performance and composition of the Board and its committees and any other area or aspect that has been assessed.

Description of the assessment procedure and areas assessed

The Board of Directors has assessed its own performance as well as those of its committees, the Chairman, the CEO and the Secretary to the Board. Under the assessment procedure, which was carried out with the advice of an external consultant (Georgeson), all the Directors anonymously completed questionnaires previously validated by the Appointments and Remuneration Committee. The answers to the questionnaires were used by the external consultant to produce its assessment reports.

C.1.18 Detail, as appropriate, for the years in which the assessment was supported by an external consultant, any business dealings that the consultant or any company in its group have with the Company or any company in its group.

During 2022, Georgeson provided the Company with services relating to Proxy Solicitation and shareholder identification tasks in the Ordinary General Meeting of Shareholders and reviewed the Integrated Annual Report for 2021. In addition, the company Computershare, which belongs to the same group, provides shareholder register management services.

C.1.19 Indicate the cases in which the directors must resign.

In order to preserve the independence of Colonial's directors and the best possible performance of their duties, the Company's internal rules (Regulations of the Board of Directors) stipulate that directors must offer their position to the Board of Directors and resign, if deemed appropriate by the Board following a report from the ARC, in the following cases: 1. When they become subject to any incompatibility or prohibition established by law. 2. When they cease to discharge the executive functions associated with their appointment as directors or when the reasons for their appointment cease to exist. Specifically, proprietary directors shall tender their resignation when the shareholder they represent sells off the entire shareholding in Colonial or when the number of shares held requires a reduction in the number of proprietary directors. In cases in which, notwithstanding what had been previously envisaged, the Board of Directors considers that there are reasons justifying the Director remaining in office, the impact that the new circumstances may have on the qualification of the Director will be taken into account. 3. When they have been seriously reprimanded by the ARC for having infringed any of their duties as directors. 4. When their remaining as a board member may adversely affect the operation of the Board or jeopardise the credit or reputation of the Company for any reason. In particular, directors must inform the Board and, if appropriate, resign, in the event of any situations that affect them, regardless of whether or not they are related to their performance in the Company, that could affect the Company's reputation. In particular, they must inform the Board of any criminal case in which they are involved and under investigation as well as of any procedural events in such case. If the Board of Directors is informed or otherwise made aware of any of the situations mentioned in the preceding paragraph, the Board shall examine the case as soon as possible and, based on the specific circumstances, shall decide, after receiving a report from the ARC, whether to take any action. Likewise, Colonial informs its directors who are qualified as Independent of the time limit legally established at 12 years, so that once this period has elapsed, the appropriate steps can be taken to comply with the applicable legislation.

C.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?

No

Description of the differences.

C.1.21 State whether there are any specific requirements, apart from those relating to the directors, to be appointed chairman of the Board of Directors.

No

C.1.22 Indicate whether the Bylaws or the Board regulations set any age limit for directors:

No

C.1.23 Indicate whether the Bylaws or the Board regulations set a limited term of office or other stricter requirements for Independent directors other than those established by the regulations:

No

C.1.24 Indicate whether the Bylaws or Board regulations stipulate specific rules to delegate votes on the Board of Directors to other directors, the procedures thereof and, in particular, the maximum number of proxy votes a director may hold. Also, indicate whether there is any limit as to the categories in which it is possible to delegate votes, beyond the limits provided in law. Also indicate whether there is any limit as to the categories in which it is possible to delegate votes, beyond the limits provided in law.

In order to establish a set of operating rules for the Board that allow the effective performance of its functions within the framework of the governance requirements applicable to the Company under both its internal rules and the legislation, the Regulations of the Board of Directors allow, in accordance with the Spanish Limited Liability Companies Law, to confer representation in writing specifically for each meeting, and only in favour of another member of the Board. However, non-executive directors may only assign proxy to another non-executive director.

C.1.25 Indicate the number of Board meetings held during the fiscal year. Also state, if applicable, the number of occasions on which the Board met without its Chairman in attendance. Attendance for this purpose shall also include proxies appointed with specific instructions.

Number of Board meetings	10
Number of Board meetings not attended by the Chairman	0

Indicate the number of meetings held by the Independent Lead Director with the other directors without the attendance, in person or by proxy, of an executive Director:

Number of meetings	2

Indicate the number of meetings of the various Board Committees held during the fiscal year:

Number of executive committee meetings	0
Number of appointments and remuneration committee meetings	10
Number of sustainability committee meetings	3
Number of audit committee meetings	10

The Company ceased to have an Independent Lead Director on 30 April 2022, as the Chairman of the Board is no longer an executive director.

C.1.26 Indicate the number of meetings held by the Board of Directors during the fiscal year and the attendance data of its members:

Number of meetings where at least 80% of directors attended in person	10
% of attendance in person out of the total votes during the fiscal year	98.00
Number of meetings with attendance in person, or by proxy with precise instructions, of all the directors	10
% of votes cast with attendance in person, or by proxy with precise instructions, out of the total votes during the year	100,00

C.1.27 Indicate whether the consolidated and individual annual financial statements submitted to the Board for their preparation are certified beforehand:

Yes

Identify, where applicable, the person(s) who certified the company's individual and consolidated annual financial statements to be drawn up by the board:

Name	Position
MS ANGELS ARDERIU IBARS	Chief Financial Officer

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the Board of Directors can present the company's annual financial statements to the General Meeting of Shareholders in compliance with accounting standards.

In accordance with the Regulations of the Board of Directors, the Audit and Control Committee shall ensure that the Board of Directors endeavours to submit the financial statements to the General Meeting of Shareholders without limitations or reservations in the audit report. In any exceptional cases where such reservations exist, the Chairman of the Audit and Control Committee and, in exceptional circumstances, the auditors also, shall give a clear account of the contents and scope of these limitations or reservations to the shareholders. In any case, based on the functions conferred to it in this regard by the Board Regulations, the Audit and Control Committee constantly monitors the process of drawing up the individual and consolidated financial statements to ensure they have no reservations in the audit report. In any case, there were no reservations in the year ended December 31, 2022.

C.1.29 Is the secretary to the Board a director?

No

If the secretary is not a director, complete the following table:

Name or company name of the secretary	Representative
MR FRANCISCO PALÁ LAGUNA	

C.1.30 Indicate the specific methods established by the company to protect the independence of the external auditors, as well as the methods, if any, employed to protect the independence of the financial analysis, of investment banks and of credit rating agencies, including how the legal provisions have been effectively implemented.

The Audit and Control Committee's ("ACC") obligations include preserving the independence of the external auditor in the performance of its duties. It also has the following obligations: (i) if the external auditor resigns, to examine the circumstances that led to such resignation; (ii) to ensure that the external auditor's remuneration for its work does not compromise its integrity or independence; (iii) to ensure that the Company reports the change of auditor as other significant information to the Spanish Securities Market Commission (CNMV), attaching a statement on the existence of any possible disagreements on its contents with the outgoing auditor; and (iv) to ensure that the Company and the external auditor adhere to the current regulations on the provision of non-audit services as well as to the limits on the auditor's business concentration and, in general, to all other rules on auditor independence. It is also a function of the ACC to establish the necessary relations with the external auditor in order to receive information on any matters that might jeopardise the auditors' independence, for examination by the Committee, any other matters related to the accounts audit process and, when appropriate, to authorise non-prohibited services on the terms provided in current legislation relating to independence and to communicate with the auditors as provided for in the financial audit legislation and auditing standards. In any case, each year, the external auditors shall be required to furnish a statement of their independence with respect to the Company or entities related directly or indirectly thereto, as well as detailed and separate information on any manner of additional services of any kind provided and the related fees received from these entities by the external auditor or entities related thereto in accordance with the governing accounts audits. The ACC shall also issue, prior to the audit report, an annual report expressing an opinion on whether the independence of the auditors or audit companies has been compromised. This report shall, in any case, contain the evaluation of the provision of each and every additional service referred to in the preceding section, considered individually and as a whole, other than legal audit services in relation to the rules on independence or in accordance with the audit regulations.

Additionally, the ACC has an authorisation procedure of the external auditor's services other than the prohibited ones. Likewise, the Regulations of the Audit and Control Committee, in line with Technical Guide 3/2017 on audit committees of public interest entities of the CNMV of 27 June 2017, establishes the procedure and specific criteria that the Committee must follow to preserve, among other aspects, the independence of the external auditors.

C.1.31 Indicate whether the company changed its external auditors during the fiscal year. If so, identify the incoming auditor and the outgoing auditor:

No

Explain any disagreements with the outgoing auditor and the reasons for same:

No

C.1.32 Indicate whether the audit firm performs other non-audit work for the Company and/or its group; and, if so, state the amount of fees received for such work and the percentage that this amount would represent compared to the total fees billed to the Company and/or its group for audit work:

Yes

	Company	Group companies	Total
Amount for non-audit work (thousands of euros)	167	86	253
Amount for non-audit work/Amount for audit work (in %)	54.05	22.34	36.46

Of this, €99,000 was for audit-related services provided to the Group involving limited reviews, the issuance of comfort letters and agreed-upon procedure reports on ratios linked to finance contracts.

The rest – €154,000 – was for fees for other professional services to review the Green Bonds Report, the ESG indicators in the Integrated Annual Report and the greenhouse gas inventory, technical cybersecurity reviews and reviews of English translations from French of various items of corporate information.

C.1.33 Indicate whether the audit report for the annual financial statements of the previous fiscal year included any qualified opinions. Indicate the reasons given by the chairman of the audit committee to the shareholders of the General Meeting to explain the contents and scope of the qualified opinions.

No

C.1.34 Indicate the number of consecutive years in which the current audit firm has been auditing the Company's individual and/or consolidated annual financial statements. Likewise, indicate for how many years the current firm has been auditing the annual financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	6	6

	Individual	Consolidated
Number of years audited by the current audit firm/ number of years the company or its group has been audited (in %)	16.67	16.67

C.1.35 Indicate whether there is a procedure for the directors to be able to receive the necessary information to prepare for meetings of the management bodies sufficiently in advance, and if so, give details:

Yes

Details of the procedure

In order to ensure that the directors can adequately meet their obligations as such, Colonial guarantees that all the necessary information is provided for this purpose, and not only that which is legally required. To this end, under the Regulations of the Board of Directors, the Chairman, with the collaboration of the Secretary, ensures that the directors have, beforehand and sufficiently in advance, the necessary information for the deliberation and adoption of resolutions on the matters to be discussed at each meeting, unless the Board of Directors has convened or has been called on an exceptional basis for reasons of urgency. Likewise, any director may, at the request of the Chairman, Managing Director, or Secretary, request and examine the books, records, documents and other background information on corporate transactions, and may also obtain the necessary supplementary information from any interlocutors deemed appropriate. Lastly, the Company shall establish suitable channels for directors to obtain the advice they need to carry out their duties including, if necessary, external advise at the Company's expense. In this regard, in view of the functions of the Board Chairman, the directors shall send the Chairman requests for external assistance when they deem this necessary. Furthermore, the Regulations of the Board of Directors stipulate that the committees may resort to external advice when deemed necessary for their roles, following the same procedure as set forth above.

C.1.36 Indicate and, where appropriate, provide details of whether the company has established rules requiring directors to report and, where applicable, resign in the event of any circumstances that may affect them, whether or not related to their performance at the company, that could jeopardise the company's credit or reputation:

Yes

Explain the rules

Board Regulations stipulate that directors must tender their resignation to the Board of Directors and resign if the latter deems it appropriate subsequent to a report from the ARC when their continuation as a Board member may adversely affect the operation of the Board or jeopardise the credit or reputation of the Company for any reason. In particular, the directors must inform the Board of any criminal proceedings in which they are an accused party and of the subsequent progress of the proceedings. In any event, if a director is prosecuted or has a court order issued against him or her initiating trial proceedings for any of the offences defined in the law, the Board shall examine the case as soon as practicable and shall decide, in view of the particular circumstances, whether or not the director should remain in office, providing reasonable reasons in the Annual Corporate Governance Report.

C.1.37 Indicate, unless special circumstances have arisen and been officially recorded, whether the Board has been informed or has otherwise become aware of any circumstances affecting a director, whether or not related to their performance at the Company, that could jeopardise the Company's credit or reputation:

No

C.1.38 Provide details of any significant resolutions taken by the Company that will come into force or be amended or terminated in the event of a change of control of the Company following a takeover bid, and its effects.

As of 31 December, the Company had a €1 billion sustainable credit facility, split into two tranches of €500 million each, maturing in 2025 and extended the second tranche to 2027. As of 31 December, the full amount of both tranches was available.

In addition, several issues of fixed-income securities have been carried out, providing for the early maturity of the debentures, at bondholders' option, in the event of a change of control leading to the loss of the Investment Grade rating. The issues add up to a total of €2,812 million.

