

**ANNUAL CORPORATE GOVERNANCE REPORT  
OF LISTED PUBLIC LIABILITY COMPANIES**

ISSUER IDENTIFICATION DATA

REFERENCE REPORTING DATE

31 December 2017

Tax Identification Number A-28.027.399

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

Registered Office: Paseo de la Castellana, 52, 28046 Madrid

**ANNUAL CORPORATE GOVERNANCE REPORT  
OF LISTED PUBLIC LIABILITY COMPANIES**

**A OWNERSHIP STRUCTURE**

A.1 Fill in the following table on the company's share capital:

| Date of last change | Share capital (€) | Number of shares | Number of voting rights |
|---------------------|-------------------|------------------|-------------------------|
| 30/11/2017          | 1,088,293,390     | 435,317,356      | 435,317,356             |

Indicate whether there are different types of shares with different associated rights:

Yes                      No

| Class | Number of shares | Par value each | Voting rights per share | Different rights |
|-------|------------------|----------------|-------------------------|------------------|
| --    | --               | --             | --                      | --               |

A.2 State the direct and indirect holders of significant ownership interests in the Company at year-end, excluding directors:

| Name or company name of the shareholder                              | Number of direct voting rights  | Number of voting rights | % of total voting rights |
|--|---|-------------------------|--------------------------|
| Qatar Investment Authority   | --  | 41,610,141              | 9,559                    |
| Aguila LTD   | --  | 28,800,183              | 6,616                    |
| Inmo, S.L.   | --  | 20,011,190              | 4,597                    |
| Deutsche Bank, A.G.  | 8,135,389   | --                      | 1,869                    |
| BlackRock Inc.   | --  | 11,055,142              | 2,540                    |
| Name or company name of the indirect holder of an ownership interest | Through: Name or company name of the direct holder of an ownership interest | Number of voting rights |                          |
| Qatar Investment Authority   | QH Netherlands BV   | 41,610,141              |                          |
| Aguila LTD   | Park, S.A.R.L.  | 28,800,183              |                          |
| Inmo, S.L.   | Trudonba XXI, S.L.U.  | 20,011,190              |                          |
| BlackRock Inc.   | BlackRock Holding   | 11,055,142              |                          |

Indicate the most significant movements in the shareholder structure during the year:

| Name or company name of the shareholder | Transaction date | Description of the transaction |
|---|------------------|--------------------------------|
|---|------------------|--------------------------------|

| <b>Name or company name of the shareholder</b> | <b>Transaction date</b> | <b>Description of the transaction</b>                   |
|--|-------------------------|---|
| BlackRock, Inc                                 | 20/01/2017              | Ownership interest has fallen below 3% of share capital |
| BlackRock, Inc                                 | 24/04/2017              | Ownership interest has exceeded 3% of share capital     |
| BlackRock, Inc                                 | 09/05/2017              | Ownership interest has fallen below 3% of share capital |
| BlackRock, Inc                                 | 11/05/2017              | Ownership interest has exceeded 3% of share capital     |
| BlackRock, Inc                                 | 19/12/2017              | Ownership interest has fallen below 3% of share capital |
| BlackRock, Inc                                 | 28/12/2017              | Ownership interest has exceeded 3% of share capital     |
| Inmo, S.L.                                     | 05/05/2017              | Ownership interest has exceeded 5% of share capital     |
| Inmo, S.L.                                     | 24/04/2017              | Ownership interest has exceeded 3% of share capital     |
| Inmobiliaria Espacio, S.A.U.                   | 12/01/2017              | Ownership interest has fallen below 3% of share capital |
| Invesco Limited                                | 15/03/2017              | Ownership interest has fallen below 1% of share capital |
| Invesco Limited                                | 28/04/2017              | Ownership interest has exceeded 1% of share capital     |
| Invesco Limited                                | 02/05/2017              | Ownership interest has fallen below 1% of share capital |
| Invesco Limited                                | 12/06/2017              | Ownership interest has exceeded 1% of share capital     |
| Invesco Limited                                | 13/09/2017              | Ownership interest has fallen below 1% of share capital |
| Fidelity International Limited                 | 18/01/2017              | Ownership interest has fallen below 1% of share capital |
| Fidelity International Limited                 | 29/11/2017              | Ownership interest has exceeded 1% of share capital     |
| Fidelity International Limited                 | 04/12/2017              | Ownership interest has fallen below 1% of share capital |
| Joe Lewis                                      | 24/04/2017              | Ownership interest has fallen below 3% of share capital |

A.3 Fill in the following tables on the members of the company's board of directors who own voting shares in the company:

| Name or company name of the director | Number of direct voting rights | Indirect voting rights | % of total voting rights |
|--------------------------------------|--------------------------------|------------------------|--------------------------|
| Mr Juan José Brugera Clavero         | 148,049                        | --                     | 0.034                    |
| Mr Pedro Viñolas Serra               | 236,898                        | --                     | 0.054                    |
| Mr Carlos Fernández González         | --                             | 79,378,647             | 18,235                   |
| Ms Ana Sainz de Vicuña Bemberg       | 1,550                          | --                     | 0.000                    |
| Mr Carlos Fernández-Lerga Garralda   | 6,361                          | 5,670                  | 0.003                    |
| Mr Javier Iglesias de Ussel Ordís    | 1,820                          | --                     | 0.000                    |
| Mr Luis Maluquer Trepal              | 20,000                         | 2,500                  | 0.005                    |

| Name or company name of the indirect holder of an ownership interest | Through: Name or company name of the direct holder of an ownership interest | Number of voting rights |
|--|---|-------------------------|
| Mr Carlos Fernández González   | Grupo Far-Luca, S.A. de C.V.  | 79,378,647              |
| Mr Carlos Fernández-Lerga Garralda                                   | EUR Consultores, S.L.   | 5,670                   |
| Mr Luis Maluquer Trepal  | Ms Marta Maluquer Domingo   | 2,500                   |

|  |        |
|--|--------|
| <b>% of total voting rights held by the board of directors</b> | 18,331 |
|--|--------|

Fill in the following tables on the members of the company's board of directors who hold rights over shares in the company:

| Name or company name of the director | Number of direct rights | Indirect rights       |                         | Number of equivalent shares | % of total voting rights |
|--------------------------------------|-------------------------|-----------------------|-------------------------|-----------------------------|--------------------------|
|                                      |                         | Direct holder         | Number of voting rights |                             |                          |
| Mr Juan José Brugera Clavero         | 148,049                 | --                    | --                      | 148,049                     | 0.034                    |
| Mr Pedro Viñolas Serra               | 236,898                 | --                    | --                      | 236,898                     | 0.054                    |
| Mr Carlos Fernández-Lerga Garralda   | 6,361                   | EUR Consultores, S.L. | 5,670                   | 12,031                      | 0.003                    |
| Mr Carlos Fernández                  | --                      | Grupo Far-Luca, S.A.  | 79,378,647              | 79,378,647                  | 18,235                   |

|                                   |        |                           |       |        |       |
|-----------------------------------|--------|---------------------------|-------|--------|-------|
| González                          |        | de C.V.                   |       |        |       |
| Ms Ana Sainz de Vicuña Bemberg    | 1,550  | --                        | --    | 1,550  | 0.000 |
| Sheikh Ali Jassim M.J. Al-Thani   | --     | --                        | --    | --     | 0.000 |
| Mr Adnane Mousannif               | --     | --                        | --    | --     | 0.000 |
| Mr Carlos García Cañizares        | --     | --                        | --    | --     | 0.000 |
| Mr Javier Iglesias de Ussel Ordís | 1,820  | --                        | --    | 1,820  | 0.000 |
| Mr Luis Maluquer Trepat           | 20,000 | Ms Marta Maluquer Domingo | 2,500 | 22,500 | 0.005 |

