

## REPORT BY THE AUDIT AND CONTROL COMMITTEE ON THE ASSESSMENT OF ITS PERFORMANCE IN 2023

### 1. INTRODUCTION

The Audit and Control Committee of Inmobiliaria Colonial, SOCIMI, S.A. (the “**Company**”) has issued this report on its structure, organisation and performance, and the fulfilment of its responsibilities throughout 2023 (the “**Report**”). So as to draw up this report, the members of the Audit and Control Committee (the “**Committee**”) received a questionnaire about its structure, organization, performance and execution of duties.

The Report will be submitted to the Board of Directors of the Company, who will be in charge of assessing the performance of the Committee pursuant to Article 35 of the Company’s Board Regulations.

### 2. CONCLUSIONS DRAWN FROM THE ASSESSMENT PROCESS

In general, positive conclusions were drawn from the assessment process run by the Committee regarding its performance, both in relation to its members and internal organisation and in the performance of the duties bestowed upon it.

#### 2.1. Members of the Committee

In accordance with Article 32 of the Regulations of the Board of Directors, the Committee must be composed of a minimum of three and a maximum of eight Directors, all of whom must be non-executive Directors. All members of the Committee, especially the Chairperson, should be appointed on the basis of their expertise and experience in accounting, auditing, and financial and non-financial risk management. Notwithstanding the foregoing, all members of the Committee must have the necessary expertise, professional experience and dedication to perform their assigned duties. On the other hand, the Committee shall appoint a Chairperson from among its members, who must be an Independent Director. The Chairperson should be replaced every four years but may be re-elected one year after having left the position.

At present, the Committee is made up of five members after the admission of Ms Begoña Orgambide García and Ms Miriam González Amézqueta López in January and July 2023 respectively. All Committee members are non-executive Directors and Independent Directors too, except for Ms Begoña Orgambide García who is a Proprietary Director. The Committee is chaired by an Independent Director, in compliance with Article 32 of the Regulations of the Board of Directors.

The current members of the Company Committee are:

NAME	POSITION	CAPACITY
Ms Ana Peralta Moreno .....	Chairwoman	Independent
Mr Luis Maluquer Trepal .....	Member	Independent
Ms Ana Bolado Valle .....	Member	Independent
Ms Miriam González Amézqueta López.....	Member	Independent
Ms Begoña Orgambide García .....	Member	Proprietary

The appointment of Ms Ana Peralta Moreno as the new Chairwoman of the Committee took place on 12 May 2020 and came into force on 30 June 2020. Therefore, a new Chairperson for the Committee should be appointed by 30 June 2024.

Committee members have the necessary knowledge, skills and experience to discharge their duties. In this regard, the Directors’ academic and professional profiles are available on the Company website ([link](#)).

The Committee's Secretary is Mr Francisco Palá Laguna, as he is the Secretary to the Company's Board of Directors. The Vice-secretary is Ms Nuria Oferil Coll, as the Vice-secretary of the Company's Board of Directors.

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

## **2.2. Functioning of the Committee**

In 2023, the Committee held nine meetings. The Committee meetings were held in person, except for one held by video conference using software apps, in accordance with Article 35 of the Regulations of the Board of Directors. Nevertheless, in six of the eight meetings held in person, at least one of the Committee members attended by video conference. At each of the aforementioned sessions, the Secretary acknowledged the identity of all present members of the Committee. On one occasion, the Committee also met up with the Sustainability Committee. Consequently, the Committee fulfilled its duty to meet with the frequency required to carry out its functions in an effective manner.

Regarding the preparation and running of meetings, the Chairwoman of the Committee called meetings with sufficient notice. Directors must attend such meetings regularly. Without prejudice to the foregoing, any Committee members who are unable to attend for justified reasons may delegate their vote to another Director, providing such proxy with specific instructions. However, in 2023, all the Committee members attended 100 % of meetings without proxy.

