



**Fiscal transparency report
of Inmobiliaria Colonial SOCIMI, S.A.
2019**

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1 Good governance, transparency and integrity

Our commitments to good governance, transparency and integrity, along with creating value for shareholders and investors, govern our business management and corporate activities.

1.1 Values

At Colonial we are aware of the importance of our contribution to public finances and sustaining them in accordance with our economic capacity by punctually complying with our tax obligations based on the principles of fiscal responsibility and transparency.

At Colonial we are committed to acting with transparency, honesty and respect for the law and the good of the community when managing our tax affairs. Our commitment is to comply with the law by making a reasonable interpretation of them, cooperating with the authorities and providing them with the necessary information. In this context, compliance with prevailing tax legislation at all times is part of the principles that inspire Colonial's corporate responsibility, with the taxes paid being one of its contributions to the economic and social development of the society in which it operates.

1.2 Tax Strategy

Colonial's tax strategy is governed by the following guidelines:

- Reducing tax risk and preventing those conducts that are likely to generate them by promoting ethical and upright behaviour that complies with prevailing tax requirements.
- Avoiding the use of opaque structures for tax purposes, understood as those intended to prevent the relevant Tax Administrations of the final party responsible for the activities or the ultimate owner of the assets or rights involved becoming aware.
- Using the specific instruments laid down by the regulations and the Code of Best Tax Practices (prior consultations with the tax authorities, prior assessment agreements, etc.) to reduce conflicts and litigation derived from the applicable regulations being interpreted differently.
- Collaborating with the relevant Tax Administrations in detecting and searching for solutions regarding fraudulent tax practices that may unfold in the markets in which Colonial operates.
- Providing the tax-related information and documentation requested by the relevant Tax Administrations, in the shortest possible time and with the necessary scope.
- Promoting cooperative relations with the Tax Administration.

Colonial's Tax Strategy was approved by Colonial's Board of Directors on 10 December 2015 and is updated when required.

1.3 Tax Risk Management and Control System

The Audit and Control Committee (hereinafter, ACC), in accordance with the Regulations of the Board of Directors, is entrusted with the function of overseeing the operation and effectiveness of Colonial's risk management and control system, including any tax-related risks. In this regard, the ACC monitors the fiscal strategy approved by the Board of Directors through the annual fiscal report. In particular, the ACC issues a prior report to the Board of Directors on (i) the creation or acquisition of interests in special purpose entities or entities with registered offices in countries or territories that are considered tax havens, (ii) the operations with related parties, and (iii) the main operations with economic and tax significance, especially on corporate reorganisation operations.

In accordance with the foregoing, the ACC is responsible for directly overseeing the Internal Audit unit, as the unit responsible for ensuring the company's risk control and management systems work properly. It ensures the Management participates in strategic decisions on risk management and control and fosters a culture in which risk is a factor to be considered in all decisions and at all levels within the company.

The tax risk management and control model is made up of five elements that, combined, pursue an adequate control system for risk prevention:

- Control Environment: set of standards, processes and structures that constitute the basis on which the organisation's internal control is developed.
- Risk assessment and control activities: this is carried out jointly by the Internal Audit unit and the process managers and risk owners. Each tax risk identified has at least one control activity intended to prevent a risk from occurring and mitigate its impact.
- Oversight activities: this is continuously monitored to check whether its design and operation are adequate with respect to the requirements of the applicable regulations by analysing and resolving the identified incidents.
- Information and Communication: the required initiatives are promoted to be appropriately disseminated and train staff, so that the members of the company can comply with the regulations.
- Disciplinary system: non-compliance with the measures contemplated in the model and with the company's rules of conduct are sanctioned by applying the Colonial sanctioning regime contemplated in the company's Collective Agreement.

Colonial's Tax Risk Management Policy, which is intended to be the base document of Colonial's tax control framework, was approved by Colonial's Board of Directors on 10 December 2015 and is updated when required.

The aforementioned Policy seeks to regulate the principles that should guide Colonial's tax function in order to carry out proper management and control of tax risks by building:

- The principles that should guide the management of tax risks by establishing the obligations and responsibilities within the organisation in this regard and including a description of the measures that must exist to mitigate the possible tax risks identified.
- The principles that should guide the correct control of tax risks, which firstly include performing a set of ex ante preventive controls and, secondly, performing a set of ex-post controls that entail identifying, measuring, analysing, monitoring and reporting them.

For Colonial, due diligence is an important factor when doing business, both in relation to controlling the selection of the organisation's members (internal due diligence) and the third parties with whom it relates (external due diligence).