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities:

| Name or company name of the related party | Type of relationship | Brief description |
|---|----------------------|-------------------|
| -   | -                    | -                 |

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:

| Name or company name of the related party | Type of relationship | Brief description |
|---|----------------------|-------------------|
| -   | -                    | -                 |

A.6 Indicate whether the company has been notified of any shareholders' agreements pursuant to 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:

**Yes**                      **No X**

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

**Yes**                      **No X**

Expressly indicate any amendments to or termination of such covenants, agreements or concerted actions during the year:

N/A

- A.7 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:

**Yes**                      **No X**

- A.8 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 |
|-------------------------|-------------------------------|--------------------------|
| 4,509,440               | --                            | 1.04%                    |

**(\*) Through:**

| Name or company name of the direct holder of an ownership interest | Number of direct shares |
|--|-------------------------|
| -  | -                       |
| <b>Total:</b>  | -                       |

Give details of any significant changes during the fiscal year pursuant to Royal Decree 1362/2007:

| Explain the significant changes  |
|--|
| <p>During 2017, the Company's portfolio of treasury shares suffered some changes. In January 2017, it held 1.703% and ended the year with a percentage equal to 3.413% of the share capital. To this end, the Company notified the Spanish Securities Market Commission (CNMV) of the changes in treasury shares on 10 January, 27 February and 8 November.</p> <p>In 2017, two buyback programmes were established and reported to the market through regulatory announcements (registration no 244738/registration no 250082/registration no 257437/registration no 258438). Under the aforementioned programmes, the Company acquired shares representing approximately 2.8% of the current share capital. These acquisitions were also reported to the market through the corresponding regulatory announcements.</p> <p>Within the context of the takeover operation of Axiare Patrimonio SOCIMI, S.A., on 28 November 2017, the Company's Board of Directors agreed to sell a maximum number of 13,575,000 of its treasury shares under certain conditions with the purpose of financing said operation appropriately. 9,907,257 treasury shares were placed.</p> <p>On the other hand, the Company signed a liquidity agreement in 2017, the movements of which have also been reported to the market through regulatory announcements.</p> |

- A.9 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.

The General Meeting of Shareholders of Inmobiliaria Colonial, SOCIMI, S.A. (the "Company" or "Inmobiliaria Colonial") granted authorisation to the Board of Directors, as item five on its agenda, for the derivative acquisition of treasury shares on 29 June 2017 and revoked the authorisation granted through the resolution of 30 June 2014. With respect to the terms and conditions of the authorisation: i)

the nominal value of the shares acquired, directly or indirectly, in addition to those already held by the Company and its subsidiaries, may not exceed 10% of the share capital subscribed or any maximum amount that may be legally established; ii) the minimum price or consideration for acquisition shall be €0.01 per share and the maximum price or consideration for acquisition shall be the equivalent of the listing price of treasury shares acquired on an official regulated secondary market at the time of acquisition; iii) the procedure for acquisition may be purchase/sale, swap or any other method against payment, as circumstances advise, and iv) the duration of the authorisation is 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. resolved to authorise the Board of Directors on 29 June 2017 and pursuant to Article 297.1 b) of the Spanish Limited Liability Companies Law to increase share capital through monetary contributions, within a maximum period of 5 years, up to half the amount of share capital, on one or several occasions, at the time and in the amount it deems appropriate, revoking the general authorisation granted through resolution nine of the Company's Ordinary General Meeting of Shareholders on 28 June 2016. Within this maximum amount, the Board of Directors was empowered to disapply preferential subscription rights, limited to a maximum overall nominal amount equal to 20% of the share capital.

**A.9 bis Estimated floating capital:**

|                                   |        |
|-----------------------------------|--------|
|                                   | %      |
| <b>Estimated floating capital</b> | 55.45% |

**A.10** Give details of any restrictions on the transfer of securities and/or voting rights. Indicate, in particular, the existence of any restrictions that may hinder a takeover of the company by means of share acquisitions on the market.

**Yes                      No X**

**A.11** 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.

**Yes                      No X**

If applicable, explain the measures approved and the terms under which these restrictions may be lifted:

**A.12** Indicate whether the company has issued securities not traded in a regulated market of the European Union.

**Yes                      No X**

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.

**Yes**                      **No X**

Describe how they differ from the rules established in the LSC.

- 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):

**Yes**                      **No X**

Describe how they differ from the rules established in the LSC.

- 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 Bylaws, 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. Also, 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 previous fiscal year:

| <b>Attendance information</b>  |                     |                              |                          |              |              |
|--------------------------------|---------------------|------------------------------|--------------------------|--------------|--------------|
| <b>Date of General Meeting</b> | <b>% attendance</b> | <b>% attendance by proxy</b> | <b>% distance voting</b> |              | <b>Total</b> |
|                                |                     |                              | <b>Electronic voting</b> | <b>Other</b> |              |
| 28/06/2016                     | 26.00%              | 44.06%                       | 0.00%                    | 1.63%        | 71.69%       |
| 29/06/2017                     | 36.82%              | 30.65%                       | 0.00%                    | 10.52%       | 77.99%       |

- B.5 Indicate whether the bylaws contain any restrictions with respect to a minimum number of shares required to attend general meetings:

**Yes**    **X**                      **No**

|   |     |
|---|-----|
| <b>Number of shares required to attend general meetings</b> | 500 |
|---|-----|



B.6 Deleted

B.7 Indicate the address and mode of accessing corporate governance content on the company's website, as well as other information on general meetings which must be made available to shareholders on the Company website.

<https://www.inmocolonial.com/accionistas-inversores/gobierno-corporativo/juntas-generales>

## C STRUCTURE OF COMPANY MANAGEMENT

### C.1 Board of Directors

C.1.1 The maximum and minimum number of directors stipulated in the Company Bylaws:

|                             |    |
|-----------------------------|----|
| Maximum number of directors | 15 |
| Minimum number of directors | 5  |

C.1.2 Fill in the following table with the directors' particulars:

| Name or company name of the director | Representative | Category of the Director | Position on the board | Date of first appointment | Date of last appointment | Appointment procedure                             |
|--------------------------------------|----------------|--------------------------|-----------------------|---------------------------|--------------------------|---|
| Mr Juan José Brugera Clavero         | --             | Executive                | Chairman              | 19/06/2008                | 30/06/2014               | Resolution by the General Meeting of Shareholders |
| Mr Pedro Viñolas Serra               | --             | Executive                | CEO                   | 18/07/2008                | 30/06/2014               | Resolution by the General Meeting of Shareholders |
| Mr Carlos Fernández González         | --             | Proprietary              | Director              | 28/06/2016                | 28/06/2016               | Resolution by the General Meeting of Shareholders |
| Mr Juan Carlos García Cañizares      | --             | Proprietary              | Director              | 30/06/2014                | 30/06/2014               | Resolution by the General Meeting of Shareholders |
| Mr Adnane Mousannif                  | --             | Proprietary              | Director              | 28/06/2016                | 28/06/2016               | Resolution by the General Meeting of Shareholders |
| Sheikh Ali Jassim M. J. Al-Thani     | --             | Proprietary              | Director              | 12/11/2015                | 28/06/2016               | Resolution by the General Meeting of Shareholders |

