

**REPORT BY THE AUDIT AND CONTROL COMMITTEE
ON THE ASSESSMENT OF ITS PERFORMANCE IN 2018**

1. INTRODUCTION

The Audit and Control Committee of Inmobiliaria Colonial, SOCIMI, S.A (the “**Company**”) has issued this report on its performance and the fulfilment of its responsibilities throughout 2018 (the “**Report**”). For the purposes of drawing up this report, the members of this Audit and Control Committee were sent a questionnaire about its structure, organisation, performance and the fulfilment of responsibilities, which was completed by all members. The questionnaire was revised in terms of methodology by Spencer Stuart.

The report will be submitted to the Board of Directors of the Company, which, on the basis of the information contained therein, will be the body entrusted with assessing the performance of the Audit and Control Committee (the “**Committee**”) by virtue of Article 34 of the Regulations of the Board of Directors.

2. CONCLUSIONS DRAWN FROM THE ASSESSMENT PROCESS

From the assessment process carried out by the Committee regarding its performance, some positive conclusions have been drawn, both in relation to its members and internal organisation and in the performance of the responsibilities bestowed upon it.

2.1. Members of the Committee

The Committee is made up of 4 members, thereby complying with the minimum amount required by Article 32 of the Regulations of the Board of Directors, which establishes that the Committee must be made up of a minimum of 3 and a maximum of 8 Directors.

All members of the Committee are independent directors and, therefore, the Committee is chaired by an independent director. Therefore, the Committee has been formed in accordance with Article 32 of the Regulations of the Board of Directors.

The current members of the Company Committee are as follows:

Name/Company name	Position	Category
Ms Ana Sainz de Vicuña	Chairman	Independent director
Mr Javier Iglesias de Ussel Ordís	Member	Independent director
Mr Carlos Fernández-Lerga Garralda	Member	Independent director
Mr Luis Maluquer Trepal	Member	Independent director

No changes were made to the composition of the Committee in 2018.

In addition to the members of the Committee, the meetings called were also attended by the head of internal audit. Likewise, when necessary, the following people, among others, attended as guests: (i) the advisor to the Committee; (ii) the CEO; (iii) the corporate general manager; (iv) the operations and finance director; and (v) the Deputy Secretary of the Board of Directors.

The PriceWaterhouseCoopers audit team was also invited and attended meetings of the Committee. This team was composed of Mr Josep Solé and Ms Mireia Oranias.

Committee members have the necessary knowledge, skills and experience to discharge their duties.

On the basis of this, 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. Performance of the Committee

In 2018, the Committee met on 10 occasions. The meetings were held on the following dates: 23 January, 19 February, 22 February, 4 April, 9 May, 23 July, 27 July, 4 October, 17 October and 7 November.

Regarding preparation and development of the meetings, the Committee Chairwoman calls them with sufficient notice, and they are attended by all members. Additionally, prior to each meeting, the members of the Committee are provided with the information on the agenda, thereby encouraging them to participate actively and to reach informed agreements.

Lastly, it must be pointed out that the Secretary took minutes of all the meetings held, including how they developed, their contents, discussions and the agreements reached. The Committee minutes are at the disposal of its members and those on the Board of Directors.

In accordance with the foregoing, it has been concluded that the Committee complies with the Operating Rules established by the Company Bylaws and the Regulations of the Board of Directors, and it is organised correctly and efficiently to perform its duties and for its purposes.

2.3. Responsibilities 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.

Likewise, the Committee performed the following functions in the course of 2018:

- Acted as a communications channel between the Board of Directors and the Company's external auditor, assessing the results of each audit.
- Issued a report, prior to the release of the accounts auditing report, in which an opinion is expressed on whether the independence of the accounts auditors or the auditing firms has been compromised.
- Oversaw the effectiveness of the Company's internal control, the internal audit and the risk management systems including those for taxation, and discussed with the auditor any significant weaknesses detected in the internal control system during the audit.
- Approved reports on risk management and control policy and on treasury share policy to be submitted to the Board of Directors.
- Monitored corporate social responsibility practices and strategy.
- Monitored compliance with the rules of the internal codes of conduct and its corporate social responsibility policy.

- Oversaw the preparation and filing of required financial information.
- Informed about the Annual Corporate Governance Report, which is part of the annual financial statements, to be submitted to the Board of Directors for their approval.
- Evaluated its own performance within the framework of the self-evaluation of the performance of the Board of Directors and its internal Committees.
- Analysed and reported on the Company's treasury share operations to be submitted to the Board of Directors.
- Informed the Board of Directors, via its Chairwoman, of the contents of the Committee meetings.
- Updated the Company's maps of risks and processes and reviewed and assessed the risk inventory.
- Oversaw the application of the measures agreed within the framework of the action plan to improve the Company's cybersecurity.
- Submitted a favourable report to the Board of Directors on the common draft terms of the merger between the Company and Axiare Patrimonio, Socimi, S.A.
- Submitted a favourable report to the Board of Directors on the acquisition of 100% of the shares of *Société Foncière Lyonnaise* held by Qatar Holding LLC and DIC Holding LLC, following an analysis of the accounting impact and the economic conditions of the operation.
- Submitted a favourable report to the Board of Directors on the merger of wholly-owned Company investees.

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.

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