Furthermore, the members of the Committee were provided with the information on the agenda prior to each meeting, thereby encouraging them to participate and adopt informed resolutions.

In addition to the Committee members, the Committee meetings were attended by other guests when necessary or appropriate to discuss specific topics within their expertise: (i) the CEO; (ii) the Chief Legal Officer and Vice-secretary of the Board of Directors; (iii) the Chief Corporate Officer; (iv) the Chief Financial Officer; (v) the Head of Internal Audit; (vi) the advisor to the Committee; (vii) the Company's Data Protection controller; and (viii) the Chief Corporate Development Officer. Furthermore, five Committee meetings were attended by representatives of the external auditor PriceWaterhouseCoopers (PwC).

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

Accordingly, it is hereby concluded that the Committee complies with the operating rules set out in the Company Bylaws and in the Regulations of the Board of Directors and it is organised correctly and efficiently to perform its duties and for its purposes.

## **2.3. Scope of powers of the Committee**

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

- Report on shareholder issues that arise in connection with matters that are within the Committee's powers at General Meetings, as well as on the results of the audit, explaining how it has contributed to the integrity of the financial information and the role that the committee has played in this process.
- Supervise the effectiveness of the internal controls of the Company, the internal audit and the risk management systems, and discuss with the accounts auditor the significant weaknesses in the internal control system detected over the course of the audit, all without interfering with its independence. To this end, and where applicable, it may submit recommendations or proposals to the Board of Directors within the corresponding time frame for subsequent follow-up.

- Submit to the Board for approval a report on the control and risk management policy, which identifies or establishes at least: (i) the different types of financial and non-financial risks (including operational, technological, legal, business, environmental, political and reputational risks, including those relating to corruption) that the Company faces, including financial and economic risks such as contingent liabilities and other off-balance sheet risks; (ii) a risk control and management model based on different levels; (iii) the risk level that the Company considers acceptable; (iv) the measures planned to mitigate the impact of identified risks, should they materialise; and (v) the information and internal control systems to be used to control and manage the above-mentioned risks, including contingent liabilities and off-balance sheet risks.
- Directly supervise how the internal control and risk management functions are performed by one of the Company's officers or internal departments that has been expressly assigned the following functions: (i) to ensure the proper functioning of the control and risk management systems and, in particular, that all the important risks that affect the Company are adequately identified, managed and quantified; (ii) to actively participate in the development of a risk strategy and to take part in the important decisions concerning risk management; and (iii) to ensure that the control and risk management systems in place adequately mitigate the risks within the framework of the policy defined by the Board of Directors.
- Supervise the process of preparing and presenting the required financial information and present recommendations or proposals to the Board of Directors, directed to protecting its integrity.
- Supervise the unit in charge of the internal audit to ensure the proper functioning of the information and internal control systems, which is functionally dependent on the non-executive Chairman of the Board of Directors or the Committee. The head of said unit shall present an annual work programme to the Committee for its approval, or for approval by the Board of Directors if appropriate, and shall report directly to the Committee on its implementation, including any incidents and limitations to the scope that may arise during execution, as well as on the outcome and follow-up of its recommendations, submitting a report on its performance at the end of each year.
- Regarding the information and internal control systems: (i) supervise and assess the process of preparing and the integrity of financial and non-financial information, as well as financial and non-financial risk control and management systems relating to the Company and, where applicable, to the Group (including operational, technological, legal, social, environmental, political, reputational, and corruption-related risks), reviewing compliance with the regulatory requirements, the proper delimitation of its scope of consolidation and the correct application of accounting principles; (ii) ensure the independence and effectiveness of the internal audit processes, propose the election, appointment and removal of the head of the internal audit unit in addition to proposing the budget for this unit; approve or, where applicable, propose the Board of Directors' approval of the internal audit's orientation and annual work plan, ensuring that its work is focused mainly on relevant risks (including reputational risks); receive regular information on their activities and verify that senior management is taking into account the conclusions and recommendations of the Committee's reports; and (iii) ensure in general that the policies and systems in place regarding internal control are effectively applied in practice. In addition, the Committee may establish and monitor a mechanism to report any potentially significant irregularities regarding finance, accounting or any other areas related to the Company that may come to its attention within the Company or the Group. 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.
- Act as a communications channel between the board of directors and the Company's external auditor, assessing the results of each audit. Also, with respect to the external auditor, it shall: (i) submit proposals to the Board of Directors to elect, appoint, reelect and remove the auditor and take responsibility for the selection process pursuant to current legislation as well as the conditions of his/her contract; (ii) regularly obtain information from the auditor on the audit plan and how it is being executed; and (iii) preserve the independence of the external auditor in the performance of his/her duties.