| Name or company name of the director | Representative | Category of the Director | Position on the board             | Date of first appointment | Date of last appointment | Appointment procedure                             |
|--------------------------------------|----------------|--------------------------|-----------------------------------|---------------------------|--------------------------|---|
| Mr Carlos Fernández-Lerga Garralda   | --             | Independent              | Coordinating Independent Director | 19/06/2008                | 30/06/2014               | Resolution by the General Meeting of Shareholders |
| Ms Ana Sainz de Vicuña Bemberg       | --             | Independent              | Director                          | 30/06/2014                | 30/06/2014               | Resolution - General Meeting of Shareholders      |
| Mr Luis Maluquer Trepat              | --             | Independent              | Director                          | 31/07/2013                | 30/06/2014               | Resolution by the General Meeting of Shareholders |
| Mr Javier Iglesias de Ussel Ordís    | --             | Independent              | Director                          | 19/06/2008                | 30/06/2014               | Resolution by the General Meeting of Shareholders |

|                                  |    |
|----------------------------------|----|
| <b>Total number of directors</b> | 10 |
|----------------------------------|----|

Indicate any board members who stepped down during the period considered:

| Name or company name of the director | Category of director at date of departure | Date of departure |
|--------------------------------------|---|-------------------|
| Mr Juan Villar-Mir de Fuentes        | Proprietary                               | 22/05/2017        |

C.1.3 Complete the following tables on board members and their respective categories:

#### **EXECUTIVE DIRECTORS**

| Name or company name of the director | Position in the company organisation chart |
|--------------------------------------|--|
| Mr Juan José Brugera Clavero         | Chairman                                   |
| Mr Pedro Viñolas Serra               | CEO  |

|  |        |
|--|--------|
| <b>Total number of executive directors</b> | 2      |
| <b>% of the total board</b>                | 20.00% |

### **EXTERNAL PROPRIETARY DIRECTORS**

| Name or company name of the director | Name or company name of the significant shareholder represented or proposing appointment |
|--------------------------------------|--|
| Mr Carlos Fernández González         | Mr Carlos Fernández González   |
| Mr Juan Carlos García Cañizares      | Aguila, LTD  |
| Mr Adnane Mousannif                  | Qatar Investment Authority   |
| Sheikh Ali Jassim M. J. Al-Thani     | Qatar Investment Authority   |

|  |        |
|--|--------|
| <b>Total number of proprietary directors</b> | 4      |
| <b>% of the total board</b>                  | 40.00% |

### **EXTERNAL INDEPENDENT DIRECTORS**

| Name or company name of director | Profile   |
|----------------------------------|---|
| Ms Ana Sainz de Vicuña Bemberg   | <p>Graduate in Agricultural Economics from Reading University in the UK, with a Programme for Management Development from Harvard University.</p> <p>She worked at Merrill Lynch in Spain for 18 years (1984-2003). She began her career in Private Banking, and worked in this sector for 12 years. She then joined Sociedad de Valores y Bolsa, which was constituted following the acquisition of FG, a process she headed together with Mr Claudio Aguirre, and subsequently headed Operations, Systems, HR and Finance. She was then appointed General Manager of Merrill Lynch International Bank's Spanish subsidiary.</p> <p>She now sits on the Foundational Committee of the ARPE Foundation (Foundation for Art Research Partnership and Education). Since 2004, she has been a member of the Board and member of the Management Committee of Corporación Financiera Guadalmar (CFG), a Family Office with assets in Spain and Latin America, mainly Argentina and Chile. She supervises the Financial Assets Committee, which manages the securities portfolios and the family's investments in the Security Group -of which she is also a Director- and the Awasi and W Santiago hotel group.</p> <p>In 2011, she was appointed Director of Terold Invest, S.L., and in July 2015, she was appointed Director of Acciona, S.A., where she also sits on the Audit Committee. In February 2017, she was appointed Director of Prosegur Cash, S.A., and also sits on the Appointments and Remuneration Committee.</p> |

| Name or company name of director   | Profile  |
|------------------------------------|--|
| Mr Carlos Fernández-Lerga Garralda | <p>Law degree from the University of Navarra, master's degree in European studies from the University of Louvain (Belgium) and PhD courses in Law at Universidad Complutense de Madrid and commercial law specialisation courses for post-graduates at the Bank of Spain's Training Centre. He completed his studies in international law at the Academy for International Law at The Hague, in comparative law and international organisations in Strasbourg and at the <i>Collège Universitaire d'études fédéralistes</i>, Nice, Val d'Aoste.</p> <p>From 1978 to 1983 he was an Advisory Member of the Minister and Secretary of State for Relations with the European Community, participating in negotiations for Spain's accession to the European Union. From 1984 to 1986, he held the position of General Manager of the European Union Advisory Service at the Banco Hispano Americano Group. He has also been a director of Abantia Corporación. He has also been Coordinating Director and chairman of the Appointments and Remuneration Committee at Gamesa Corporación Tecnológica, S.A. (Lead Independent Director) and General Director of La Caixa. Member of the International Secretariat of World Federalist Youth (Amsterdam, the Netherlands); Secretary of the European League for Economic Cooperation (ELEC), Madrid; Secretary of the Foundation for Progress and Democracy, Deputy (Treasurer) of the Governing Board of the Madrid Bar Association, member of the Executive Committee of Real Instituto Elcano and Trustee of the Spain/US and Spain/China Council Foundations. He has also taught extensively in the School of Political Science at the Complutense University and the Institute of European Studies at the University of Alcalá de Henares, among other institutions, and has authored numerous publications on legal issues.</p> <p>He is currently Chairman of Iberdrola Ingeniería y Construcción, S.A. and continues to practise law at his law firm, Carlos Fernández-Lerga Abogados, mainly focusing on legal advice in commercial and civil law. He is currently a member of the Board of Directors at SFL.</p> |
| Mr Luis Maluquer Trepas            | <p>He holds a degree in Law from the University of Barcelona and a Diploma in International Institutions from the University of Geneva.</p> <p>Throughout his career at the law firm Maluquer Advocats, SCP, he has advised different national and international institutions, providing his services in the fields of consultancy, legal advice and lawsuits, arbitration and mediation procedures. He also has teaching experience at various institutions, such as the Barcelona</p>  |

| Name or company name of director  | Profile   |
|-----------------------------------|---|
|                                   | <p>Chamber of Commerce, and worked as director at the European Society for Banking and Financial Law (AEDBF Paris).</p> <p>He is the founding partner of Despacho Maluquer Advocats, SCP, and is a board member and secretary to a number of companies, including SFL, where he sits on the board. In addition, he has special powers of attorney and is secretary to the board of various subsidiaries of French and Swiss companies, especially in the infrastructure and agri-food industries. He is currently Chairman of the Argentinian Chamber of Commerce in Spain.</p>   |
| Mr Javier Iglesias de Ussel Ordís | <p>Javier Iglesias de Ussel y Ordís has a wealth of experience in financial circles. In 1974, he joined Lloyds Bank International in London, where he held different positions of responsibility for Corporate Banking in Dubai, São Paulo, Asunción and Madrid over 21 years. In 1995, he joined The Bank of New York and was appointed Country Manager for the Iberian Peninsula. He moved to New York in 2002, and was appointed Division Head for Latin America. From 2008 to December 2013, he ran the Representation Office of Chilean bank Banco de Crédito e Inversiones. Mr Iglesias de Ussel has been an Independent Director of Inmobiliaria Colonial since 2008, and has also been an Independent Director of Aresbank since March 2015.</p> <p>Mr Iglesias de Ussel holds a degree in modern history from the University of Barcelona and throughout his career has been involved in numerous business administration, marketing, risk analysis and money laundering prevention courses. He lived outside Spain for 22 years, and speaks English, French and Portuguese.</p> |

|  |        |
|--|--------|
| <b>Total number of independent directors</b> | 4      |
| <b>Total % of the Board</b>                  | 40.00% |

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior officer of an entity which maintains or has maintained this relationship.