C.1.39 Identify, separately when referring to directors, and in aggregate in all other cases, and provide detailed information on, any agreements between the Company and its officers, directors or employees that provide for compensation or guarantee or golden parachute clauses in the event of resignation, unfair dismissal or termination of the contractual relationship as a result of a takeover bid or other type of operation.

Number of beneficiaries	2

Type of beneficiary	Description of the agreement
CEO and Corporate General Manager	CEO: He will receive additional remuneration by way of severance payment in the event of unjustified removal or non-renewal or a substantial reduction of his functions. This shall also accrue: (a) if he leaves or resigns from his position due to a change of control in the Company or to a significant change in the composition of the Board; (b) if the terms of his contract are amended without his consent; and (c) in any other cases that may be established by the Board of Directors. The severance payment will be calculated taking into account two years of his fixed remuneration (€750,000) and target annual variable remuneration (100% of his fixed remuneration), excluding any other amounts already received and the rights derived from the LTIP in force at the time. Under the current LTIP approved at the Ordinary General Meeting of 30 June 2021, if he is removed from office without just cause during the term of the plan, the General Meeting fails to extend his term of office or his functions are significantly modified (including losing his executive status), he will be entitled to an early settlement of the plan as follows: (a) if the event that gave rise to the early settlement of the plan takes place within the first 18 months of one of the plan's three cycles, he shall be entitled to receive the target number of shares to which he is entitled in that cycle of the plan prorated for the number of days between the first day of the cycle in which the event took place and the effective date of termination, failure to extend his term or significant change to his functions; (b) if the event takes place in the second half of a cycle's target measurement period, he shall be entitled to receive the target number of shares to which he is entitled for that cycle. In addition, he will lose his right to the delivery of shares for justified dismissal, except for objective causes, termination of his contract with just cause or resignation, and in the event of a breach of contract in respect of confidentiality, non-solicitation of services or competition. Corporate General Manager: If she is dismissed by the Company (with the obligation to give three months' notice) and/or due to a change of control of the Company, she shall receive an amount of gross compensation equal to: (a) twice the annual fixed remuneration in force as at the date on which the contract comes to an end; plus (b) the sum of the amounts of variable remuneration received by her in the two years leading to the date on which the contract comes to an end (in the event of a change of control, provided that the contract comes to an end within three months following the change of control). The severance payment shall be calculated excluding any amounts already received and any rights arising from her participation in the LTIP in force at any given time. In the event of dismissal on disciplinary grounds or unfair dismissal, the same severance pay shall apply as in the case of dismissal by the company. Finally, as a beneficiary of the LTIP approved at the Ordinary General Meeting of Shareholders of 30/06/2021, it is envisaged that she will lose her right to the delivery of shares in the event of justified dismissal except for objective causes, termination of her contract with just cause or resignation on her own initiative, and in the event of a breach of contract in respect of confidentiality, non-solicitation of services, or competition. In these cases, she will lose any rights to shares that have been granted.

Indicate whether, beyond the assumptions envisaged in the legislation, these contracts must be reported to, and/or authorised by, the governing bodies of the company or its group. If this is the case, specify the procedures, assumptions foreseen and nature of the bodies in charge of their approval or their communication:

	Board of Directors	General Meeting
Body which authorises the clauses	√	

	Yes	No
Is the General Meeting informed of the clauses?		√

C.2. Board Committees

C.2.1 Give details of all board committees, their members and the proportion of executive, proprietary, Independent and other external directors that form them:

Executive committee

Name	Position	Category
MR CARLOS FERNÁNDEZ GONZÁLEZ	MEMBER	Proprietary
MR PEDRO VIÑOLAS SERRA	DEPUTY CHAIRMAN	Executive
MR JUAN JOSÉ BRUGERA CLAVERO	CHAIRMAN	Other external
MR LUIS MALUQUER TREPAT	MEMBER	Independent
MR JUAN CARLOS GARCÍA CAÑIZARES	MEMBER	Proprietary
MR ADNANE MOUSANNIF	MEMBER	Proprietary

% of executive directors	16.67
% of proprietary directors	50.00
% of independent directors	16.67
% of other external directors	16.67

Explain the functions delegated or conferred to this Committee other than those already described in section C.1.9, and describe the procedures and rules of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it in accordance with the law, Company Bylaws, or other corporate agreements.

The Executive Committee shall be made up of at least three and not more than eight members. The Chairman and Secretary to the Committee shall be the Chairman and Secretary to the Board of Directors. The Executive Committee may appoint from among its members a Deputy Chairman who shall act as Chairman in the event of absence. The Board of Directors shall appoint the members of the Executive Committee, ensuring that its membership structure reflects the various types of directors in a similar manner to that of the Board. To be valid, the appointment of directors who constitute the Executive Committee shall require a vote in favour by two thirds of the members of the Board and shall not be effective until it has been entered in the Commercial Registry. The members of the Executive Committee shall cease to be members when they cease to be directors or when so resolved by the Board. The Executive Committee shall be called by its Chairman on his/her own initiative or when this has been requested by two of its members. The meeting must be convened by letter, telegram, e-mail or fax addressed to each of its members at least 48 hours in advance of the date of the meeting; however, it may be called with immediate effect for reasons of urgency. The meetings shall be held at the Company's registered office or at any location designated by the Chairman and indicated in the notice. For an Executive Committee meeting to be validly constituted, the majority of its members must attend, either physically present or represented by proxy. The absolute majority of the members of the Committee shall adopt the resolutions. In the event of a conflict of interest, the affected director shall refrain from participating in the transaction to which the conflict refers. The votes of the directors who are affected by such a conflict of interests and who must abstain shall be deducted for the purposes of calculating the necessary majority of votes. In the event of a tie, the matter shall be submitted to the Board of Directors. Through its Chairman, the Executive Committee shall report to the Board on the business transacted and the resolutions adopted by the Committee. The Committee did not hold any meetings in 2022.

Appointments and Remuneration Committee

Name	Position	Category
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	MEMBER	Independent
MS ANA LUCRECIA BOLADO VALLE	CHAIRMAN	Independent
MR LUIS MALUQUER TREPAT	MEMBER	Independent
MR JUAN CARLOS GARCÍA CAÑIZARES	MEMBER	Proprietary
MR ADNANE MOUSANNIF	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	40.00
% of independent directors	60.00
% of other external directors	0.00

Explain the functions, including, if applicable, those additional to those provided for by law, conferred to this committee, and describe the rules and procedures of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it in accordance with law, the Company Bylaws or other corporate agreements.

The Appointments and Remuneration Committee's (ARC) functions, procedures and rules of operation are set out in the Regulations of the Board of Directors (Article 33); and in 2022 the Committee carried out the following activities, among others, pursuant to its duties.

As part of its ordinary management, the Committee: (i) coordinated and submitted to the Board of Directors the reports on the assessment of the Board and the ARC and on the performance of the duties of the Chairman of the Board, the CEO and the Secretary to the Board, with advice from Georgeson for 2022, as well as the recommendations and suggestions for improvement made by all the directors in the assessment questionnaires; ii) promoted the Directors' Training and Refresher Course Plan; iii) analysed the qualification of the members of the Board as provided in the corporate texts, the Spanish Limited Liability Companies Law and the corporate governance recommendations; iv) provided all the Directors with the provisional annual schedule of meetings of this Committee; v) proposed and reported favourably for re-election to the Board of Directors of the Company on the appointments of directors submitted to the General Meeting; vi) reported favourably to the Board on the Chairman's re-election and appointment as non-executive director and the re-election and appointment of the CEO and Executive Vice-Chairman of the Company; vii) proposed and reported favourably to the Board on the re-election and appointment of the members of the Company's Executive Committee; and viii) reported favourably to the Board on the proposal to appoint Ms Begoña Orgambide García as proprietary Director of the Company.

In relation to corporate governance, the Committee: i) analysed the extent to which the corporate governance recommendations had been complied with; ii) reviewed the succession plan for the Chairman of the Board of Directors and the CEO and carried out the process of replacing the executive chairmanship of the Board with a non-executive chairperson; iii) and analysed and drew up a matrix of competencies of the members of the Board that is included in the Integrated Annual Report.

In the field of remuneration, the Committee: (i) reported favourably on the Annual Report on Remuneration of Directors and proposed it to the Board of Directors for approval; (ii) analysed, discussed and modified the variable remuneration targets for 2022 for the assessment of the Management Committee's performance; iii) ensured compliance with the remuneration policy finally put in place by the Company; and, in particular, proposed the Chairman's and the CEO's variable remuneration to the Board of Directors; iv) reported favourably on the fixed and variable remuneration of the Company's management team as proposed by the CEO; and v) analysed and discussed SFL's remuneration and long-term incentive system to bring it into line with that in place at the Company.

Audit and Control Committee

Name	Position	Category
MS ANA CRISTINA PERALTA MORENO	CHAIRMAN	Independent
MS ANA LUCRECIA BOLADO VALLE	MEMBER	Independent
MR LUIS MALUQUER TREPAT	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

As a result of Mr Javier López Casado's death, which was reported by the Company on 30 August 2021, in 2022 the composition of the Audit and Control Committee changed to three independent Directors. On 23 January 2023, the Board of Directors appointed Ms Begoña Orgambide García, who is a proprietary Director, to the Audit and Control Committee, which now has four members: three independent Directors and one proprietary Director.

Explain the functions, including, if applicable, those additional to those provided for by law, conferred to this committee, and describe the rules and procedures of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it in accordance with law, the Company Bylaws or other corporate agreements.

The Audit and Control Committee's (ACC) functions, procedures and rules of operation are set out in the Regulations of the Board of Directors and its own regulations. It must contain a minimum of 3 and a maximum of 8 non-executive directors appointed by the Board, with the number of independent directors established by law at any given time and at least one director appointed on the basis of their knowledge and experience in accounting and/or auditing matters. It shall appoint a chairperson (independent director), who shall be replaced every 4 years and may be re-elected after 1 year from the date on which their term expired; and a secretary, who may be the Secretary to the Board. Pursuant to its duties, in 2022 it carried out, among others, the following actions:

Regarding **economic and financial information:**

a) It analysed, before it was presented to the Board of Directors, the process of drawing up: (i) the annual financial information for 2021, which includes, among others, the individual and consolidated annual financial statements and management reports; (ii) the financial information for Q1 and Q3 of 2022; and (iii) the half-yearly financial report for the first half of 2022.

b) It carried out the financial oversight function by monitoring the performance of the main milestones and salient figures of the balance sheet, the income statement and the financial reports. It oversaw the processes of drawing up the financial information in accordance with the pre-established accounting criteria, the applicable laws and regulations and any necessary additional information.

c) It monitored the geopolitical and macroeconomic situation arising from the Russia-Ukraine war, especially in relation to the possible impact of inflation, interest-rate hikes, real-estate valuations, higher prices of materials, and supply chain delays.

Regarding **internal control systems:**

a) It oversaw the proper operation and implementation of the internal control systems established and presented by the internal auditor, as well as the risk management systems in the process of drawing up the financial information, including tax risks.

b) It was duly informed by the internal auditor of the most relevant facts, updates and recommendations drawn from the work carried out, in particular the drawing up of the Guide for the Internal Control System for Non-Financial Reporting (SCIINF) with the help of Ernst & Young (external consultant), and drew up the report on the Risk Management and Control Policy for the Board's approval.

c) It oversaw the updating of the corporate risk map and the evolution of the various risks and the control measures taken to mitigate them, and it presented its findings to the Board of Directors.

Regarding **relations with the external auditor:**

a) It established relations with the external auditor (PwC), providing a communication channel between it and the Board and assessing the findings of each audit.

b) It issued a favourable report on the external auditor's independence.

c) It approved the proposal to re-elect the external auditor for 2023.

Regarding **internal audits**, it approved the "Internal Audit Plan" for 2022 and oversaw its progress and degree of compliance with it. It was informed of, and monitored, the degree of compliance with the recommendations made by the internal auditor in its work, overseeing the coordination of the Company's internal audit and of those of other Group companies.

As to **tax risks**, in 2022 it constantly monitored the main issues relating to such risks, overseeing the tax management carried out by the various departments in charge of such matters. It analysed the enhanced fiscal transparency report submitted in the framework of the Code of Good Tax Practices. Based on this report, it analysed the map of the main tax risks, as well as the controls in place.

In relation to **related-party transactions**, it was kept duly informed of potential operations in 2022, and it concluded following an analysis that they did not qualify as related-party transactions.

As to **corporate governance**, it approved the Annual Corporate Governance Report for 2021 ahead of its approval by the Board of Directors. Furthermore, it oversaw compliance with the internal codes of conduct and promoted a culture of compliance with the corporate rules and texts throughout the organisation. It also oversaw the application of the general policy regarding the communication of economic-financial, non-financial and corporate information, as well as communications with shareholders and investors, proxy advisors and other stakeholders.