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

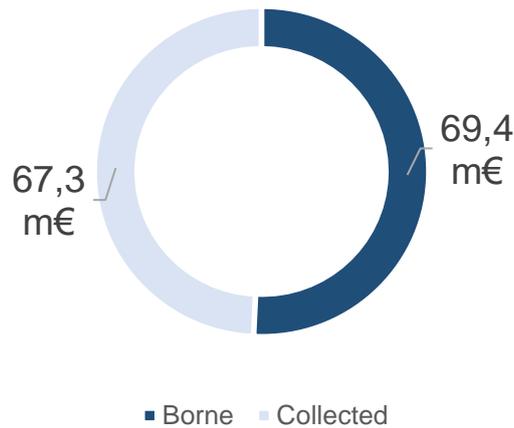
2 Breakdown of tax information

Properly 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.

2.1 Tax contribution report

Colonial publicly breaks down the main tax payments in those countries in which it operates, which reflects the importance given by Colonial to tax matters, as well as its level of commitment to the main stakeholders.

2.1.1 Total Tax Contribution in 2019: €136.7 m



Source: Prepared in-house

Taxes borne in 2019 The taxes borne by the Colonial Group amounted to 69.4 million euros. The importance of property taxes stands out within this figure, which represent 65%.	Taxes collected in 2019 The taxes collected by the Colonial Group in 2019 amounted to 67.3 million euros, the most significant of which are the taxes on products and services, mainly VAT, which represent 78% of the total taxes collected.												
 <table border="1"> <thead> <tr> <th>Category</th> <th>Value (m€)</th> </tr> </thead> <tbody> <tr> <td>Property</td> <td>44,8</td> </tr> <tr> <td>Other taxes borne</td> <td>24,6</td> </tr> </tbody> </table>	Category	Value (m€)	Property	44,8	Other taxes borne	24,6	 <table border="1"> <thead> <tr> <th>Category</th> <th>Value (m€)</th> </tr> </thead> <tbody> <tr> <td>Product</td> <td>52,3</td> </tr> <tr> <td>Other taxes collected</td> <td>15,0</td> </tr> </tbody> </table>	Category	Value (m€)	Product	52,3	Other taxes collected	15,0
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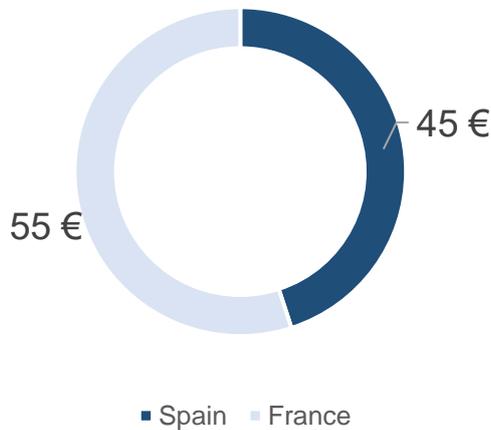
Source: Prepared in-house

<p>Colonial's Contribution with respect to turnover</p> <p>For every 100 euros of the Group's turnover, 39 euros are used to pay taxes, 20 euros of which are taxes borne and 19 euros are taxes collected.</p>	<p>Tax with 2019</p> <p>Total Tax Contribution Ratio in 2019</p> <p>During 2019, the Total Tax Contribution Ratio of the Colonial Group represents 26% of the profits before taxes borne (the profit before taxes borne is adjusted for the impact of revaluations).</p>	<p>Distributed tax value in 2019^(*)</p> <p>Of the value generated by the Colonial Group while undertaking its activities, 136.7 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 2019, 35 euros were used to pay taxes.</p>
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() The value distributed by the company is 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.*

2.1.2 Geographic distribution of the tax contribution in 2019

Of every 100 euros that the Colonial Group pays in taxes throughout the world, 45 euros are paid in Spain.



Source: Prepared in-house

Total amount of payments to Public Administrations

<p>Total Tax Contribution (TTC)</p> <p>136.7</p> <p>millions of euros in Total Tax Contribution (TTC)</p>	<p>Property taxes</p> <p>44.8</p> <p>million euros in property taxes, all of which are borne.</p>	<p>Taxes on products</p> <p>52.7</p> <p>million euros, 52.3 million of which correspond to VAT collected by the various Group companies.</p>
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Source: Prepared in-house

2.1.3 Taxes paid to the Public Treasury

	Spain		France	
	Taxes borne	Taxes collected	Taxes borne	Taxes collected
Income tax expense	1.9	5.7	15.9	0.1
Income tax	-0.2	-	15.8	-
Others	2.1	5.7	0.1	0.1
Property tax	25.3	-	19.5	-
Real estate tax	16.6	-	17.2	-
Others	8.7	-	2.3	-
Taxes associated with employment	1.7	7.2	4.7	1.6
Payments to Social Security	1.7	0.4	3.8	1.6
Work income withholdings	-	6.8	0.9	-
Taxes on products and services	0.4	18.8	-	33.4
VAT settled	-	18.8	-	33.4
Others	0.4	-	-	-
Environmental taxes	0.1	0.4	-	-
Subtotal of taxes paid	29.3	32.2	40.1	35.1
Total		61.5		75.2

2.2 Status of main tax inspections and litigation

2.2.1 Inspections

Periods open to review by the Tax Authorities

In Spain, at the close of 2019, Colonial has 2014, 2015 and subsequent financial years open for inspection for Corporation Tax. Likewise, Colonial and its controlled subsidiaries have 2015 and subsequent years open to review, in general, for the other taxes that apply to them.