NO

If applicable, include a statement from the board detailing the reasons why it believes this director may carry out duties as an independent director.

### 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 managers or its shareholders:

| Name or company name of the director | Reasons | Company, director or shareholders to which this person is linked |
|--------------------------------------|---------|--|
| --                                   | --      | --   |

|   |   |
|---|---|
| <b>Total number of other external directors</b> | 0 |
| <b>Total % of the board</b>                     | 0 |

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 |
|--------------------------------------|----------------|----------------|------------------|
| --                                   | --             | --             | --               |

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 |        |        |        |
|--|--------------------------------|------|------|------|---------------------------------------|--------|--------|--------|
|  | 2017                           | 2016 | 2015 | 2014 | 2017                                  | 2016   | 2015   | 2014   |
| <b>Female Executive</b>                | 0                              | 0    | 0    | 0    | 0.00%                                 | 0.00%  | 0.00%  | 0.00%  |
| <b>Proprietary</b>                     | 0                              | 0    | 0    | 1    | 0.00%                                 | 0.00%  | 0.00%  | 20.00% |
| <b>Independent</b>                     | 1                              | 1    | 1    | 1    | 25.00%                                | 25.00% | 33.33% | 33.33% |
| <b>Other External Female Directors</b> | 0                              | 0    | 0    | 0    | 0.00%                                 | 0.00%  | 0.00%  | 0.00%  |
| <b>Total:</b>                          | 1                              | 1    | 1    | 2    | 10.00%                                | 9.09%  | 9.09%  | 18.18% |

C.1.5 Explain any measures that have been adopted to have a number of female board members that would produce a balanced ratio between women and men.

| Explanation of the measures  |
|--|
| The Board Regulations provide for, among the various obligations of the Board of Directors, the obligation to ensure that the procedures for selecting its members promote diversity of gender, experience and knowledge and do not contain any implicit bias that may entail discrimination and, in particular, facilitate the selection of female directors. In this regard, in 2016 the Board of Directors approved a Selection Policy for Candidates to the Board of Inmobiliaria Colonial, S.A. (the " <b>Selection</b> |

**Policy**”), which expressly sets a target for a number of female members that is at least 30% of the total number of Directors on the Board by the year 2020.

No new member has joined the Board of Directors during 2017.

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 board members, and for the company to deliberately strive to include women with the professional profile sought as candidates:

**Explanation of the measures**

Both the Board of Directors and the Appointments and Remuneration Committee (the "**ARC**") have ensured, pursuant to the Company Bylaws and Board Regulations, that the candidates proposed as Board members meet the requirements relating to experience, technical competence and suitability, and the fact that no female directors have been appointed is not due to the existence of any implicit bias in the procedure which prevents them from being selected. In this regard, it should be pointed out that, inter alia, the ARC has the following functions: i) assess competences, knowledge and experience on the Board of Directors, defining the functions and aptitudes necessary in the candidates to fill each vacancy and assess the time and dedication necessary for members to carry out their tasks efficiently; ii) establish a representation target for the less-represented gender on the Board of Directors and; iii) table proposals to the Board to appoint independent directors and/or report proposals for the appointment of other Directors to be appointed by co-opting or submission for a decision by the General Meeting, and proposals to the General Meeting for the re-election or removal of the Directors.

No appointment proposals for new directors have been submitted in 2017.

When, despite any measures adopted, there are few or no female directors, explain the reasons:

**Explanation of the reasons**

No new appointment of directors has been approved in 2017.

C.1.6.bis Explain the conclusions of the appointments committee on the verification of compliance with the director selection policy. And, specifically, how this policy addresses the objective of female directors accounting for at least 30% of the total number of members of the Board of Directors by 2020.

**Explanation of the conclusions**

The ARC submitted the Selection Policy to the Board of Directors for approval on 11 April 2016. This policy, which was approved by the Board of Directors on the same date, included the criteria of the ARC in this connection and, in particular, set a goal of having at least 30% of total Board seats occupied by female directors by 2020.

The members of the ARC also provided a favourable report on the Company's corporate governance policy during the first semester of 2017. This report provides that the Board must ensure that the procedures for selecting its members promote diversity of gender, experience and knowledge and do not contain any implicit bias that may entail discrimination and, in particular, facilitate the selection of female directors.

C.1.7 Explain the procedure for representation of major shareholders on the board.

In accordance with Colonial's Board regulations, in exercising its powers of proposal to the shareholders at the General Meeting of Shareholders and of co-opting to fill directorship vacancies, the Board of Directors shall ensure that there is an ample majority of independent and proprietary directors on the Board and that the number of executive directors is as small as possible, based on the Company's shareholding structure. The following shall be considered proprietary directors:

- a) Those who have a shareholding greater than or equal to that legally understood as significant, or who have been designated because of their shareholder status, although their shareholding is smaller than this amount.
- b) Those representing shareholders as stated in the preceding paragraph. For the purposes of this definition, it shall be assumed that a director represents a shareholder when: (i) The director has been appointed in exercise of the right to proportional representation on the Board of Directors; (ii) The person concerned is a director, senior officer, employee or non-occasional provider of significant services for said shareholder, or for companies forming part of the shareholder's group; (iii) It transpires from corporate documentation that the shareholder understands that the director has been appointed by the shareholder or represents the shareholder; (iv) The person is the spouse or a person with a similar sentimental relationship, or a relation of a significant shareholder to the second degree of consanguinity.

**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:**

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.

**Yes                      No X**

**C.1.9 State whether a director has stepped down from the post prior to the expiry of the term, whether the director has given any reasons for doing so to the board and by which means and, if the director has done so in writing to the entire board, state at least the reasons given by the director:**

| Name of director              | Reason for departure  |
|-------------------------------|---|
| Mr Juan Villar-Mir de Fuentes | Mr Villar-Mir de Fuentes notified his resignation as director of Colonial in a letter to the Chairman of the Board of Directors dated 22 May 2017, since the shareholding in Colonial had fallen below 3% |

**C.1.10 State any powers delegated to the CEO or CEOs:**

| Name or company name of the director | Brief description  |
|--------------------------------------|--|
| Mr Pedro Viñolas Serra               | He has been attributed all the powers that may be delegated under law or the bylaws. |

**C.1.11 Identify any Board members working as directors or managers 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 Carlos Fernández-Lerga Garralda   | SOCIÉTÉ FONCIÈRE LYONNAISE         | Director | No  |
| Mr Luis Maluquer Trepas              | SOCIÉTÉ FONCIÈRE LYONNAISE         | Director | No  |
| Sheikh Ali Jassim M.J. Al-Thani      | SOCIÉTÉ FONCIÈRE LYONNAISE         | Director | No  |
| Mr Adnane Mousannif                  | SOCIÉTÉ FONCIÈRE LYONNAISE         | Director | No  |
| Mr Juan José Brugera Clavero         | SOCIÉTÉ FONCIÈRE LYONNAISE         | Director | No  |
| Mr Pedro Viñolas Serra               | SOCIÉTÉ FONCIÈRE LYONNAISE         | Director | No  |
| Mr Pedro Viñolas Serra               | Inmocol Torre Europa, S.A.         | Director | No  |
| Mr Pedro Viñolas Serra               | Utopicus Innovación Cultural, S.L. | Director | No  |