Regarding **regulatory compliance**, it remained in constant contact with the Regulatory Compliance Unit, monitored the updating of the criminal risk prevention model, the training plans and the corporate policies, and resolved to report favourably to the Board on the texts of the Treasury Share Policy and the Policy on the Treatment and Disclosure of Inside Information.

It **oversaw the non-financial information** contained in the Integrated Annual Report, paying particular attention to the ESG indicators. It also analysed the external auditor's report on the review of the ESG indicators in the integrated annual report for 2021, which included, among others, the main areas for improvement highlighted during the process.

As to **treasury shares**, the Committee was kept duly informed of the treasury share operations carried out throughout the year, and it reported favourably on the proposal for the General Meeting of Shareholders to authorise the Board of Directors to buy treasury shares under the terms approved by the General Meeting.

Identify the directors who are members of the audit committee appointed with regard to their knowledge and experience in accounting, auditing or both, and indicate the date when the Chairman of the committee was appointed as such.

Names of directors with experience	MS ANA CRISTINA PERALTA MORENO / MS ANA LUCRECIA BOLADO VALLE / MR LUIS MALUQUER TREPAT
Date the Chairman was appointed as such	12/05/2020

Sustainability Committee

Name	Position	Category
MS ANA CRISTINA PERALTA MORENO	MEMBER	Independent
MS SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	CHAIRMAN	Independent
MS ANA LUCRECIA BOLADO VALLE	MEMBER	Independent
MR LUIS MALUQUER TREPAT	MEMBER	Independent
MR ADNANE MOUSANNIF	MEMBER	Proprietary

% of executive directors	0,00
% of proprietary directors	20,00
% of independent directors	80,00
% of other external directors	0,00

Explain the functions conferred to this Committee and describe the procedures and rules of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it in accordance with law, Company Bylaws, or other corporate agreements.

The Sustainability Committee's functions, procedures and rules of operation are set out in the Regulations of the Board of Directors (Article 34); and, in 2022, the Committee carried out the following activities, among others, pursuant to its duties.

> Analysing, assessing and driving the Company's environmental and sustainable development policies and practices.

> Analysing the desirability of the ESG indices used by the Company, and considering the possibility of selecting them if appropriate.

> Analysing and, if applicable, validating the content and approach of the annual integrated non-financial report on ESG matters, establishing the quantitative and qualitative goals, as well as monitoring them and analysing the impact of the annual integrated report on the market and on the comparison between the Company's results and those of its competitors.

> Proposing to the Appointments and Remuneration Committee to promote training and refresher courses for directors in the field of sustainability, with the inclusion of ESG in the directors' refresher course plan.

> Considering the possibility of adopting new ESG initiatives, such as, among others, in relation to the Company's commitment to the use of renewable energies, the achievement of certain decarbonisation targets and the establishment of a decarbonisation plan for the Company (e.g. by submitting the Company's decarbonisation plan to the Science Based Targets initiative (SBTi), an organisation that aims to help reduce carbon emissions in accordance with the principles of the Paris Agreement, for verification and approval).

> Reporting favourably on the degree of compliance with the decarbonisation goals for the Company's assets in the short and long term, having agreed to bring the goal of reaching carbon-neutral emissions forward to 2030 (from 2050).

> Overseeing the implementation of the Company's current three-year plan to reduce its carbon footprint asset by asset (decarbonisation plan).

> Analysing the progress made in the monitoring of Scope 3 in accordance with global standards (GHG).

> Monitoring the fulfilment of the quantitative and qualitative ESG criteria set by certain independent agencies (GRESB, CDP, MSCI).

> Analysing the most significant ESG-related risks.

> Agreeing to put in place a new real estate market technology platform to improve the Company's ESG data management.

> Monitoring the development and implementation of an internal control system to enhance the reliability of data relating to non-financial information.

C.2.2 Fill in the following table with the information on the number of female directors sitting on the Board Committees at the end of the last four years:

Number of female board members

	2022		2021		2020		2019	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.00	0	0.00	0	0.00	0	0.00
Appointments and Remuneration Committee	2	40.00	2	40.00	2	40.00	1	16.67
Audit and Control Committee	2	66.67	2	50.00	1	33.33	1	20.00
Sustainability Committee	3	60.00	3	60.00	3	60.00	N/A	N/A

On 23 January 2023, the Board of Directors appointed Ms Begoña Orgambide García to the Audit and Control Committee. This means that, from that date, the Audit and Control Committee is composed of 4 directors, three of whom are women and therefore account for 75% of the Committee.

C.2.3 State any regulation of board committees, the location at which they are available for consultation, and any amendments made during the year. Also state whether any voluntary annual reports have been produced on the activities of each committee.

The rules governing the Board committees are set out in the Regulations of the Board of Directors, which are available on the corporate website. In addition, the company has a set of Audit and Control Committee Regulations. As to the annual reports on its activities, reports on the operation, structure and functions of the Audit and Control Committee, the Appointments and Remuneration Committee and the Sustainability Committee have been produced. The said reports will be made available to shareholders, together with any other appropriate documentation, on the Company's corporate website when convening the Ordinary General Meeting of Colonial.

D. Related-party transactions and intracompany transactions

D.1. Explain, if applicable, the procedure and competent bodies for the approval of related-party and intra-group transactions, stating the company's criteria and general internal rules on the obligation for affected shareholders or directors to abstain and providing details of the internal reporting and periodic control procedures stipulated by the company for related-party transactions whose approval has been delegated by the Board of Directors.

In accordance with the Regulations of the Board of Directors (Art. 17) "1. Transactions concluded between the Company or Group companies on the one hand, and directors, shareholders holding at least 10% of the voting rights in the Company or who are represented on its Board of Directors, or any other persons that must be considered related parties under international accounting standards on the other, shall be considered related-party translations (the "Related-Party Transactions"). By way of exception to the previous paragraph, the following will not be considered Related-Party Transactions: (i) transactions carried out between the Company and its fully owned subsidiaries, either directly or indirectly; (ii) the Board of Directors' approval of the terms and conditions of contracts to be concluded with Directors who are to carry out executive functions, including, if applicable, the CEO or senior officers; as well as the establishment by the Board of the specific amounts or remuneration to be paid under such contracts; and (iii) transactions carried out by the Company with its subsidiaries or investee companies, provided that no other party related to the Company has holdings in such subsidiaries or investee companies. 2. Responsibility for approving Related-Party Transactions for an amount or value of 10% or more of the total asset items in the most recent annual balance sheet approved by the Company shall lie with the General Meeting of Shareholders. In such case, the affected shareholder shall lose the right to vote unless the motion has been approved by the Board of Directors without the opposing vote of the majority of the independent Directors. All other Related-Party Transactions shall be approved by the Board of Directors, who may not delegate this power except in relation to Related-Party Transactions: (i) concluded with Group companies in the Company's ordinary course of business and under market conditions, or (ii) concluded under contracts with standard terms that are applied en masse to a large number of clients, at rates or prices established for general application by the party acting as supplier or provider of the goods or services in question, for an amount that does not exceed 0.5% of the Company's net turnover. The affected directors or the directors representing or related to the affected shareholders must refrain from taking part in the deliberation and voting for the relevant resolution, as provided by law. 3. The Audit and Control Committee must issue a report prior to the approval of a Related-Party Transaction by the General Meeting or the Board of Directors. In this report, the Committee must assess whether the transaction is fair and reasonable from the Company's point of view and, if applicable, from that of its shareholders other than the related party. It must also report on the budgets on which the transaction is based and on the methods used. Directors who are members of the Audit and Control Committee and are affected by the Related-Party Transaction may not be involved in the preparation of the report. The said report will not be mandatory in relation to Related-Party Transactions whose approval has been delegated by the Board of Directors in those cases permitted by law. In such cases, the Board of Directors itself shall establish a periodic internal reporting and control procedure to verify that the transactions are fair and transparent and, where appropriate, that the applicable legal criteria are being complied with (…)".

D.2. Provide details of each individual transaction that is either significant due to its amount or relevant due to its subject matter concluded between the company or its subsidiaries and shareholders holding at least 10% of the voting rights or with representation on the company's Board of Directors, indicating the competent body for its approval and specifying whether any affected director or shareholder abstained from voting. If the competent body was the General Meeting, state whether the proposed resolution was approved by the Board without the majority of independent Directors voting against it:

Name or company name of the shareholder or any of its subsidiaries	Stake %	Name or company name of the company or subsidiary	Amount (thousands of euros)	Approving body	Identification of the significant shareholder or director who abstained from voting	The proposal to the General Meeting, if applicable, was approved by the Board of Directors without the majority of independent Directors voting against it
No data						

Name or company name of the shareholder or any of its subsidiaries	Nature of the relationship	Type of transaction and other information required for its assessment
No data		

D.3. Provide details of each individual transaction that is either significant due to its amount or relevant due to its subject matter concluded between the company or its subsidiaries and the company's directors or officers, including transactions concluded with companies that are controlled or jointly controlled by the director or officer, indicating the competent body for its approval and specifying whether any affected director or shareholder abstained from voting. If the competent body was the General Meeting, state whether the proposed resolution was approved by the Board without the majority of independent Directors voting against it:

Name or company name of the directors or officers or their controlled or jointly controlled companies	Name or company name of the company or subsidiary	Link	Amount (thousands of euros)	Approving body	Identification of the shareholder or director who abstained from voting	The proposal to the General Meeting, if applicable, was approved by the Board of Directors without the majority of independent Directors voting against it
No data						

Name or company name of the directors or officers or their controlled or jointly controlled companies	Nature of the transaction and other information required for its assessment
No data	

D.4. Provide a breakdown of any intra-group transactions that are either significant due to their amount or relevant due to their subject matter concluded between the Company and its parent company or other companies in the parent company's group, including the listed company's own subsidiaries, unless no other related party of the listed company has a stake in such subsidiaries or they are fully owned, directly or indirectly, by the listed company.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

Corporate name of the company in the group	Brief description of the transaction and other information required for its assessment	Amount (thousands of euros)
No data		

D.5. Provide details of each individual transaction that is either significant due to its amount or relevant due to its subject matter concluded between the company or its subsidiaries and other related parties that qualify as such under the EU's International Accounting Standards that have not been included in the preceding sections.

Company name of the related party	Brief description of the transaction and other information required for its assessment	Amount (thousands of euros)
No data		

D.6. State the mechanisms established to detect, determine and resolve any conflicts of interest between the company and/or the group, directors, officers, significant shareholders or other related parties.

Under the Company Bylaws, directors shall refrain from taking part in discussions or voting on any resolutions or decisions in which the directors or any persons who are related parties may have a direct or indirect conflict of interests. The votes of the directors who must abstain due to being affected by such conflict shall be deducted for the purposes of calculating the necessary majority of votes. Excluded from the foregoing obligation to abstain are the resolutions or decisions affecting their administrator status, such as their appointment or removal for offices in the administrative body or others of analogous implications. Board Regulations also stipulate that the duty of loyalty requires that directors refrain from taking part in discussions or voting on any resolutions or decisions in which the directors or any persons who are related parties may have a direct or indirect conflict of interests. Furthermore, directors should take all necessary measures to avoid situations where their interests, on their own behalf or otherwise, may be in conflict with the corporate interests and with their duties to the Company. In particular, directors should refrain from: a) entering into transactions with the Company, unless these are ordinary operations under the standard conditions applied to customers and of scarce relevance; in other words, operations whose information is not required to produce an image of the shareholder's equity, the financial statements or the Company's results; b) using the Company's name or relying on their appointment as directors to wrongfully influence private operations; c) making use of corporate assets, including the Company's confidential information, for personal purposes; d) benefiting from the Company's business opportunities; e) gaining advantages or compensation from third parties other than the Company and its Group, on account of the performance of their role, save when these are given as mere gifts or business courtesies; f) carrying out activities, on their own behalf or otherwise, that would be in actual, effective or potential competition with the Company or that would in any other way be in constant conflict with the Company's interests. The foregoing shall also be applicable if the beneficiary of the actions or prohibited activities is a person related to the director, as per the applicable legal definition. Any conflicts of interest in which directors are involved shall be reported in the notes to the financial statements and in the Annual Corporate Governance Report. The authorisation must be approved by the General Meeting if its purpose is to waive the prohibition on obtaining an advantage or remuneration from third parties or if it affects a transaction whose value is greater than 10% of the Company's assets. In all other cases, it may be granted by the Board of Directors provided that the members that grant it remain independent from the director who has been excused. It is also necessary to ensure that the shareholders' equity remains unharmed by the authorised transaction or that, if appropriate, it is carried out at arms' length and transparently. The Company must also ensure that the authorised transaction does not harm its assets and liabilities and, where applicable, ensure it is carried out under market conditions and that the process is transparent. The General Meeting shall grant dispensation through an express and separate resolution.