Inspections closed during 2019

In Spain, during 2019 an inspection process was closed regarding the tax on constructions, installations and works of the renovation works carried out in a property located in Barcelona.

Inspections in 2020

In Spain, at the beginning of 2020, there was an inspection process open regarding the inspection of the tax on construction, installation and works of the renovation works of a building located in Madrid. The process has already been completed without significant impact for Colonial.

During 2020, four inspection audits have been initiated by the local Inspection Bodies on taxes on constructions, installations and works of different works carried out in buildings in Barcelona and Madrid.

2.2.2 Litigation

Most of Colonial's tax litigation processes arise from a process for returning undue income, where the relevant taxes are paid in a timely manner, and subsequently the amount paid is requested to be refunded. Said refund request could be rejected by the Administration, in which case Colonial would challenge the refusal, thus starting court proceedings. By following this procedural strategy, Colonial avoids generating contingencies in its accounts without losing the legitimate interest to defend its position in the Courts.

The most significant litigation refers to the challenge of the tax on the Increase in Value of Urban Land derived from transferring certain properties where there was no increase in value between the time of acquisition and the time of transfer. In 2019, the two lawsuits of this nature that Colonial

had filed were resolved, both in favour of its interests, and entailed 4.5 million euros being returned plus the corresponding default interest.

In addition, Colonial has several lawsuits regarding discrepancies in the cadastral values of certain properties located in Madrid.

Colonial has no reserves for tax litigation, nor does it expect potential significant impacts derived from open litigation.

2.3 Low tax territories

Colonial's policy is that investments are not made in or through territories classified as tax havens with the intention of reducing the tax burden. Furthermore, Colonial does not use entities based in tax havens in order to hide the true owner of income, activities, assets or rights.

3 Cooperative relationship with the Tax Administration

Colonial adheres to the Code of Best Tax Practices as a result of the resolution adopted by the Colonial Board of Directors in its session on 10 December 2015. In this regard, certain behaviours that are compulsory for the company have been developed including:

- Colonial's tax strategy must have been established by its Board of Directors, documented and known to the company's senior executives.
- The Board of Directors must have approved the operations and investments with special tax risk.
- The company's risk management policy must include measures to mitigate the tax risks identified and have established internal corporate governance rules in this area and compliance with which may be subject to verification.
- The company must have used effective information systems and internal control of tax risks, insofar as its design and operation are fully integrated into the general internal control systems of the business it undertakes.

Likewise, in compliance with the Corporate Governance regulations on tax matters and the Code of Best Tax Practices, the Audit and Control Committee is periodically informed of the company's tax situation.

4 Other tax-related information

4.1 Non-provision of tax services by the account auditor

Colonial does not hire tax advisory services with the firm that audits its annual accounts.

The services provided by the audit firm during 2019 are limited to those referring to the actual account audit services, as well as limited reviews of the financial statements and other minor services related to the audit, which include support for limited reviews, issuing comfort letters and reports on agreed procedures for ratios linked to financing contracts and the net asset value of assets. In 2019, the auditor did not provide tax services, or other services other than the above.

The [Independent auditor's report for 2019](#) is available at this link.

4.2 Colonial's regulatory risk prevention model

Colonial has a model for preventing regulatory risks, including criminal risks. This model's main tools are the Code of Ethics, the Manual for the Prevention of Criminal Risks, the Manual for the Prevention of Money Laundering and the Financing of Terrorism and the Internal Code of Conduct in the area of the Securities Market. These tools, together with the complaints channel, provide Colonial with a solid regulatory framework that includes its values and principles in terms of ethics and regulatory compliance.

This Model is intended to prevent non-compliance with the regulations applicable to Colonial, and therefore crimes being committed within its activity. It is a structured and organic system that has monitoring and control procedures and activities managed by the Regulatory Compliance Unit, which functionally reports to the Audit and Control Committee.

The criminal risks that are subject to review in the Colonial Model include money laundering and the crime of asset stripping.

All the company's professionals are responsible for executing and complying with the Model and the different tools that comprise it are available on the company's Intranet. Likewise, the company has an annual training plan run by the Regulatory Compliance Unit through which initiatives are promoted for their dissemination and understanding.

Finally, the Model is continuously overseen by the Internal Audit and the Regulatory Compliance Unit and the results of said oversight are submitted to the Audit and Control Committee, which is the body responsible for overseeing the operation and compliance of the Model.