The Committee shall also be responsible for: (i) examining the circumstances behind the resignation of the external auditor, if this were to occur; (ii) ensuring that the remuneration for the external auditor's

work does not compromise their integrity or independence; (iii) ensuring that the Company reports the change of auditor through the Spanish Securities Market Commission (CNMV), attaching a statement mentioning and providing details of any disagreements the Company may have had with the outgoing auditor; and (iv) ensuring that the Company and the external auditor adhere to current laws and regulations regarding the provision of non-audit services as well as the limits on the auditor's business concentration and, in general, all other rules on auditor independence.

- Establish the proper relations with the external auditor to receive information on such matters as may imply threats to their independence for their examination by the Committee and any others relating to the process of development of the audit of accounts and, where applicable, the authorisation of services other than those prohibited, upon the terms established by current regulations, regarding the system of independence, and such other communications established in the accounts auditing laws and auditing standards. In any case, each year, the external auditors shall be required to furnish a statement of their independence with respect to the Company or entities related directly or indirectly thereto, as well as detailed and separate information on any manner of additional services of any kind provided and the related fees received from these entities by the external auditor or entities related thereto in accordance with the governing accounts audits.
- Issue annually, prior to the issue of the accounts auditing report, a report stating an opinion as to whether the independence of the accounts auditors or auditing companies were compromised. This report shall, in any case, contain the reasoned assessment of the provision of each and every additional service referred to in the preceding section, considered separately and as a whole, other than legal audit services and in relation to the rules on independence or in accordance with the audit regulations.
- Report on related transactions to be approved by the General Meeting of Shareholders or the Board of Directors and supervise the Company's internal procedure for transactions whose approval has been delegated.
- Report to the Board of Directors in advance on all matters envisaged by law, the Company Bylaws and the Regulations of the Board of Directors, in particular in relation to the following matters: a) financial information and the management report, which shall include, where applicable, the mandatory non-financial information required to be published by the Company on a regular basis; and b) the creation or acquisition of holdings in special purpose vehicles or entities based in countries or territories considered to be tax havens.
- Monitor compliance with the Company's environmental and social policies and rules and its internal codes of conduct. For these purposes, the Committee shall be specifically assigned the following minimum functions: (i) monitoring compliance with the company's internal codes of conduct; (ii) monitoring the application of the general policy regarding the communication of economic-financial, non-financial and corporate information, as well as communications with shareholders and investors, proxy advisors, and other stakeholders. It shall also monitor the way in which the Company communicates and contacts with small and medium-sized shareholders; (iii) assessing and periodically reviewing the company's environmental and social policy; (iv) monitoring that the company's environmental and social practices are aligned with the established strategy and policy; (v) monitoring and evaluating the relationship with stakeholders.
- Issue a report to the Board of Directors on the economic conditions, accounting impact and, in particular, the proposed exchange ratio following an analysis performed after the Committee has been informed of the structural and corporate modification operations planned by the Company.
- Issue those reports and proposals that may be requested by the Board of Directors or its Chairman and are within the powers of the Audit and Control Committee, as well as those that may be deemed appropriate for the Committee to best perform its functions, especially reports on proposed amendments to the Regulations of the Board of Directors.
- Prepare an annual report on the activities of the Committee, which must be included in the management report.