D.7. Indicate whether the company is controlled by another listed or unlisted company, as described in Art. 42 of the Spanish Commercial Code and has, directly or through its subsidiaries, business relations with this company or one of its subsidiaries (other than the listed company) or carries out activities related to any of them.

No

E. Risk management and control systems

E.1. Describe the financial and non-financial Risk Management and Control System in place at the company, including in relation to tax risks.

Colonial aims to create sustainable value by optimising the relation between the profitability and the risk of its business activity, which contributes towards strengthening its leadership in the sector and consolidating its position in the long term. Risk management is a key aspect of Colonial's organisational culture and, for this reason, the Company has developed a Risk Management and Control System (hereinafter "RMCS"), which establishes certain bases to efficiently and effectively manage risk throughout the organisation, including tax risks.

In order to meet these corporate objectives, the risks to which Colonial is exposed are identified, analysed, assessed, managed, controlled and updated. In order to maintain an effective and updated RMCS, Colonial prepares a corporate risk map, which identifies the main risks affecting the Group, and evaluates them in terms of impact and likelihood of occurrence. This map is periodically reviewed and updated every year, with the aim of having an integrated and dynamic risk management tool that evolves along with the changes in the environment in which the company operates and the changes in the organisation itself. Also, Colonial's RMCS establishes monitoring activities by the owners of risk (area managers) by updating the records of the risks in order to verify the effectiveness of the controls in place.

The Internal Audit function analyses the corporate risk map and proposes which processes, risks and controls should be reviewed each year in the Internal Audit Plan.

E.2. Identify the bodies responsible for preparing and implementing the financial and non-financial Risk Management and Control System, including tax risks.

The Board of Directors is responsible for determining the Company's risk management and control policy, including tax risks, identifying its main risks, and implementing and supervising the internal reporting and control systems in order to ensure the future viability and competitiveness of the Company, adopting the decisions best suited to its implementation. The Audit and Control Committee (ACC) assists the Board of Directors in managing this policy. The ACC performs, inter alia, the following functions relating to risk control and management:

> Submitting a report on risk policy and management for approval by the Board.

> Conducting a regular review of risk control and management systems, in such a way that the main risks are identified, managed and notified properly.

> Overseeing the preparation, completeness and filing of regulated public information (financial and non-financial).

In addition, the Company has set up a Regulatory Compliance Division (RCD) and Internal Audit Unit to reinforce this objective. The RCD is responsible for ensuring compliance with any laws and regulations that may affect the Company, and the internal audit function carries out the necessary supervision tasks set forth in the annual plans to assess the efficiency of the risk management and control procedures implemented to minimise risks.

The main responsibilities assigned in relation to the RMCS correspond to the Board of Directors, the Audit and Control Committee and the Internal Audit unit. The RMCS also explicitly sets out the responsibilities of senior management, operational managers and owners of the risks in relation to risk management.

E.3. Specify the main financial and non-financial risks (including tax risks) and, when significant, those derived from corruption (as described in Spanish Royal Decree 18/2017) that may jeopardise the business targets.

In accordance with adequate risk control and management, in order to avoid possible situations of corruption, bribery or fraudulent actions, Colonial has approved different policies that establish mechanisms and controls to prevent such situations from occurring. Furthermore, for the proper implementation of these policies and other control mechanisms, the Company divides the different types of risks to which the Group is exposed into two main areas based on their origin:

> **External risks**: Risks related to the environment in which Colonial carries out its activity and that influence and determine the Company's operations.

> **Internal risks**: Risks arising from the Company's own activity and that of its management team.

The main external risks faced by Colonial in achieving its targets include:

> Economic risks arising from the geopolitical and macroeconomic situation of the countries in which it operates and from changes to investors' own expectations.

> Market risks arising from the transformation of the sector and the business model itself, the greater complexity involved in implementing the investment/divestment strategy, and the fluctuation of the real estate market with an impact on real estate asset valuation.

> Financial risks related to restrictions in the capital markets, interest rate fluctuations, the impact of changes in tax legislation and client portfolio management.

> Environmental risks, such as those relating to crisis management, those derived from more stringent ESG regulation and demands, and mainly those related to the physical and transition risks caused by climate change with consequences on the Group's activities.

The main internal risks faced by Colonial in achieving its targets include:

> Strategic risks relating to the Group's size and diversification, the composition of the asset portfolio, and the strategy in the co-working market.

> Various operational risks related to lease management, the development of projects in time and within cost parameters, the management of the level of debt and loss of the current credit rating, cyberattacks or failures in information systems, as well as those inherent in the management of the organisational structure and talent.

> Risks arising from compliance with all the regulations and contractual obligations applicable to it, including tax risks concerning the loss of Colonial's SOCIMI status or its French affiliate Société Foncière Lyonnaise's loss of its real estate investment trust (SIIC) status.

E.4. State whether the company has risk tolerance levels, including tax risks.

In accordance with the framework defined in the SCGR, Colonial analyses and assesses the Group's risk level and exposure to the various risks identified in accordance with changes in its environment, in order to achieve its goals, carry out the defined strategy and preserve the Group's value.

Operating management of the risk model at Colonial has been structured into a corporate risk map, which is the tool that graphically represents the assessment of risks according to their impact, their effect on Colonial measured in economic terms, and their probability, potential occurrence of the risk event over time.

In this regard, the Company assesses risk from two angles: inherent risk, which is understood to be that to which the Company is exposed in the absence of any mitigating action/controls; and residual risk, which is understood to be the risk remaining after the corresponding prevention and control measures have been taken. As a result, a classification of risks is obtained, although the company's policy is to adequately monitor each of the risks.

E.5. Identify any financial and non-financial risks, including tax risks, which have occurred during the year.

The risks inherent in the Colonial Group's business model and the various activities carried out by it may materialise over the course if each year. The main risks that materialised this year were:

During 2022, when the effects of the pandemic were starting to stabilise, the outbreak and prolonged continuation of the Russia-Ukraine war led to high economic uncertainty worldwide, particularly in Europe. The real estate cycle fluctuation risk has been seriously affected by this geopolitical and macroeconomic situation, particularly from the second half of the year, due to the historic interest rate rise aimed at controlling the high inflation that has been one of the main features of 2022. Furthermore, and in view of this situation, carrying out divestments of non-strategic assets, as well as investment operations in new assets with an attractive yield, has remained very difficult this year, as the investment market's strategies in the sector have frozen.

As a result of this marked interest rate rise, and due to the uncertainty regarding the possibility of an economic recession, managing debt levels continued to be a priority during the year in order to improve loan-to-value ratios and strengthen the Company's financial structure for the coming year and increase its investment capacity for any opportunities that may arise in the sector.

Furthermore, the rise in the prices of raw materials, fuel and supplies has had a significant impact, both worldwide and on the real estate sector, particularly on the performance and development of the Group's construction projects.

The physical and transition risks linked to climate change have led to the implementation of policies and strategies in this field, with specific actions aimed at improving the quality of properties and the measurement of their energy consumption levels, as well as the optimisation of their environmental impact. The adaptation to the various stakeholders' increasing non-financial reporting requirements has resulted in a review of the extent to which these are complied with and of the design and implementation of control systems to respond to this increasingly demanding environment in accordance with the Group's commitment and compliance in this regard.

Finally, the usual regulatory risks increased significantly, specifically in the field of ESG, due to the uncertainty resulting from the possible impact of the European taxonomy.

In view of this complex situation, the Group reviewed and monitored the progress of these risks and found that it is very resilient, particularly in relation to strategic, operational and financial matters, and that its control systems work well, enabling it to manage and mitigate these risks appropriately, guarantee operations and preserve the Group's value.

E.6. Explain any response and supervision plans in place for the company's main risks, including tax risks, as well as the procedures followed by the company to ensure that the Board of Directors can respond to coming challenges.

The risk management model implemented sets out the response and monitoring plans for the main risks based on an assessment thereof. The corporate risk map has a dynamic focus and is therefore reviewed annually in order to monitor the evolution of the risks affecting the Group and the action plans defined and implemented by each area, with the necessary controls put in place to mitigate each of the risks owned by them. The results of this analysis are reviewed by the Audit and Control Committee, which in turn reports to the Board of Directors, as well as any significant variation in the risks that form part of this risk map. Risks are classified into four levels according to their impact and probability, ranging from the most to the least serious, and are then placed in one of the following categories according to the organisation's response to each:

> Avoid: This entails abandoning activities that generate risks where no response has been identified that could reduce their impact and/or likelihood to an acceptable level.

> Reduce: This entails taking action to reduce the likelihood and/or impact of the risk, thereby reducing the residual risk to the desired level.

> Share: The likelihood or impact of a risk is reduced by transferring or sharing part of the risk to reduce the residual risk to the desired level.

> Accept: No action is taken which may affect the likelihood or impact of the risk, as the residual risk is already at the desired level.

The owners of each risk are responsible for preparing the records of risks in order to report the treatment established to mitigate and/or maintain the level of risk at the threshold accepted by the Company. Risk records state: (i) the objective pursued by the action plan, (ii) description of the course of action, (iii) the owner of the risk, (iv) the cutoff date for taking action, (v) details of the action to be taken with those responsible for implementation, and start and finish dates.

Internal audit supervises the response plans that are the responsibility of the risk owners.

F. Internal risk management and control systems in relation to internal control over financial reporting (ICFR)

Describe the mechanisms that comprise the risk control and management systems in relation to internal control over financial reporting (ICFR) at your company.

F.1. The company's control environment.

Provide information, stating the main features, on at least the following:

F.1.1 The bodies and/or functions responsible for (i) the existence and maintenance of a suitable and effective ICFR system; (ii) its implementation; and (iii) its supervision.

The Board of Directors, as stipulated in the Regulations, is ultimately responsible for the existence and updating of a suitable and effective ICFR system.

Specifically, Article 5 of the Board Regulations (*"General Functions and Competences"*) stipulates, inter alia, the following functions:

1. Establishing the Company's general policies and strategies, approving the investment and financing policy, the strategic or business plan, the annual management targets and budgets, and the treasury share policy, as well as establishing the corporate governance policy of the Company and the Group in the dividend policy. The Board of Directors shall also establish the Company's risk management and control policy, including tax risks, identifying its main risks, and implementing and overseeing the internal reporting and control systems to ensure the future viability and competitiveness of the Company, adopting the best decisions for optimal performance.

   To this end, Colonial has published an Internal Risk Management and Control Manual for its ICFR system, approved by the ACC, setting out in detail the method for establishing the materiality of risks, as well as the method for documenting, classifying and assessing risks and associated control activities.

2. Approval of the financial information that all listed companies must periodically disclose.

3. Monitoring the effective functioning of the Committees created by the Board and the performance of the delegated bodies and officers designated by the Board.

4. Approve and amend Board Regulations.

The ICFR Organisation and Supervision Model, approved by the ACC, establishes the mechanism that the Board of Directors, and by delegation, the ACC, deems appropriate and sufficient to guarantee the completeness, reliability, correct presentation and validity of Colonial's financial information.

Without prejudice to the other functions attributed by law, Article 32 of the Regulations of the Board of Directors states that at least the following functions must be performed by the ACC. In particular, the ACC is tasked with the following functions, among others, regarding the ICFR organisational model:

1. Submit to the Board for approval a report on the control and risk management policy identifying at least: (i) types of financial and non-financial risks faced by the Company, including financial and economic risks, contingent liabilities and other risks not appearing on balance sheets; (ii) a risk control and management model based on different levels, which will include a specialised risk committee whenever sectoral rules provide for it or when the Company deems it appropriate; (iii) the risk level that the Company considers acceptable; (iv) the measures planned to mitigate the impact of identified risks, should they materialise; and (v) the information and internal control systems to be used to control and manage the above-mentioned risks, including contingent liabilities and off-balance sheet risks.

2. Supervise the process of preparing and presenting the required financial information and present recommendations or proposals to the Board of Directors, directed to protecting its integrity.

3. In relation to the information and internal control systems: (i) supervise the preparation process and the integrity of financial information on the Company and, where applicable, on the Group, review compliance with the regulatory requirements, the proper delimitation of its scope of consolidation and the correct application of accounting principles; (ii) ensure the independence and effectiveness of the internal audit processes, propose the election, appointment, re-election and removal

of the head of the internal audit unit in addition to proposing the budget for this unit, approve both its orientation and operating plans, ensure that the activity is focused mainly on the risks that are relevant to the Company, receive regular information on activities and verify that senior management takes account of the conclusions and recommendations of reports; and (iii) generally ensure that the internal control systems and policies in place are effectively applied in practice. In addition, the Audit and Control Committee may establish and monitor a mechanism to report any potentially significant irregularities regarding finance, accounting, or any other areas related to the Company that may come to its attention within the Company or the Group. This mechanism must ensure confidentiality and, in any case, provide for cases in which the reporting can be made anonymously, respecting the rights of the whistleblower and the reported party.