C.1.12 Identify any directors at your company who are members of the board of directors at other companies listed on official securities markets outside your group, which have been notified to the company:

| Name or company name of the director | Company name of listed company | Position |
|--------------------------------------|--------------------------------|----------|
| Mr Carlos Fernández González         | Banco Santander, S.A.          | Director |
| Mr Carlos Fernández González         | AmRest Holding, S.E.           | Director |
| Ms Ana Sainz de Vicuña Bemberg       | Acciona, S.A.                  | Director |
| Ms Ana Sainz de Vicuña Bemberg       | Prosegur Cash, S.A.            | Director |
| Mr Juan Carlos García Cañizares      | Valorem, S.A.                  | Director |

C.1.13 State, and where applicable explain, whether the Company has established rules with respect to the number of boards to which its directors may belong:

Yes **X**

No

| Explanation of the rules   |
|--|
| The Board Regulations state that directors may not sit on more than 3 boards of other Spanish listed companies besides Colonial. The Board of Directors may dispense with this ban in exceptional circumstances. It should also be pointed out that Board Regulations establish, as part of the general duties of directors, that they must carry out their functions and meet the obligations imposed on them by law, the Company Bylaws and other internal regulations with the diligence of an orderly entrepreneur, in due consideration of the nature of the post and the functions assigned to them; their dedication must be appropriate at all times, and they must take the necessary measures for proper |

management and control of the Company.

C.1.14 Deleted

C.1.15 State the total remuneration paid to the Board of Directors:

|  |      |
|--|------|
| <b>Remuneration of the Board of Directors (thousands of euros)</b>                         | 8057 |
| <b>Amount of pension rights accumulated by the current directors (thousands of euros).</b> | 353  |
| <b>Amount of pension rights accumulated by the former directors (thousands of euros).</b>  | 0    |

C.1.16 List any members of senior management who are not also executive directors and state the total remuneration accrued to them during the year:

| <b>Name or corporate name</b> | <b>Position(s)</b>        |
|-------------------------------|---------------------------|
| Mr Alberto Alcober Teixidó    | Business Director         |
| Mr Carlos Escosa Farga        | Internal Auditor          |
| Ms Nuria Oferil Coll          | Legal Director            |
| Ms Carmina Ganyet Cirera      | Corporate General Manager |

|   |       |
|---|-------|
| <b>Total remuneration of senior management (thousands of euros)</b> | 2,123 |
|---|-------|

CC.1.17 List, if applicable, directors who are also members of the boards of directors of companies with significant holdings and/or in Group companies:

| <b>Name or company name of the director</b> | <b>Company name of significant shareholder</b> | <b>Position</b>             |
|---|--|-----------------------------|
| Mr Carlos Fernández González                | Grupo Finaccess S.A.P.I. de C.V.               | Chairman                    |
| Mr Carlos Fernández González                | AmRest Holdings, S.E.                          | Director                    |
| Mr Juan Carlos García Cañizares             | Bevco Lux, S.A.R.L.                            | Director                    |
| Mr Juan Carlos García Cañizares             | SNI International Holdings, S.A.R.L.           | Director                    |
| Mr Juan Carlos García Cañizares             | Park, S.A.R.L.                                 | Director                    |
| Sheikh Ali Jassim M.J. Al-Thani             | Nurabank                                       | Vice President and Director |
| Sheikh Ali Jassim M.J. Al-Thani             | Qatar Navigation Company                       | Chairman                    |
| Sheikh Ali Jassim M.J. Al-Thani             | Qatar Abu Dhabi Investment Company             | Chairman                    |
| Mr Adnane Mousannif                         | Elypont  | Director                    |

List any relevant relationships, other than those included under the previous heading, that link members of the board of directors to significant shareholders and/or their group companies:

| Name or company name of related director | Name or company name of related significant shareholder | Description of the relationship |
|--|---|---------------------------------|
| --                                       | --  | --                              |

C.1.18 Indicate whether any amendments have been made to the board regulations during the year:

**Yes X**                      **No**

| Description of changes   |
|--|
| <p>The reasons for the changes made to Board Regulations in 2017 were as follows: i) to adapt them to the new corporate name "Inmobiliaria Colonial, SOCIMI, S.A.", and ii) to establish the maximum number of company boards on which Directors of the Company may sit, pursuant to Recommendation 25 of the <i>Good Governance Code of listed companies</i>.</p> |

1.19 Indicate the procedures for the selection, appointment, re-election, evaluation 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.

The procedures for selection, appointment and re-election of directors are governed by the Board Regulations and set out in the Selection Policy approved by the Board at the behest of the ARC. Pursuant to this selection policy, discrimination shall be avoided in the selection process, and the overruling principle is the evaluation of the merits and abilities of each of the candidates, while seeking in all cases the most qualified candidates. 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. For legal entities, information should be included on the individual designated for the permanent exercise of the functions of the post. The procedure to evaluate directors is also governed by Board Regulations. In this regard, a plenary session of the Board shall evaluate, once a year, and adopt, where applicable, an action plan to correct any deficiencies identified with respect to: (i) the quality and efficiency of the Board of Directors; (ii) the operations and the composition of its Committees; (iii) the diversity of the composition and competences of the Board of Directors; (iv) the performance of the Chairman of the Board and the chief executive officer of the Company; and (v) the performance and contribution of each director, paying particular attention to those who are in charge of the various Committees of the Board. The evaluation of the Chairman of the Board shall be directed by the Coordinating Director. Regarding the

removal of directors, Board Regulations stipulate that directors may be removed from office at any time by the shareholders at the General Meeting even if their removal is not on the agenda.

In addition, directors must tender their resignation to the Board if the Board of Directors deems it appropriate subsequent to a report from the ARC in the cases specified in the Board Regulations, which are detailed in section C.1.21 below.

The Board of Directors shall not propose the removal of any independent directors before the expiry of their tenure as mandated by 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.

Also, the Board of Directors may propose the removal of other directors prior to expiry of the statutory period for which they were appointed for exceptional and justifiable reasons as approved by the board, subsequent to 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 notification of the departure as a regulatory announcement, and reporting of the reason for the departure in the Annual Corporate Governance Report.

C.1.20 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  |
|---|
| No changes have taken place because the self-assessment was satisfactory. |

C.1.20.bis Describe the evaluation process and areas evaluated by the board of directors, assisted, as the case may be, by an external consultant, in respect of the diversity of its composition and competences, the operation and composition of its committees, the performance of the chairman of the board and chief executive of the company and the performance and contribution of each director.

The Board of Directors evaluated its composition and competences, the operation and composition of committees and the performance of the Chairman, CEO, Coordinating Independent Director and the Secretary to the Board. In this regard, questionnaires were sent to all directors for these evaluations, covering various matters and collecting general recommendations for improvement. Once the responses were received, the ARC prepared the related reports evaluating the Board of Directors, Chairman, CEO, Lead Independent Director, other Company directors and the Board Secretary, as well as its own composition, competences and operation, for submission to the Board. The ACC also prepared a report evaluating its own composition, competences and functioning.