- Propose to the Board of Directors any other matters deemed applicable in the matters within its scope of authority.
- Any other duties that, where applicable, are attributed thereto by the Company Bylaws or Board Regulations.

#### **2.4. Main Activities Performed in 2023**

Below are the main activities carried out by the Committee in 2023:

- **Economic and financial information**

In 2023, the Committee analysed, before presenting its findings to the Board of Directors, the process involved in preparing: (i) the annual financial information for the year ended 31 December 2022, which includes, among other documents, the individual and consolidated annual financial statements and the management reports; (ii) the financial information for Q1 and Q3 of 2023; and (iii) the half-yearly financial report for the first half of 2023.

In this process, the Committee relied on the help of the Chief Corporate Officer, the CFO, the Head of Internal Audit, the advisor to the Committee and the representatives of the external auditor.

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

- **Internal Control Systems**

The Committee, in the course of its duties, has overseen that the internal control systems introduced by the Company's Head of Internal Audit were successfully implemented and operative, as well as the risk management systems for the financial reporting process, including tax risks.

The analysis focused on several aspects, including the control of both financial and non-financial information. In this regard, the Committee deemed the conclusions received to be favourable as per the requirements of the applicable laws and regulations, helping ensure that the financial and non-financial information had been properly drawn up in accordance with the necessary controls and procedures for this purpose. The Committee submitted its reports with its favourable opinion to the Board of Directors.

Regarding the above, the Committee was duly informed about the Internal Control over Financial Reporting system (ICFR) and the reports issued to this end. In relation to this, no incidents or weaknesses were identified in the appropriate checks run, leading to the conclusion that the Internal Control over Financial Reporting system was working successfully.

Additionally, the Committee oversaw in 2023, the updating of the corporate risk map introduced by the Head of Internal Audit as well as the trends in various risks and the control measures taken to mitigate them. Furthermore, the Committee submitted the report on the risk control and management policy for the Board of Directors' approval.

In addition, during 2023, the Committee has been duly informed by the Head of Internal Audit of the most significant events, updates and recommendations revealed through their work, especially the deployment of new tools to monitor and track the most significant controls.

- **Relations with the External Auditor**

The Committee established the necessary relations with the Company's external auditor, PriceWaterhouseCoopers (PwC), to ensure the quality and integrity of the financial information. Pursuant to its duties, the Committee has acted as a communications channel between the Board of Directors and the Company's external auditor, assessing the findings from the audit.

For these purposes, the representatives of the external auditor attended five Committee meetings, and the Committee had access to direct information on its strategy and work plan, the progress of its work and its significant findings at all times.

In addition, the external auditor has provided other services besides accounts audits, including reports on the ESG indicators in the Integrated Annual Report, the greenhouse gas inventory and the Green Bonds Report. The services they provided and the amounts accrued for such services were approved by the Committee following the internal procedure set for this.

On the other hand, the Committee has confirmed the independence of the external auditor based on the relevant report endorsing the independence of the external auditor prepared by the internal audit and the statement of independence signed by the external auditor.

Lastly, the Committee approved the proposal for the re-election of the external auditor for 2024, taking on the responsibility for the selection process as provided for in the current laws and regulations, and the terms and conditions of the hiring contract.

- **Internal Audit**

The Committee approved the "Internal Audit Plan" foreseen for 2023 and oversaw its progress and compliance level, and was updated on a regular basis regarding the adjustments being made to the plan.

Furthermore, the Committee has had the chance to, among other tasks, analyse the results of the most significant tasks carried out by the Head of Internal Audit, including monitoring the system for the Internal Control of Financial Reporting, the establishment of the system for the Internal Control of Non-Financial Information, performing audits related to the indexation of rents from rental contracts with clients, audits on the systems to keep track of financial hedging instruments, and the audit on the process followed to calculate the carbon footprint. The Committee has also analysed the outcome of specific tasks in the area of cybersecurity and has tracked the level of compliance with the recommendations made by the Head of Internal Audit as part of its other functions.