4. Serve as a channel of communication between the Board of Directors and the Company's external auditor, assessing the results of each audit; and regularly collecting information from the accounts auditor on the audit plan and its execution.

5. Inform the Board of Directors of all matters established by law, the Company Bylaws and Board regulations beforehand, in particular regarding:

    a) The financial information that the Company must make public on a periodic basis.

Minutes shall be taken of all Committee meetings and made available to all board members.

Lastly, the Internal Audit function is responsible for drawing up the annual Internal Audit Plan and submitting it to the ACC. Such plan includes all the evidence required to prove compliance with the manuals, procedures and policies related to the ICFR. The internal auditor shall carry out these tests and report on the conclusions to the ACC, including any internal control weaknesses identified, recommendations for improvement and the general conclusions of the annual audit plan which specifically includes, among others, those related to the ICFR system.

F.1.2 Whether the following exist, especially in connection with the financial reporting process:

> **Departments and/or mechanisms tasked with: (i) devising and reviewing the organisational structure; (ii) clearly defining the boundaries of responsibility and authority, with proper distribution of tasks and functions; and (iii) ensuring that sufficient procedures are in place to spread awareness of this throughout the company.**

Responsibility for developing Colonial's ICFR organisational model lies with the Internal Audit Department and the Financial Department, as these two departments are most involved in drawing up and subsequently supervising the financial information to be reported.

Nevertheless, all Departments involved to a lesser or greater extent in preparing the financial information must also take responsibility for correctly carrying out the tasks, processes and controls they are involved in.

The organisational model of Colonial's ICFR system is structured as follows:

a) Establishment of a general environment of appropriate control, setting out the main standards for the performance of the ICFR and senior-level roles and responsibilities.

b) Identification of major risk events, which may materially affect financial information if they were to materialise.

c) For risks identified in the relevant processes, specific mitigating controls are implemented to reduce these risks down to acceptable levels. The operational Departments concerned are responsible for adequately implementing these procedures.

d) The Financial Department is responsible for maintaining documentation on Colonial's accounting policies and manuals and keeping it up to date as well as preserving an environment that ensures general controls over the IT systems.

e) Lastly, Internal Audit and ACC are responsible for overseeing ICFR in order to ensure its operational efficiency.

> **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record-keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.**

The Company's Board of Directors approved Colonial's Code of Ethics on 28 September 2011. This Code of Ethics reiterates Colonial's commitment to the principles of corporate ethics and transparency, and establishes a series of basic principles to which all Colonial personnel, partners and suppliers must adhere at all times, as their behaviour may affect Colonial's reputation.

Specifically, and with regard to financial information, Article 6.5 of the Code establishes the following:

“Colonial undertakes, as a guiding principle for its corporate behaviour with shareholders, investors, analysts and the market in general, to disclose true and complete information providing a true and fair view of the Company and the Group, its corporate activities and its business strategies.

This information shall always be disclosed in accordance with regulations and within the timeframes established by prevailing legislation. Corporate action and the strategic decisions of Colonial are focused on creating value for its shareholders, transparency in its management, the adoption of best corporate governance practices at its companies and the strict compliance with prevailing regulations in this matter.”

The internal and external dissemination of the Code of Ethics is the responsibility of Colonial’s Regulatory Compliance Unit, which reports to the ACC. This dissemination has been carried out in due compliance with applicable regulations, with receipt and knowledge by each and every Colonial employee assured.

The Regulatory Compliance Unit is responsible for compiling any irregularities or breaches of the Code, and informing the Human Resources department to take the necessary disciplinary action based on the fines and sanctions detailed in the collective bargaining agreement or employment legislation applicable.

The ACC is responsible for assessing the degree of compliance with the Code and preparing an annual report based on its findings.

The Board of Directors is responsible for reviewing and updating the Code of Ethics based on the report drawn up by the ACC.

> **Whistleblowing channel to report any financial and accounting irregularities to the audit committee, in addition to any breaches of the code of conduct and irregular activities within the organisation, informing, where appropriate, whether it is confidential and whether it allows for anonymous communications while respecting the rights of the whistleblower and the reported party.**

Under Article 32 of Colonial’s Board Regulations, the ACC is responsible, inter alia, for:

“In relation to information systems and internal control: ... (iv) for establishing and supervising a method that allows employees to make confidential and, if possible and appropriate, anonymous, statements on any irregularities, especially financial and accounting irregularities, that may potentially be important to the company.”

As noted in the preceding point, the Regulatory Compliance Division, which reports to the ACC, is responsible for managing any irregularities or breaches of the regulations, and specifically, of Colonial’s Code of Ethics.

To this end, Colonial has a whistleblower channel available through its website that enables employees, collaborators, directors, shareholders, suppliers, contractors and subcontractors to report any irregularities and cases of non-compliance identified in the organisation. It is presently in full and efficient operation. Colonial has informed all employees about this channel and provided them with training on how to use it.

This channel is managed by the Regulatory Compliance Division and is regularly reviewed to guarantee its confidentiality and compliance with the regulations applicable.

> **Training programmes and regular refresher courses for personnel involved in the preparation and review of financial information and the assessment of ICFR, covering at least accounting standards, auditing, internal control and risk management.**

Colonial has a Training Plan covering all business areas according to the specific needs of each. However, the functional business areas themselves, under the coordination and supervision of the Human Resources department, are responsible for devising and proposing specific training plans for their areas.

For staff involved in preparing and reviewing financial information, training is structured around attending events concerning regulatory updates of financial, accounting and tax regulations, as well as receiving, distributing and analysing documentation from external advisors regarding regulatory developments.

The Regulatory Compliance Unit also provides regular training on the prevention of criminal risks in order to keep the company’s personnel up to date with prevention systems in this area. In addition, the Regulatory Compliance Unit, together with the functional areas, is responsible for identifying and distributing regulatory developments that affect Colonial, so that these can be analysed and implemented.

In the event of any regulatory changes of special relevance to Colonial's financial, accounting or tax departments, the Operations-Finance Department proposes the need for specific training to address these changes.

Also, personnel from the Internal Audit Department attended thematic courses and forums outside the Company related to the evaluation of certain internal control and risk management aspects.

F.2. Assessment of risks in relation to financial information.

Report, at least, on:

F.2.1 The main characteristics of the process for identification of risks, including the risk of error or fraud, as follows:

> Whether the process exists and is documented.

Colonial has a Risk Management and Control System (RMCS), as indicated in section E.1 of this report.

The ACC is in charge of monitoring and controlling risks as delegated by the Company's Board of Directors. To this end, the managers of the various operating units cooperate in identifying and correcting risks by applying the RMCS, as indicated in sections F.1.1 and F.1.2 of this report.

Colonial's ICFR Organisational and Monitoring Model, as well as its ICFR Internal Control and Risk Management Manual, which aim to ensure the preparation and issuance of reliable financial information, are aligned with and form part of Colonial's general risk policy, the RMCS, which have been approved by the ACC.

> Whether the process covers all financial reporting objectives (existence and occurrence, completeness, measurement, presentation, disclosure and comparability, and rights and obligations), whether it is updated and how often.

The ICFR Internal Control and Risk Management Manual provides for the following seven types of risk:

1. Integrity: Transactions, events, assets, liabilities or equity interests that are “not” identified and, consequently, are “not” included in the Company's accounting records. Data entries “not” captured in the ledgers or rejected data entries. Disclosures “not” identified and, consequently, “not” included in the notes to the financial statements or deliberately omitted.

2. Existence: Transactions “not” authorised that are entered into the company's accounting software. Duplicated transactions. Erroneous adjustments in ledgers.

3. Disclosures and comparability: Disclosures “not” identified and, consequently, “not” included in the notes to the financial statements or deliberately omitted. Transactions that have not been recorded consistently over time.

4. Rights and obligations: Incorrect determination of the ability to control the rights arising from an asset or a contract/agreement. Correct determination of the obligations arising from a liability or a contract/agreement.

5. Measurement: Incorrect determination of the value of an asset, liability, income or expense, and which could generate the recording of adjustments in the determination of market values, amortised values, value in use or due to a depreciation error, as well as adjustments made and not properly justified.

6. Classification: incorrect presentation of economic transactions in the financial statements (assets vs liabilities, income vs expenses, current vs non-current, etc.).

7. Transaction cutoff date: incorrect recording of transactions in the accounting period.

Colonial's ICFR Internal Control and Risk Management Manual is periodically revised and updated by Internal Audit and the Operations-Finance Departments, at the proposal of either of these, also taking into account the suggestions and proposals of Internal Audit arising from its reviews. The ACC must approve any revision or amendments to the Manual, while Internal Audit and the Finance Department must be notified and review them in advance.

> The existence of a process to identify the scope of the consolidated group, considering aspects such as the possibility of complex corporate structures or special-purpose vehicles.

Colonial's Board Regulations and, specifically the section regarding the responsibilities of the ACC, stipulate that the responsibilities of the Committee include, among others:

"In relation to information systems and internal control: (i) to supervise the preparation process and completeness of financial information on the Company and, where applicable, the Group, reviewing compliance with regulatory requirements, the composition of the consolidated group and the correct application of accounting criteria...".

In this regard, Colonial has a consolidation process that stipulates, as a basic procedure, the determination of the Group's scope of consolidation at the end of every reporting period.

This procedure is implemented by the Accounting, Consolidation and Tax Department, which reports to the Financial Department and the ACC is informed when the scope of consolidation varies.

> **Whether the process takes account of other types of risks (operational, technology, financial, legal, tax, reputational, environmental risk etc.), which may affect the financial statements.**

As described in the first item of section F.2.1, the basic function of the ACC, as delegated by the Company's Board of Directors, is to monitor and control risks supported by the work done by the executives of each operating unit, which help identify and correct them.

Colonial's ICFR Organisation and Supervision Model, as well as its Internal Control and Risk Management Manual, are aligned with and form part of Colonial's general risk policy (see section E of this report), and have been approved by the ACC.

In the process of identifying risks involving financial information within the ICFR system, all the areas of risk identified in Colonial's risk map have been considered.

> **Which of the entity's governing bodies supervises the process.**

Colonial's Board Regulations and, specifically the section regarding the responsibilities of the ACC, stipulate that the responsibilities of the Committee include, among others:

"To directly supervise how the internal control and risk management functions are performed by one of the Company's officers or internal departments that has been expressly assigned the following functions: (i) to ensure the proper functioning of the control and risk management systems and, in particular, that all the important risks that affect the Company are adequately identified, managed and quantified; (ii) to actively participate in the development of a risk strategy and to take part in the important decisions concerning risk management; and (iii) to ensure that the control and risk management systems in place adequately mitigate the risks within the framework of the policy defined by the Board of Directors."

In this regard, the ACC is responsible for approving Colonial's ICFR Internal Control and Risk Management Manual.

As indicated in sections F.1.1 and F.1.2 of this report, the Internal Audit function is responsible for monitoring the ICFR system in order to ensure operational effectiveness. The internal auditor shall carry out these tests and report on the conclusions to the ACC, including any internal control weaknesses identified, recommendations for improvement and the general conclusions of the annual audit plan which specifically includes, among others, those related to the ICFR system.

F.3. Control activities.

Provide information, indicating salient features, if available, on at least the following:

F.3.1 Procedures to review and authorise financial information and the ICFR system description to be published on the securities markets, stating those responsible, as well as documentation describing the flow of activities and controls (including those relating to fraud risk) for the different kinds of transactions that may have a material impact on the financial statements, including the procedure for the accounting closure and the specific review of relevant judgments, estimates, measurements and projections.

In relation to procedures for reviewing and authorising the financial information and description of ICFR to be disclosed in the securities markets, as mentioned above, the ACC is responsible for supervising the preparation and disclosure to the market of reliable financial information. In this regard, the Committee has approved a manual for disclosure of statutory information that regulates the procedure for preparing and approving this information.

Furthermore, Colonial's ICFR Internal Control and Risk Management Manual establishes the criteria for identifying the relevant public financial information as follows:

a) Periodic Public Information (PPI) obligations of issuers:

1) Quarterly Financial Report.

2) Half-yearly Financial Report.

3) Annual Financial Report and Annual Corporate Governance Report (ACGR).

b) Annual Report on the Remuneration of Directors (IAR).

c) Registration document.

d) Other relevant information.

These include an internal control questionnaire that must be completed involving the Operations-Finance Department, the Corporate Development and Management Control Department, both of which report to the General-Corporate Department, through the Legal Advisory Department and, depending on the type of information, ending with the CEO, Board of Directors or the General Meeting of Shareholders itself.