The ARC commissioned the services of the Spencer Stuart as an external consultant in this evaluation process. It issued a report on the adequacy of the procedure and methodology applied by Colonial in the evaluation process and its conclusions regarding the evaluation.

Following the valuation, the Board of Directors approved the assessment reports on the Board, its committees, the Chairman, the CEO, the Coordinating Independent Director and the Secretary, concluding that: (i) the Board of Directors has the proper composition and exercises the functions and competences attributed to it by the Company Bylaws and Board Regulations in an efficient manner, at all

times prioritising the interest of the Company and maximising its economic value; (ii) the Executive Committee, the ARC and the Audit and Control Committee (“ACC”) each have the proper composition, and they undertake and carry out in an efficient manner the competences attributed to them by the regulations applicable and by the Company’s corporate documentation; (iii) the Chairman and the CEO, have carried out the functions entrusted to them in a satisfactory and appropriate manner; and (iv) the Coordinating Independent Director and the Secretary to the Board have carried out their functions in an effective and diligent manner.

**C.1.20.ter Detail, as appropriate, any business dealings that the consultant or any company in its group have with the Company or any company in its group.**

Business dealings with the consultant or any company in its group are listed in section C.1.20 bis above, i.e. as an external consultant in relation to the evaluation of the Board of Directors, its committees, the Chairman of the Board and the CEO, the Coordinating Independent Director and the secretary to the Board and as external adviser on the remuneration policy of the Board of Directors.

**C.1.21 Indicate the cases in which the directors must resign.**

Under the Board Regulations, 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, 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 events in which, notwithstanding the foregoing paragraph, the Board of Directors considers that there are reasons that justify that the director remains 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 obligations as directors.
4. When their remaining as 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 were prosecuted or had 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, in view of the particular circumstances, decide whether or not he or she should remain in office, providing reasonable reasons therefor in the Annual Corporate Governance Report.

**C.1.22 Deleted**

**C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?**

**Yes                      No X**

If applicable, describe the differences.

**C.1.24 State whether there are any specific requirements, apart from those relating to the directors, to be appointed chairman of the board of directors.**

**Yes                      No X**

C.1.25 Indicate whether the chairman has the casting vote:

**Yes X**                      **No**

|  |
|--|
| <b>Areas in which there is a casting vote</b>  |
| There are no specific areas in which there is casting vote of the Chairman, to the extent that he has such vote in the event of a tie in any of the votes submitted to the board of directors. |

C.1.26 Indicate whether the Bylaws or the board regulations set any age limit for directors:

**Yes**                      **No X**

C.1.27 Indicate whether the Bylaws or the board regulations set a limited term of office for independent directors other than that established in law:

**Yes**                      **No X**

C.1.28 Indicate whether the Bylaws or board regulations stipulate specific rules for proxy votes on the board of 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. If so, give brief details.

Under Board Regulations, proxy shall be granted in writing and 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. Furthermore, Board Regulations stipulate that when votes are delegated to proxies, the directors must give specific instructions to the proxy on how to vote on the items being discussed.

C.1.29 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 shall also include proxies appointed with specific instructions.

|  |    |
|--|----|
| <b>Number of board meetings</b>                              | 13 |
| <b>Number of board meetings not attended by the chairman</b> | 0  |

If the chairman is an executive director, indicate the number of meetings held without the attendance or representation of any executive director and chaired by the coordinating director

|                           |   |
|---------------------------|---|
| <b>Number of meetings</b> | 0 |
|---------------------------|---|

Indicate the number of meetings of the various board committees held during the year:

|   |   |
|---|---|
| <b>Number of executive or delegate committee meetings</b> | 0 |
|---|---|

|   |    |
|---|----|
| <b>Number of audit committee meetings</b>                         | 10 |
| <b>Number of appointments and remuneration committee meetings</b> | 8  |

C.1.30 Indicate the number of board meetings held during the year with all members in attendance. Attendance shall also include proxies appointed with specific instructions.

|  |      |
|--|------|
| <b>Attendance of directors</b>                                       | 13   |
| <b>Number of attendances as % of the total votes during the year</b> | 100% |

C.1.31 Indicate whether the consolidated and individual annual financial statements submitted for approval by the board are certified previously:

**Yes X                      No**

Identify, where applicable, the person(s) who certified the company's individual and consolidated annual financial statements to be drawn up by the board:

| <b>Name</b>             | <b>Position</b>         |
|-------------------------|-------------------------|
| Ms Angels Arderiu Ibars | Chief financial officer |

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements prepared by it from being submitted to the general meeting with reservations in the audit report.

The Board Regulations stipulate that the ACC shall strive to ensure that the Board of Directors submits the financial statements to the General Meeting of Shareholders without limitations or reservations in the audit report. In any exceptional cases where these reservations exist, the Chairman of the ACC and, in exceptional circumstances, the auditors shall give a clear account to shareholders of the contents and scope of these limitations or reservations. In any case, based on the functions granted to it in this regard by Board Regulations, the ACC performs ongoing monitoring in the process of preparing the individual and consolidated financial statements to prevent them from being prepared with reservations in the audit report.

C.1.33 Is the secretary to the board a director?

**Yes                      No X**

If the secretary is not a director, complete the following table:

| <b>Name or company name of the secretary</b> | <b>Representative</b> |
|--|-----------------------|
| Mr Francisco Palá Laguna                     | --                    |

C.1.34 Deleted

**C.1.35** Indicate the specific mechanisms, if any, established by the company to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies.

Among the obligations of the ACC is to preserve the independence of the external auditor in the performance of its duties. It also corresponds to the ACC to:

- (i) Examine the circumstances behind the resignation of the external auditor, if this were to occur;
- (ii) Ensure that the compensation for the external auditor for their work does not compromise their integrity or independence;
- (iii) Oversee that the Company notifies the change of auditor as a regulatory announcement to the Spanish Securities Market Commission (CNMV) and that this notification is accompanied by a statement citing any disagreements the Company may have had with the outgoing auditor and, if there were such disagreements, to discuss them;
- (iv) 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.

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 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. 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 financial audit regulations. 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.

A draft regulation regarding the Audit and Control Committee has also been worked on in 2017 (having been approved by the Board of Directors in a session dated 22 February 2018) in line with the *Technical Guide 3/2017 on audit committees for public interest entities* of the CNMV of 27 June 2017, which established the procedure and specific criteria that define the ACC's activity to preserve, among other things, the independence of external auditors.

**C.1.36** Indicate whether the company changed its external auditors during the fiscal year. If so, identify the incoming auditor and the outgoing auditor:

**Yes X**                      **No**

| Outgoing auditor | Incoming auditor                       |
|------------------|--|
| Deloitte, S.L.   | PriceWaterhouseCoopers Auditores, S.L. |

Explain any disagreements with the outgoing auditor and the reasons for same:

**Yes**                      **No X**

**C.1.37** 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 they represent of the fees billed to the company and/or its group:

**Yes X**                      **No**

|  | <b>Company</b> | <b>Group</b> | <b>Total</b> |
|--|----------------|--------------|--------------|
| <b>Amount for non-audit work (thousands of Euros)</b>                                | 170            | 56           | 226          |
| <b>Amount of other non-audit work/total amount billed by the audit firm (as a %)</b> | 43.25%         | 13.87%       | 28.40%       |

C.1.38 Indicate whether the audit report for the annual financial statements of the previous fiscal year included any reservations or qualifications. Indicate the reasons given by the chairman of the audit committee to explain the content and scope of the reservations or qualifications.