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

Lastly, the Head of Internal Audit provided the Committee with several reports on the external auditor's independence in connection with the auditing and non-auditing services rendered by PwC to Colonial Group in 2023.

- **Tax Risks**

During 2023, the Committee constantly monitored the main tax risk-related issues, overseeing at all times the tax management carried out by the various departments in charge of such matters and, especially, the deployment of a new tool to ensure tax compliance. For the purposes of said analysis, the Company's financial management presented the Committee members with the tax report for 2022, which included a breakdown of all the Group's tax contributions, information on the taxes paid and withheld by geographic area and for each type of tax, and the level of compliance with the requirements enforced by the special tax system for Real Estate Investment Trusts (REITs).

Likewise, based on the report presented by the Company's Financial Department, the Committee analysed the map of the main tax risks as well as the controls implemented in this area.

- **Related-Party Transactions**

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

Over the course of 2023, the Committee has been duly informed about potential related-party transactions and, especially about intra-group financing transactions and lease contracts. After its analysis, the Committee issued a favourable opinion to the Board of Directors regarding a related-party transaction in connection with an intra-group financing operation.

- **Corporate Governance**

Ahead of the Board of Directors' approval, the Committee issued a favourable opinion on the Annual Corporate Governance Report for 2022.

Furthermore, the Committee oversaw compliance with the Company's internal policies, promoting and driving a culture of compliance with the laws and regulations applicable to the Company, as well as its corporate texts, among all members of the organisation.

- **Regulatory Compliance**

The Committee kept in constant contact with the Regulatory Compliance Unit, whose functions include monitoring legislative changes, assessing the applicable regulations and ensuring that the Company's internal regulations are suitable and effective. The Regulatory Compliance Unit is also responsible for monitoring Colonial's obligations in matters relating to privacy, criminal risk prevention, the prevention of money laundering and the management of the Internal Reporting System (the Whistleblowing Channel).

In particular, during the year, the Committee monitored the work carried out in relation to criminal risk prevention, took note of the external expert's monitoring report on the internal control procedures relating to the prevention of money laundering, and monitored privacy matters and compliance with the multi-annual training plan and corporate policies, with particular emphasis on the Policy on the Treatment and Disclosure of Inside Information and Other Significant Information and the Anti-Corruption Policy.

Furthermore, the Committee took note of the new provisions of "Spanish Law 2/2023 on the protection of persons who report on violations of regulations and infringements relating to anti-corruption efforts" and reported favourably to the Board of Directors on the approval of the Colonial Group's General Whistleblowing Channel Policy and the Whistleblowing Channel Procedure. In relation to this, the Committee proposed to the Board of Directors that the Regulatory Compliance Unit be appointed as the body in charge of Colonial's Internal Reporting System.

Finally, the Committee analysed, in the Colonial Group's best interests, Société Foncière Lyonnaise's position and degree of regulatory compliance, particularly in relation to ethics and the fight against money laundering.

- **ESG**

The Committee oversaw the non-financial information contained in the Integrated Annual Report, paying special attention to the ESG indicators and progress made in the digitalisation and centralisation of environmental data.

Moreover, at the meeting held with the Sustainability Committee, the Integrated Annual Report was approved and will therefore be submitted to the Board of Directors for its approval prior to its publication and announcement to the market.

On the other hand, the Committee was kept abreast of the drawing up of the ESG reports over the year and the state of the carbon footprint audit. Likewise, the Committee was informed by the external auditor of the latest news in ESG.

- **Treasury shares**

Over the course of the year, the Committee was kept abreast of the number of treasury shares.

In accordance with the foregoing, it may be concluded that the Committee efficiently undertakes and fulfils the competences assigned to it by the regulations applicable and by the Company's corporate documents.

- **APPROVAL**

This report was approved by the Committee on 24 January 2024.

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