In terms of the documentation describing activity flows and controls (including those relating to the risk of fraud) of the various types of transaction that may materially affect the financial statements, Colonial has an ICFR Organisational and Monitoring Model approved by the ACC that structures the specific mechanisms provided to keep an internal control that fosters full, reliable and relevant financial information and predicts the likelihood of irregularities and the ways to detect and repair them.

The Organisational Model of Colonial's ICFR system is based on two distinct areas:

a) The general control environment, where the main guidelines of operation of the ICFR and high-level roles and responsibilities are developed.

b) Specific ICFR controls, where the operating procedures relating to the preparation of financial information are developed.

In addition, Colonial has an ICFR Internal Control and Risk Management Manual that sets out the specific controls established with regard to the risks relating to financial information and formal documentation, whereas the Organisational Model contains high-level methods and controls.

Once the relevant financial information has been determined, the cycles and business processes are identified, which, in both preparation and issue, may have a material impact on the information. Once the processes have been identified, the relevant functional areas and internal auditing then identify the implicit risks of the processes and the corresponding controls. These processes, risks and controls are formally documented so they can be correctly carried out and monitored.

The Company ensures that the identified risks are consistent with the corporate risk model.

The scope of the processes selected ensures that compliance with them results in complete and reliable financial information.

The Financial Department and Internal Audit are jointly responsible for identifying the ICFR processes, risks and relevant controls, which are then approved by the ACC. In this process, the Company has specifically considered the potential risk of fraud and has control activities in place to prevent this risk.

The key processes identified at Colonial relating to the ICFR system are:

a) Closing of accounts, including the process of judgements, estimates, measurements and projections.

b) Consolidation and reporting of subsidiaries.

c) Revenue recognition.

d) Asset valuation (determination of the fair value of investment property).

e) Cash, debt and derivatives.

f) Taxes and levies.

g) Reporting systems, including the collection and preparation mechanisms for supporting the financial information to be issued.

h) Investments and asset acquisitions.

i) Purchases of goods and services.

j) Human resources.

All key processes are documented and updated annually to include any potential changes. The key processes at Colonial that have a significant influence on the preparation of financial information are documented through the following:

a) Flow charts of the processes' activities.

b) Descriptions of the processes, risks and controls in place.

c) Risk and control matrices.

The ICFR Internal Control and Risk Management Manual is an internal regulation that is mandatory. It is, therefore, essential that all functions/departments involved monitor all the procedures established and the controls in place to ensure the reliability of Colonial's financial information. The most senior-ranking employee in each of the departments involved in the procedures documented in the internal control model is responsible for ensuring that the processes and controls are correctly applied and documented for each accounting period.

For this purpose, Colonial has software to monitor the responses to the controls defined for the key processes in each accounting period. Internal audit monitors and supervises compliance with these controls.

Any transactions with a substantial weight of critical judgements, estimates, measurements and projections are specifically monitored, as is the case with real estate asset valuations.

F.3.2 Internal control policies and procedures for the IT systems (including access security, tracking of changes, system operation, continuity and separation of duties) that support the key Company processes involved in the preparation and publication of financial information.

The Systems function is in charge of Colonial's corporate computer systems. This department reports to the Financial Department, which, in turn, reports to the General-Corporate Department.

At present, the operation and maintenance of Colonial's corporate IT systems supporting financial reporting are outsourced, which means that Colonial's head of Systems manages the key aspects related to physical security, continuity and operation of the systems with the external supplier.

Furthermore, the head of IT systems at Colonial is responsible for establishing the IT internal control model regarding secure access, segregation of duties (in coordination with the operating business and support areas) and control of changes, as well as carrying out risk monitoring and control activities arising from the outsourcing of the IT systems.

All Spanish Colonial Group companies operate under one transactional system, SAP. The information systems of the French Group SFL are not fully integrated with Colonial, and information is therefore exchanged by importing data as files.

Colonial's IT internal control model includes, among others, the following key processes:

a) Physical security of equipment and data processing centres (in coordination with the external provider).

b) Logical security of the applications (in coordination with the external supplier).

c) Monitoring of Service Level Agreements (SLAs) and Service Level Objectives (SLOs) with external suppliers.

d) Project management, rollouts, developments and upgrades of current systems.

e) Management of operations.

f) Management of infrastructure and communications.

g) Management of back-up and recovery systems (in coordination with the external supplier).

h) Management of users, profiles and accesses.

i) Management of the audits of the IT systems.

F.3.3 Internal control policies and procedures designed to supervise the management of third party subcontracted activities, in addition to any evaluation, calculation or appraisal tasks entrusted to independent experts that may have a material impact on the financial statements.

As described in section F.3.1, Colonial has identified the key processes that may materially affect its financial information. Among the criteria used to identify these processes, the Company has considered criteria for activities with a high level of third-party involvement and also, those that are fully outsourced.

In this regard, the relevant processes involving significant third-party participation are as follows:

a) Valuation of real estate assets: determination of fair value.

b) Financial hedging instruments: effectiveness tests and obtainment of the fair value.

c) IT systems: maintenance and operation.

All processes with substantial third-party involvement have been documented, identifying the risks and controls implemented. The functional areas involved in the various processes are responsible for monitoring them and for implementing the appropriate controls.

F.4. Information and reporting.

Provide information, indicating salient features, if available, on at least the following:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the Company's operating units.

Colonial's ICFR Organisational and Monitoring Model, which has been approved by the ACC, stipulates that the Financial Department is responsible for maintaining documentary records of Colonial's accounting policies, which entails resolving queries or settling disputes over their application.

Colonial has a Group Accounting Policies Manual, which has been approved by the ACC, and which must be adhered to by all Group companies. The Financial Department is responsible for preparing and maintaining this manual.

F.4.2 Mechanisms to collect and prepare the financial information with consistent formats, to be implemented and used by all units in the Company or group, supporting the main financial statements and the notes, in addition to any information provided on the ICFR.

Colonial has ensured greater control and security in the process of gathering and preparing financial information by implementing a computer tool to facilitate the financial consolidation and financial and operating budget planning of the Group.

The Group Accounting Policies Manual establishes a chart of accounts and templates of financial statements that all Group companies must follow. These are set up in the tool, thereby guaranteeing the uniformity of the financial information.

The preparation of statutory financial information, as well as the individual financial statements of Colonial's national companies, is coordinated centrally by Colonial's Finance Department and Corporate Development and Management Control Department, thereby guaranteeing uniformity.

A significant portion of the details required to prepare this financial information is obtained directly from the IT tool, since it has been customised to do so. For those cases where certain information must be prepared without this tool, Colonial has control mechanisms in place to ensure its completeness and reliability, as well as a physical archive of the information in an internal repository with access limited to the staff involved in preparing the financial information.

In addition, Colonial uses the IT tool Archer to monitor the information specific to ICFR management relating to compliance with the controls established for the key procedures defined by the Company for the ICFR systems. Internal audit monitors and supervises the operation of this tool.

F.5. Supervision of system operation.

Provide information, stating the main features, on at least:

F.5.1 ICFR supervisory activities conducted by the Audit Committee, as well as whether the Company has an internal audit department whose competences include supporting the committee in its oversight of the internal control system, including ICFR. State also whether the Company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The main activities carried out by the ACC in relation to the ICFR system in 2022 consisted of approving the Internal Audit Plan for 2022, which includes monitoring ICFR and being apprised of the degree of implementation, compliance and effectiveness in relation to it.

In order to learn about the internal control weaknesses detected in the performance of the external auditors' work, as well as relevant aspects or incidents, the ACC has held meetings with the Company's external auditors.

Lastly, the ACC has performed the following main activities relating to the financial information:

1. Review of the public financial information disclosed to the markets.

2. Analysis of the consistency of the accounting policies used as well as an analysis of the observations and recommendations received from the external auditors.

3. Review of the management report.

4. Review of the information contained in the half-yearly financial statements concerning related-party transactions.

5. Monitoring the effectiveness of relevant processes, risks and controls related to internal control systems and IFRS.

Regarding the internal audit function, Colonial's Regulations of the Board of Directors, and, specifically the section regarding the responsibilities of the ACC, stipulate that the responsibilities of the Committee include, among others:

"Regarding the information and internal control systems: [...] (iii) monitor the independence and efficacy of the internal audit function, proposing the selection, appointment, and removal of the head of internal audit, in addition to proposing the department's budget; [...]; receiving regular reports on its activities, and verifying that senior management is acting on the findings and recommendations of its reports".

In July 2009, the ACC approved Colonial's internal audit regulations. The main responsibilities of this function include periodically verifying the degree of application of the approved policies and procedures that comprise the internal control system, offering suggestions for improvement.

The ACC has already approved the Internal Audit Plan for 2023, which includes the necessary actions for the monitoring and assessment of the internal control procedures and the performance of one-off tasks to verify the operational effectiveness of Colonial's ICFR, with regular reporting of any issues detected and necessary improvement actions and their potential impact on financial information, after checking with the audited areas.

F.5.2 Whether the Company has a discussion procedure whereby the accounts auditor (in accordance with what is set forth in the NTAs), the Internal Audit staff and other experts are able to inform senior management and the Audit Committee or Company directors of any significant weaknesses in internal control identified during the processes of review of annual financial statements or any others entrusted to them. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

Article 8 of Colonial's Board Regulations provides as follows:

"Relations between the Board of Directors and the external auditor shall be conducted through the Audit and Control Committee."

In this regard, Article 32 of the Board Regulations governs the functioning of the ACC and, inter alia, establishes the following functions:

1. Serve as a channel of communication between the Board of Directors and the Company's external auditor, assessing the results of each audit, and in this connection also with the function of regularly collecting information from the auditor on the audit plan and how it is to be carried out.

2. Establish the necessary relations with the external auditor in order to receive information on any matters that might jeopardise the auditors' independence, for examination by the Committee, any other matters related to the financial audit process and, when appropriate, to authorise non-prohibited services on the terms provided in current legislation relating to independence and to communicate with the auditors as provided for in the financial audit legislation and auditing standards.

3. Oversee the effectiveness of the Company's internal control, the internal audit and the risk management systems, including those for taxation, and discussed with the accounts auditor any significant weaknesses detected in the internal control system during the audit.

All these monitoring activities of the Board of Directors and the ACC are conducted throughout the year and included in the agenda of the various sessions based on the schedule established for each year.

F.6. Other Significant Information.

No additional issues to disclose have been identified.

F.7. External auditor report.

Report by:

F.7.1 If the ICFR information supplied to the market has been reviewed by the external auditor, the corresponding report should be attached. If this is not the case, it should explain why.

The ACC and internal audit department performed the ICFR monitoring activities, which supplement the contributions of the external auditor regarding the identification, as appropriate, of the internal control weaknesses identified in the course of their external audit and included in the additional report to the ACC. In this regard, the latest additional report of the external auditor specifies that no internal control significant recommendations have been identified.

G. Extent to which the corporate governance recommendations are followed

Please indicate the extent to which the company has followed the recommendations of the Code of Good Governance of Listed Companies.

Should the Company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the Company's behaviour. General explanations are not acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by acquiring shares on the market.

Compliant

2. When the listed company is controlled, as described in Art. 42 of the Spanish Commercial Code, by another company, whether listed or not, and has, directly or through its subsidiaries, business relations with such entity or one of its subsidiaries (other than the listed company) or carries out activities related to one of them, the listed company must accurately and publicly report the following:

a) The respective business areas and possible business relations between the listed company or its subsidiaries and the parent company or its subsidiaries.

b) The mechanisms in place to solve any conflict of interests that may arise.

Not applicable

3. During the ordinary general meeting, the Chairman of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the Company's corporate governance, supplementing the written information circulated in the annual corporate governance report and, in particular:

a) Of the changes that have occurred since the last ordinary general meeting.

b) Of the specific reasons why the company is not following certain recommendations of the Code of Corporate Governance and, if any, the alternative rules applied to this matter.

Compliant

4. The company should draw up and implement a policy of reporting to and contact with shareholders, institutional investors within the framework of their involvement in the company, and with proxy solicitors that complies in full with regulations against market abuse and accords equitable treatment to shareholders in the same position. And that the Company should make this policy public via its website, including information on the way it has been put in practice and identifying the interlocutors or persons responsible for carrying this out.

And notwithstanding the legal obligations on sharing insider information and other types of regulated information, the company should also have a general policy regarding the reporting of economic-financial, non-financial and corporate information through the channels it deems appropriate (media, social networks or other channels) that contributes to maximising the disclosure and quality of the information available to the market, investors and other stakeholders.

Compliant

5. That the Board of Directors does not submit to the general meeting a proposal of delegation of powers to issue shares or convertible securities excluding the right to preferential purchase, for an amount above 20% of the share capital at the time of delegation.