**Yes**                      **No X**

C.1.39 Indicate the number of consecutive years that the current audit firm has been auditing the annual financial statements of the company and/or the group. 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:

|  | <b>Company</b> | <b>Group</b> |
|--|----------------|--------------|
| <b>Number of consecutive years</b>   | 1              | 1            |
| <b>Number of years audited by the current audit firm/number of years the company has been audited (as a %)</b> | 3.23%          | 3.23%        |

C.1.40 Indicate whether there is a procedure for directors to gain access to external advisory services, and if so, give details:

**Yes X**                      **No**

| <b>Detail of the procedure</b>   |
|--|
| In accordance with Board Regulations, 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. 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. The Chairman is responsible for duly transmitting this request to external advisers. Board Regulations also establish that the committees may engage external advice, when they feel this is necessary to enable them to carry out their functions, following the same procedure outlined above. |

C.1.41 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 X**                      **No**

| <b>Detail of the procedure</b>  |
|---|
| In accordance with Board Regulations, in the discharge of their duties, directors must request and are entitled to obtain from the Company any information they need to meet their obligations. In this respect, directors are invested with the broadest powers to obtain information on any aspect of the Company and to examine its books, records, documents and any other records of corporate operations and to inspect all the company's facilities. Accordingly, unless the Board of Directors has been convened or called for reasons of urgency, the Board Chairman, with the assistance of the Secretary, shall ensure that, prior to the meeting and sufficiently in advance, directors have the information necessary to deliberate on and adopt resolutions on the matters at hand. Furthermore, the Company has set up a portal, the "Director Portal", where all the necessary information and documentation is available for directors to prepare meetings of the Board and its committees, as well as the documentation from previous sessions. |

C.1.42 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to report and, where applicable, resign in any circumstances that might jeopardise the company's credit or reputation:

**Yes X**

**No**

| <b>Explain the rules</b>  |
|---|
| 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 were prosecuted or had 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, in view of the particular circumstances, decide whether or not he or she should remain in office, providing reasonable reasons therefor in the Annual Corporate Governance Report. |

C.1.43 Indicate whether any of the members of the Board of Directors have informed the company of any indictments or the commencement of oral proceedings against him/her for any of the offences specified in Article 213 of the Spanish Limited Liability Companies Law:

**Yes**

**No X**

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, state the action taken by the Board of Directors or the action it intends to take, up to the date of this report.

C.1.44 Detail any significant resolutions taken by the company which will come into force, are amended or terminated in the event of a change of control of the company following a takeover bid and the effects thereof.

Colonial has arranged a syndicated loan amounting to €350 million, which contains an early maturity clause in the event of a change of control. On 29 March 2017, Colonial arranged a new syndicated loan in the amount of €375 million, which also contains an early maturity clause in the event of a change of control.

Also, on 2 June 2015, a bond issue was launched in the amount of €1,250 million which, in the event of a change of control as defined in Article 42 of the Spanish Code of Commerce, provides for the mandatory

early repayment both of the tranche maturing in June 2019 and the tranche maturing in June 2023, provided the change of control entails a loss of the Investment Grade rating.

Finally, in 2016 and 2017, the following fixed-income issues were carried out as “non-participating securities” on the Euro Medium Term Note programme (“**EMTN Programme**”), which stipulates early maturity of the bonds, at the choice of bondholders, in the event of a change of control: (i) on 21/10/2016, a bond issue in the total nominal amount of €600 million, maturing on 28/10/2024; (ii) on 09/11/2016, an ordinary bond issue in the total nominal amount of €50 million, maturing on 10/11/2026; (iii) on 28/11/2017, an ordinary bond issue in the total nominal amount of €800 million.

**C.1.45** Identify in aggregate format and provide detailed information on agreements between the company and its officers, executives and employees that provide for indemnities 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 operations.

|                                       |  |
|---------------------------------------|--|
| <b>Number of beneficiaries</b>        | 3  |
| <b>Type of beneficiary</b>            | Chairman, CEO and Corporate General Manager.   |
| <b>Description of the resolutions</b> | <p>Executive directors, pursuant to their service provision contracts approved by the Board of Directors, would receive termination benefits in the event of unjustified termination or non-renewal of their positions, or a substantial reduction of their respective functions. This would also accrue (i) in the event of a waiver or departure from their posts due to a change of control at the Company or significant change in the composition of the Board and (ii) in the event of amendment of the terms and conditions agreed in their employment contracts without their consent, among other scenarios established by the Board. The compensation consists of, (a) in relation to the Chairman, a gross amount equivalent to two years' fixed and variable remuneration, with a minimum of €1,650,000, and (b), in relation to the CEO, a gross amount equivalent to two years' fixed and variable remuneration, with a minimum of €1,920,000. The amounts shown are automatically renewed on an annual basis by applying the CPI or any another official benchmark that may ultimately replace it. In the case of the Corporate General Manager, the guarantee or golden parachute clause triggered in the event of termination under certain circumstances or change of control gives rise to compensation for termination of functions for an amount equal to 3 years' salary.</p> <p>There is also a long-term incentive plan approved by the General Meeting, which entails the delivery of ordinary shares of the Company contingent on meeting certain targets each year. The beneficiaries of the plan are the Chairman of the Board, the CEO and the members of Colonial's Management Committee, which includes the Corporate General Manager. The plan provides that the Board of Directors shall agree early settlement of the plan and the award of a maximum number of outstanding shares to each beneficiary if a "substantial liquidity event" occurs. "Substantial liquidity events" shall occur (i) when a takeover bid is authorised to acquire all Colonial's share capital, or (ii) when refinancing of all Colonial's debt is authorised. In the latter case, early settlement of the Plan is subject to the ARC's ratification.</p> <p>If, during the term of the Plan, the Chairman or CEO were unfairly dismissed, the General Meeting did not extend their term or they were dismissed from their positions without just cause, they shall be entitled to early settlement of the Plan and to delivery of the</p> |

|  |   |
|--|---|
|  | maximum number of shares outstanding in the years remaining until the end of the Plan. Beneficiaries shall lose their right to the delivery of shares in the event of justified dismissal, termination for cause or if they resign on their own initiative, and in case of breach of contract in respect of confidentiality, non-solicitation of services or competition. In these cases, the beneficiaries shall lose any rights to shares that have been granted. |
|--|---|

Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group:

|  |                           |                        |
|--|---------------------------|------------------------|
|  | <b>Board of Directors</b> | <b>General Meeting</b> |
| <b>Body which authorises the clauses</b> | Yes                       | No                     |

|  |            |           |
|--|------------|-----------|
|  | <b>Yes</b> | <b>No</b> |
| <b>Is the general meeting informed of the clauses?</b> |            | X         |

## 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 OR DELEGATE COMMITTEE

| <b>Name</b>                        | <b>Position</b> | <b>Category</b> |
|------------------------------------|-----------------|-----------------|
| Mr Juan José Brugera Clavero       | Chairman        | Executive       |
| Mr Pedro Viñolas Serra             | Member          | Executive       |
| Mr Carlos Fernández González       | Member          | Proprietary     |
| Mr Juan Carlos García Cañizares    | Member          | Proprietary     |
| Mr Adnane Mousannif                | Member          | Proprietary     |
| Mr Carlos Fernández-Lerga Garralda | Member          | Independent     |

|                                      |        |
|--------------------------------------|--------|
| <b>% of executive directors</b>      | 33.33% |
| <b>% of proprietary directors</b>    | 50.00% |
| <b>% of independent directors</b>    | 16.67% |
| <b>% of other external directors</b> | 0.00%  |

Explain the functions attributed to this committee, describe the procedures and rules of its organisation and functioning, and summarise its major activities during the year.