And that, when the Board of Directors approves any issue of shares or convertible securities excluding pre-emptive rights, the Company should immediately publish the reports on such exclusion on its website as provided in commercial law.

Compliant

6. The listed companies which produce the reports listed below, either in mandatory or voluntary form, publish them on their website well in time before the ordinary general meeting is held, although their dissemination is not:

a) Report on the external auditor's independence.

b) Reports of proceedings of the audit committees and the appointments and remuneration committee.

c) Audit committee report on related-party transactions.

Compliant

7. The Company broadcasts live, via its website, the holding of general meetings of shareholders.

The company should also have mechanisms in place that enable voting directly or by proxy through electronic means and, in the case of large-capitalisation companies, that enable them to attend and actively participate in the General Meeting, insofar as is proportionate.

Compliant

8. The Audit Committee should strive to ensure that the Board of Directors can present the company's annual financial statements to the General Meeting of Shareholders in compliance with accounting standards. In those cases where the auditor has included qualifications in the audit report, the chairperson of the Audit Committee should give a clear account of the opinion of the Audit Committee on their scope and content at the General Meeting. A summary of this opinion should be made available to shareholders when calling the meeting, along with the other Board proposals and reports.

Compliant

9. The Company should make public on its website, permanently, the requirements and procedures it will accept to prove ownership of shares, the right to attend the general meeting of shareholders and the exercise or delegation of voting rights.

And such requirements and procedures facilitate the shareholders' attendance and the exercise of their rights and are applied in a non-discriminatory manner.

Compliant

10. Where any legitimate shareholder has exercised, prior to the holding of the general meeting of shareholders, the right to complete the agenda or to submit new resolution proposals, the Company:

a) Immediately disseminates such additional items and new resolution proposals.

b) Makes public the attendance card model, or the proxy or remote voting form with the required changes so that the new items on the agenda and alternative resolution proposals can be voted on, on the terms proposed by the Board of Directors.

c) Submits all these items or alternative proposals to vote and the same voting rules are applied to them as those made by the Board of Directors, including, in particular, presumptions or inferences about the direction of the vote.

d) Announces, after the general meeting of shareholders, the breakdown of the vote on such additional points or alternative proposals.

Not applicable

11. In the event that the Company plans to pay premiums to attend the general meeting of shareholders, it will previously establish a general policy on such premiums and this policy is stable.

Not applicable

12. The Board of Directors shall perform its duties with unity of purpose and independent judgment and it shall treat all shareholders who are in the same position equally and guide itself by the Company's interests which are understood as achieving a profitable and sustainable long-term business, to promote the Company's continuity and maximize its economic value.

In pursuing the Company's interests, in addition to complying with laws and regulations and acting in good faith, ethically and respecting the commonly accepted uses and good practices, the Board of Directors shall endeavour to reconcile the Company's interests with, where applicable, the legitimate interests of its employees, its suppliers, its customers and those of other stakeholders that may be affected, as well as the impact of the Company's activities on the community as a whole and in the environment.

Compliant

13. The Board of Directors has enough members in order to implement efficient and participative proceedings, which makes it advisable that the Board should have from five to fifteen members.

Compliant

14. The Board of Directors should approve a policy seeking to promote a suitable composition of the Board of Directors, which should:

a) Be specific and verifiable;

b) Ensure that proposals for the appointment or reelection are based on a preliminary analysis of the skills required by the Board of Directors; and

c) Promote knowledge, experience, age and gender diversity. In this sense, measures that encourage a large number of female senior officers in the company will be considered to be measures that promote gender diversity.

The results of the prior analysis of the skills required by the Board of Directors should be written up in the Appointments Committee's explanatory report, to be published when calling a General Meeting of Shareholders where each director is to be ratified, appointed or re-elected.

The Appointments Committee will verify compliance with this policy on an annual basis and report its findings in the Annual Corporate Governance Report.

Compliant

15. The proprietary directors and independent directors constitute a significant majority of the Board of Directors and the number of executive directors is kept to the minimum necessary, having regard to the complexity of the corporate group and the percentage shareholding of the executive directors in the Company's share capital.

And the number of female directors should represent at least 40% of the members of the Board of Directors by the end of 2022 and onwards, and should not be below 30% before that date.

Partially compliant

The proprietary and independent directors form a large majority of the Board of Directors (9 out of 11 directors), and the number of executive directors is the minimum required (1 out of 11). The number of female directors, on the other hand, accounts for 36.36% of the Board, which is very close to the percentage set forth in the good governance recommendation.

16. The percentage of proprietary directors over the total of non-executive directors is not higher than the proportion between the capital represented by such directors and the remainder of the Company's share capital.

This criterion may be reduced:

a) In large-cap companies where few shareholdings are legally considered significant.

b) In companies where there is a diversity of shareholders represented on the Board of Directors and there are no links between them.

Compliant

17. The number of independent directors represents at least half of all directors.

However, where the Company is not a large-cap or where, if it is, it has a shareholder or several acting together, who control more than 30% of the share capital, the number of independent directors should represent at least one third of all directors.

Explain

The Company has 4 independent directors out of a total of 11, one less than the number of proprietary directors and three more than the number of executive directors. Thus, although the percentage of independent directors does not reach the 50% set forth in the recommendation, it is estimated in view of the Company's current shareholder structure that the representation of this type of directors is adequate and, therefore, that all interests are properly represented in the management body.

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional and biographical profile.

b) Other boards of directors on which they sit, whether or not these belong to listed companies, as well as other remunerated activities in which they may be involved.

c) The category to which the director belongs, where applicable, stating, in the case of proprietary directors, the shareholder they represent or to whom they have links.

d) Date when they were first appointed as a director of the company, as well as the dates of any subsequent reappointments.

e) Their holdings of company shares and their stock options.

Compliant

19. The Annual Corporate Governance Report, with prior verification by the Appointments Committee, explains the reasons for the appointment of proprietary directors at the request of shareholders whose shareholding is less than 3% of the share capital; and reasons are given why formal requests for a seat on the board from shareholders with a stake equal to or greater than that of others, at whose request proprietary directors were appointed, have not been respected.

Not applicable

20. Proprietary directors tender their resignation when the shareholders they represent sell their entire shareholding. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant

21. The Board of Directors shall not propose the removal of any independent Director before the statutory period for which they were appointed, except where just cause is found by the Board of Directors following a report from the Appointments Committee. It shall be understood that there is just cause when the director takes up a new post or takes on new duties that prevent him/her from devoting the necessary time to the performance of the duties associated with the directorship, when the director fails to carry out the duties inherent to his/her post or when the director is involved in circumstances which cause him/her to lose his/her independent status in accordance with the provisions of the legislation applicable.

The removal of independent directors from office may also be proposed as a result of public buy-outs, mergers or other similar enterprise-level transactions implying a change in the structure of the Company's capital, where such changes in the Board are due to the proportionality criterion in Recommendation 16.

Compliant

22. Companies establish rules obliging directors to disclose information and, where appropriate, tender their resignation in cases where it is alleged they could harm the company's name and reputation and, in particular, oblige them to inform the Board of Directors of any criminal charges brought against them, as well as any subsequent legal proceedings.

When the Board has been informed of or otherwise been made aware of any of the situations mentioned in the preceding paragraph, it should study the case as soon as possible and, in light of the particular circumstances, decide, based on a report by the Appointments and Remuneration Committee, whether or not to take any action such as opening an internal enquiry, calling on the director to resign or proposing his or her termination. A reasoned account of all this should be given in the Annual Corporate Governance Report, unless there are special circumstances that justify otherwise and which shall be recorded in the minutes. This is without prejudice to the information to be disclosed by the company, where appropriate, when the relevant measures are adopted.

Compliant

23. All directors clearly express their opposition when they consider that a proposal submitted to the Board for Directors for decision could be contrary to the Company's interests. Moreover, independent and other directors in particular, who are not affected by potential conflict of interest, do the same in the case of decisions that could be detrimental to shareholders not directly represented on the Board of Directors.

And when the Board of Directors adopts significant or repeated decisions on matters with regard to which the director has expressed serious reservations and subsequently opts to resign, the ensuing conclusions drawn and reasons for the resignation are explained in the letter referred to in the following.

This recommendation also extends to the secretary to the Board of Directors, even if they are not a director.

Compliant

24. Directors who give up their place before their tenure expires, through resignation or as agreed by the General Meeting, should state their reasons, or in the case of non-executive directors, their opinion on the Board's decision, in a letter to be sent to all members of the Board of Directors.

Without prejudice to the disclosure of all this in the Annual Corporate Governance Report, insofar as it is relevant for investors, the company should publish the resignation as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.

Compliant

25. In addition, the Appointments and Remuneration Committee shall ensure that non-executive directors have sufficient time to properly perform their duties.

And that the Board regulations sets the maximum number of boards of which the directors may form part.

Compliant

26. The Board of Directors holds meetings as frequently as required in order to carry out its role effectively, at least eight times a year, following the programme and agenda established at the start of the financial year, with each director able to propose for inclusion alternative items not originally on the agenda.

Compliant

27. Directors' absences should be limited to the bare minimum and quantified in the Annual Corporate Governance Report. And, when they must occur, instructions are given to proxies.

Compliant

28. When the directors or the Company secretary express concerns about a particular proposal or, in the case of the directors, about the Company's progress and such concerns are not resolved within the Board of Directors, this is recorded in the minutes at the request of whoever expressed such concerns.

Compliant

29. The Company shall establish suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the Company's expense.

Compliant

30. In addition, regardless of the knowledge required of the Directors to perform their duties, the Company will also offer Directors refresher programmes when circumstances so warrant.

Compliant

31. The agenda of the sessions clearly indicates the points on which the Board of Directors will adopt a decision or agreement so that directors can study or seek, in advance, the information required for its adoption.

When exceptionally, for reasons of urgency, the Chairman wants to submit to the approval of the Board of Directors any decisions or agreements not included in the agenda, this will require the express prior consent of the majority of the directors present, which will be duly recorded in the minutes.

Compliant

32. Directors should be regularly informed of the movements in shareholders and of the opinion that significant shareholders, investors and rating agencies have on the Company and its group.

Compliant

33. The Chairman, as responsible for the effective proceedings of the Board of Directors, in addition to exercising the functions legally and statutorily assigned to him/her, prepares and submits to the Board of Directors a program of dates and issues to be addressed; organizes and coordinates the periodic evaluation of the board and, where appropriate, the chief executive officer of the Company; is responsible for the management of the board and the effectiveness of its operation; ensures that sufficient time is devoted to discussion on strategic issues, and arranges and reviews refresher programs for each director, when circumstances so require.

Compliant

34. When there is a coordinating director, the Bylaws or regulations of the Board of Directors, in addition to the powers legally entitled, attribute him/her the following: chairing the Board of Directors in the absence of the Chairman and Vice-Chairmen, if any; echoing the concerns of non-executive directors; maintaining contacts with investors and shareholders to ascertain their views in order to form an opinion about their concerns, particularly in relation to the corporate governance of the Company; and coordinate the Chair's plan of succession.

Not applicable

35. The Secretary to the Board of Directors shall also ensure that the Board of Directors is aware of recommendations on good governance that apply to the Company and that are part of the Code of Good Governance for listed companies.

Compliant

36. The complete Board of Directors will evaluate, once a year, and adopt, where applicable, an action plan to correct the deficiencies identified with respect to:

a) The quality and efficiency of the Board of Director's performance.

b) The operations and the composition of its committees.

c) The diversity of Board membership and competences.

d) The performance of the Chairman of the Board of Directors and the Chief Executive Officer of the Company.

e) The performance and contribution of each Director, paying particular attention to those who are in charge of the various board committees.

The evaluation of the various committees will be based on the reports they submit to the Board of Directors, and for the latter, evaluation will be based on the one submitted by the Appointments Committee.

Every three years, the Board of Directors will be assisted to carry out the evaluation by an external consultant, whose independence will be verified by the Appointments Committee.

Business relationships that the consultant or any Company in its group have with the Company or any Company of its group should be detailed in the annual corporate governance report.

The process and the evaluated areas will be further described in the annual corporate governance report.

Compliant

37. When an Executive Committee exists, there must be at least two members who are non-executive directors, at least one of whom must be an independent director. The secretary of the Board of Directors should also act as secretary to the Executive Committee.

Compliant

38. The Board of Directors is always aware of matters dealt with and decisions adopted by the Executive Committee and all the members of the board receive a copy of the minutes of the meetings of the Executive Committee.

Not applicable

39. The members of the Audit Committee, and especially its chairperson, are appointed taking into account their expertise in the field of accounting, audit or financial and non-financial risk management.

Compliant

40. To supervise the division that fulfils the internal audit duties to ensure the proper functioning of the information and internal control systems, which are functionally dependent on the non-executive Chairman of the Board or the Audit Committee.

Compliant

41. The head of the unit handling the internal audit function should present an annual work programme to the Audit Committee for its approval by the Committee or by the Board, report directly to it on its implementation, including any incidents and limitations on its scope, the outcome and follow-up of its recommendations, and submit a report on its performance at the end of each year.

Compliant

42. In addition to those as legally established, the Audit Committee is responsible for the following:

1. With regard to information systems and internal control:

    a) Supervise and assess the preparation and the integrity of the financial and non-financial information as well as the financial and non-financial risk control and management systems regarding the company and, where applicable, the group – including operational, technological, legal, social, environmental, political and reputational risks or those related to corruption – checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit; propose the selection, appointment and removal of the head of the internal audit service; propose the service's budget; approve or propose to the Board the approval of the internal audit annual work plans, ensuring that its activity focuses primarily on the main risks the company is exposed to (including reputational risks); receive regular reports on its performance; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a whistleblowing mechanism whereby employees and anyone related to the company such as directors, shareholders, suppliers, contractors or subcontractors, can report any significant irregularities that they detect in their company or group, including financial or accounting irregularities. Said mechanism must ensure confidentiality and, in any case, provide for cases in which the reporting can be made anonymously, respecting the rights of the whistleblower and the reported party.

d) Ensure that internal control policies and systems put in place are effectively implemented in practice.

2. With regard to the external auditor:

a) Examine the circumstances behind the resignation of the external auditor, should this occur.

b) Ensure that the remuneration for the external auditor for his or her work does not compromise his or her integrity or independence.

c) Ensure that the Company notifies the change of auditor through the CNMV and said notification is accompanied by a statement citing any disagreements the Company may have had with the outgoing auditor and, if any, of their content.

d) Ensure that the external auditor annually holds a meeting with the full Board of Directors to report on the work done and the evolution of the Company´s accounting and risk situation.

e) Ensure that the Company and the external auditor adhere to current regulations regarding the provision of non-audit services as well as the limits on the auditor's business concentration and, in general, the other rules on auditor independence.

Compliant

43. The Audit Committee may summon any employee or officer of the Company; this includes appearances without the presence of any other executive.

Compliant

44. The Audit Committee is informed about the operations of structural and corporate changes that the Company plans to carry out, for analysis and preliminary report to the Board of Directors on their economic conditions and their accounting impact, and especially, if any, on the proposed swap equation.

Compliant

45. The risk management and control policy should at least specify or determine:

a) The different types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks, including those related to corruption) that the Company faces, including financial and economic risks, contingent liabilities and other risks not found on balance sheets.

b) A risk management and control model based on different levels with a specialised risk committee, whenever this is foreseen in the sectoral guidelines or when the company deems it appropriate.

c) The level of risk that the Company considers acceptable.

d) The measures foreseen to mitigate the impact of identified risks, should they materialise.

e) The information and internal control systems to be used to control and manage the abovementioned risks, including contingent liabilities or off-balance sheet risks.

Compliant

46. Under the direct supervision of the Audit Committee or, if any, of a specialised committee of the Board of Directors, there is an internal function of risk control and management exercised by a unit or internal department of the Company that has expressly attributed the following functions:

a) Ensure the proper functioning of risk management and control systems and, in particular, that all significant risks affecting the Company are adequately identified, managed and quantified.

b) Actively participate in the development of a risk strategy and take part in the important decisions concerning risk management.

c) Ensure that the risk control and management systems in place adequately mitigate risks within the framework of the policy defined by the Board of Directors.

Compliant

47. Members of the Appointments and Remuneration Committee – or both Committees if they were separate – are designated by ensuring that they have the knowledge, skills and experience appropriate to the duties that they are to perform and that most of these members are independent directors.

Compliant

48. Highly-capitalized companies have an Appointments Committee and a separate Remuneration Committee.

Explain

In view of the Company's structure as at 31 December 2022, in particular the number of employees and officers, as well as its organisation and activity, it is considered appropriate to keep a single Appointments and Remuneration Committee.

49. The Appointments Committee should consult with the Company's Chairman of the Board of Directors and chief executive officer of the company, especially on matters relating to executive directors.

Any Director may request that the Appointments Committee take into consideration potential candidates to fill director vacancies if he/she feels that they are suitable.

Compliant

50. The duties of the remuneration committee must be exercised with independence and include, in addition to those indicated by law, the following:

a) Propose to the Board of Directors the standard conditions for senior officers' employment contracts.

b) Check compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy applied to directors and senior officers, as well as the remuneration systems that include shares and how they are implemented, in addition to guaranteeing that their individual remuneration is proportional to that which is paid to other directors and senior officers of the Company.

d) Ensure that no conflict of interests interferes with the independence of the external advice given to the Appointments and Remuneration Committee.

e) Verify the information on the remuneration of directors and senior officers found in various corporate documents, including the annual report on director remuneration.

Compliant

51. The Remuneration Committee should consult with the Chairman and chief executive officer of the Company, especially on matters relating to executive directors and senior officers.

Compliant

52. The rules regarding the composition and proceedings of the supervising and control committees are listed in the Board Regulations, are consistent with those applicable to the legally mandatory committees under the foregoing recommendations, and include the following:

a) They should be composed exclusively of non-executive directors, with a majority of independent directors.

b) The chairmen should be independent directors.

c) The Board of Directors should appoint the members of these committees, taking into account the knowledge, skills and experience of the directors and the responsibilities of each committee; deliberate on its proposals and reports; and, at the first plenary session of the Board following their meetings, receive an account of their activity and a report on the work carried out.

d) The committees should seek external advice when they deem it necessary to perform their duties.

e) Minutes of meetings should be taken, and copies sent to all directors.

Compliant

53. Monitoring compliance with the company's policies and regulations on environmental, social and corporate governance as well as the internal codes of conduct should be attributed to one or more committees within the Board of Directors; these committees may be the Audit Committee, the Appointments Committee, a specialised committee on social sustainability or responsibility, or any other specialised committee created specifically for such duties by the Board of Directors by exercising its powers to self-organise. Said committee should be composed solely of non-executive directors, the majority of whom should be independent and should be specifically assigned the minimum functions indicated in the following recommendation.

Compliant

54. The minimum duties mentioned above are as follows:

a) Monitor compliance with the Company's corporate governance rules and internal codes of conduct, and ensure that the corporate culture fits its purpose and values.

b) Monitor compliance with the general policy on economic-financial, non-financial and corporate reporting, as well as communications with shareholders and investors, proxy advisors and other stakeholders. Monitor the way in which the Company communicates and interacts with small and medium shareholders.

c) Periodic assessment and review of the Company's corporate governance system and environmental and social policy to ensure that they fulfil their mission of promoting its business activity and keep the legitimate interests of other stakeholders in mind.

d) Ensure that the Company's environmental and social practices match the strategy and policy set.

e) Supervising and evaluating relations with different stakeholders.

Compliant

55. That the sustainability policies on environmental and social matters identify and include at least:

a) The principles, commitments, targets and strategy regarding shareholders, employees, clients, suppliers, social and environmental issues, diversity, tax responsibility, respect for human rights and the prevention of corruption and other illegal conducts.

b) The methods or systems used to monitor compliance with the policies and the related risks and the management thereof.

c) Mechanisms used to monitor non-financial risks, including those related to ethical matters and business conduct.

d) The channels of communication, participation and dialogue with stakeholders.

e) Responsible communication practices that prevent manipulation of information and protect integrity and honour.

Compliant

56. The compensation of the directors is what is necessary to attract and retain directors with a desirable profile, to compensate them for the dedication, qualifications and responsibility that the position entails, and to ensure that to the amount does not interfere with the independence of Non-Executive Directors' decisions.

Compliant

57. Executive Directors are restricted to variable remuneration linked to the performance of the Company and to their personal performance, as is the compensation in the form of shares, stock options or rights to shares or instruments that are referenced to the value of the stock and long-term savings systems such as pension plans, retirement schemes or other social security systems.

Delivery of shares as remuneration can be contemplated for non-executive directors on condition that they hold them until they cease to be directors. The foregoing shall not apply to shares that the director needs to dispose of, if appropriate, to meet the costs related to acquisition.

Compliant

58. In the case of variable remuneration, remuneration policies should include precise limits and technical safeguards to ensure they reflect the professional performance of the recipients and not only the general progress of the markets or the company's activity sector or circumstances of this kind.

And in particular, the variable components of remunerations:

a) Should be linked to performance criteria that are predetermined and measurable, and these criteria should consider the risk taken to obtain a result.

b) Should promote the sustainability of the Company and include non-financial criteria that are suitable for creating long-term value, such as compliance with the Company's internal rules and procedures and its policies for risk management and control.

c) Should be set on the basis of a balance between fulfilling short-, medium- and long-term goals, to remunerate the results from continued performance over a sufficient period of time to appreciate their contribution to sustainable value creation, so that the elements that measure the results do not revolve solely around specific, occasional or extraordinary events.

Compliant

59. Payment of variable remuneration components should be subject to sufficient verification to ensure that predetermined performance criteria have effectively been met. Companies must include in the annual directors' remuneration report the criteria regarding the time and methods required for said verification according to the nature and characteristics of each variable component.

In addition, companies should consider introducing a malus clause based on deferring, for long enough, the payment of part of the variable components that implies their total or partial loss in the event that, prior to the time of payment, an event occurs that makes this advisable.

Compliant

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant

61. A significant percentage of the variable remuneration of executive directors is linked to the delivery of shares or financial instruments referenced to its value.

Compliant

62. Once the shares, options or financial instruments corresponding to the remuneration systems have been allocated, the executive directors will not be allowed to transfer their ownership or exercise them until at least three years have elapsed.

There is an exception for cases when the director maintains a net economic exposure to the variation in the share price for a market value equivalent to at least twice their annual fixed remuneration through the ownership of shares, options, or other financial instruments at the time of the transfer or exercise of those share options.

The foregoing will not apply to shares that the director needs to sell to meet the costs related to their acquisition or, when supported in its assessment by the Appointments and Remuneration Committee to deal with any extraordinary situations that may arise.

Compliant

63. Contractual agreements include a clause that allows the Company to claim reimbursement of variable components of remuneration when payment has not been adjusted to the return conditions or when they have been paid based on data that are subsequently credited with inaccuracy.

Compliant

64. Payments for contract termination should not exceed an amount equivalent to two years of the total annual remuneration and they should not be paid until the Company has been able to verify that the director has met the criteria or conditions established for payment.

For the purposes of this recommendation, any payments arising from contract termination, whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the Company must be considered, including any amounts from long-term savings schemes that have not been previously consolidated and amounts paid under post-contractual non-competition agreements.

Compliant

H. Other significant information

1. If there are any other relevant aspects of corporate governance at the company or at group companies that have not been set out in the other sections of this report but must be included to provide a more complete and reasoned view of the governance structure and practices of the company or its group, describe them briefly.

2. Any other information, clarification or observation related to the above sections of this report may be included in this section insofar as they are relevant and not repetitive.

Specifically indicate whether the Company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the Company voluntarily subscribes to other international, sectoral or other ethical principles or standard practices. If applicable, identify the code and date of adoption. In particular, it will be specified whether the Company has adhered to the Code of Good Tax Practice of 20 June 2010.

1. On 10 December 2015, the Board of Directors of the Company resolved to adhere to the Code of Good Tax Practices. This resolution was communicated to the tax authorities on 8 January 2016.

2. On 27 July 2016, as a result of an amendment to the Regulations of the Board of Directors, it was decided that the Appointments and Remuneration Committee would be responsible for supervising compliance with the rules of corporate governance and other related matters. By virtue of the foregoing and to implement best corporate governance practices at Colonial, the Appointments and Remuneration Committee created the Corporate Governance Unit, reporting directly to the Committee and composed of the Chairman of the Appointments and Remuneration Committee and the Head of Legal Advisory at the company. Furthermore, on 17 December 2020, the Board resolved to amend the Board Regulations to align them with the new amendments to the good governance recommendations approved by the CNMV in June 2020. On the same date, the Board constituted the Sustainability Committee, whose primary duties include periodically ensuring proper compliance with the environmental and sustainable development policies approved by the Company.

3. Regarding the information on the Audit Committee provided in Section C.2.1, in relation to the non-audit services provided by the external auditor in 2022, the independent review of ESG indicators in the 2021 Integrated Annual Report should be particularly noted.

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting of 27 February 2023.

List any directors who voted against or abstained from voting on the approval of this Report.

No

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Colonial is a Spanish listed REIT company (SOCIMI), leader in the European Prime office market with presence in the main business areas of Barcelona, Madrid and Paris with a prime office portfolio of more than one million sqm of GLA and assets under management with a value of more than €13bn.

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