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 the Board so resolves.

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 directors concerned 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. All Board members must receive a copy of the minutes of Executive Committee meetings. The Executive Committee did not meet in 2017.

Indicate whether the composition of the delegate or executive committee reflects the breakdown of the various directors according to their category:

Yes **X**

No

**AUDIT COMMITTEE**

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

|                                      |         |
|--------------------------------------|---------|
| <b>% of proprietary directors</b>    | 0.00%   |
| <b>% of independent directors</b>    | 100.00% |
| <b>% of other external directors</b> | 0.00%   |

Explain the functions attributed to this committee, describe the procedures and rules of its organisation and functioning, and summarise its major activities during the year.

The ACC comprises a minimum of 3 and a maximum of 8 directors, all of which must be non-executive

directors, appointed by the Board. The ACC shall also include the number of independent directors stipulated by law at any given time, and at least one of them shall be appointed in due consideration of the director's knowledge and experience in accounting and/or auditing. The ACC members shall have relevant technical knowledge in relation to the Company's sector of activity. The ACC shall appoint (i) a Chairman, who must be an independent director and shall be replaced every 4 years, and may be re-elected after 1 year has elapsed from the date on which his/her term of office expired; and (ii) a Secretary, who may be Secretary to the Board. The members shall be relieved of their duties once their directorships expire, or when the Board agrees so.

The ACC shall have the following functions, among others:

1. Report to the General Meeting on any questions posed in relation to those matters for which the Committee is responsible, particularly the result of the audit.
2. Supervise the effectiveness of internal control, the internal audit and the risk management systems, and discuss with the auditor any significant weaknesses detected.
3. Supervise the drawing up and presenting of required financial information and submit recommendations and proposals to the Board to safeguard its integrity.
4. Propose to the Board the selection, appointment, re-election and replacement of the auditor, taking responsibility for the selection process, as well as the terms of its engagement, and regularly gather information from it regarding the audit plan and the implementation thereof, and preserve its independence.
5. Establish appropriate relationships with the auditor to receive information on any issues which may jeopardise its independence and issues relating to the audit process, and, as appropriate, the authorisation of non-prohibited services, among others. In any event it must, on an annual basis, receive from the auditor a statement of its independence with respect to the Company or entities directly or indirectly related thereto, as well as information on any type of additional services provided and the related fees received by the auditor or by persons or related entities.
6. Issue, on an annual basis and prior to the issuance of the annual audit report, a report expressing an opinion on whether the independence of the auditor or audit companies has been jeopardised, which must in all cases contain a reasoned evaluation of the provision of additional non-audit services in respect of the independence rules or audit standards.
7. Inform the Board of all matters established by law, the Bylaws and Board Regulations.
8. Prepare an annual report on its activities, which must be included in the directors' report.

The ACC meets whenever requested to do so by at least 2 of its members, or at the behest of the Chairman, who is responsible for convening it. The notice shall be valid provided it is sent by any means that allows acknowledgement of its receipt. The ACC is validly convened when the majority of its members are present or represented, adopting resolutions by majority of those present or represented. The member affected must abstain from participating in the deliberation and voting on resolutions in which the member or a person related thereto has a conflict of interest. In the event of a tie, the Chairman has the casting vote. Minutes are taken of ACC meetings and are made available to the Board.

The major activities of the ACC in 2017 were as follows:

- Act as a communication channel between the Board and the external auditor, assessing the results of each audit.
- Issue 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.
- Supervise the effectiveness of the internal control, the internal audit and the risk management systems, and discuss with the auditor any significant weaknesses detected in the internal control system during the audit.
- Approve the risk management and control policy, corporate governance and treasury share reports to be submitted to the board.
- Monitor the Company's corporate social responsibility policy.
- Monitor compliance with the rules of the internal codes of conduct and its corporate social

responsibility policy.

- Oversee the preparation and filing of required financial information.
- Inform about the Annual Corporate Governance Report to be submitted to the Board of Directors for their approval as part of the financial statements.
- Evaluate its own performance within the framework of the self-evaluation of the performance of the Board and its internal Committees.
- Analyse and report on treasury share transactions to be submitted to the Board, and in particular, issue a favourable report on the share buyback plan and monitoring thereof.
- Inform the Board, via the Chairwoman, of the contents of the ACC meetings.
- Review the Company's power structure.
- Update the Company's maps of risks and processes and reviewed and assessed the risk inventory.
- Analyse the impact that the special tax regime for listed real estate investment trusts has had on the Company's activity, as well as its financial impact, according to the reports made by external advisors that were submitted to the Committee by the corporate general manager.
- Also, report on the other corporate operations planned by the Company in that year.
- Report on the issuance of bonds under the "Euro Medium Term Note" programme.
- Oversee compliance with the measures agreed within the framework of the action plan to improve cybersecurity.
- Analysis of the Regulations of the Audit and Control Committee.

Identify the director who is a member of the audit committee appointed with regard to his or her knowledge and experience in accounting, auditing or both, and indicate the number of years that the Chairman of the committee has held that office.

|  |                                |
|--|--------------------------------|
| <b>Name of director with experience</b>                        | Ms Ana Sainz de Vicuña Bemberg |
| <b>Nº of years during which the chairman has held the post</b> | 2                              |

#### APPOINTMENTS AND REMUNERATION COMMITTEE

| <b>Name</b>                        | <b>Position</b> | <b>Category</b> |
|------------------------------------|-----------------|-----------------|
| Mr Carlos Fernández-Lerga Garralda | Chairman        | Independent     |
| Mr Adnane Mousannif                | Member          | Proprietary     |
| Mr Juan Carlos García Cañizares    | Member          | Proprietary     |
| Mr Javier Iglesias de Ussel Ordís  | Member          | Independent     |
| Mr Luis Maluquer Trepas            | Member          | Independent     |

|                                   |        |
|-----------------------------------|--------|
| <b>% of proprietary directors</b> | 40.00% |
| <b>% of independent directors</b> | 60.00% |

|                                      |       |
|--------------------------------------|-------|
| <b>% of other external directors</b> | 0.00% |
|--------------------------------------|-------|

Explain the functions attributed to this committee, describe the procedures and rules of its organisation and functioning, and summarise its major activities during the year.

The ARC comprises a minimum of 3 and a maximum of 8 directors, all of which must be non-executive directors, appointed by the Board. The ARC also includes the number of independent directors stipulated by law. The ARC shall appoint from among its members (i) a chairman, who, in any case, shall be an independent director, and (ii) a secretary, or it may designate the Secretary to the Board. The ARC may appoint a deputy chairman, who shall also be an independent director. The members of the ARC shall leave office when they cease to be directors or when the Board so resolves.

The ARC shall have the following functions, among others:

1. Evaluate the skills, knowledge and experience required of the Board, define the roles and capabilities required of the candidates and decide on the time and dedication necessary for them to effectively discharge their duties.
2. Establish a target representation rate for the less-represented gender on the Board, laying down guidelines to achieve it.
3. Make appointment proposals to the Board of independent Directors to be co-opted or, if applicable, for submission to a decision by the shareholders at the General Meeting, and proposals for re-election and removal thereof by the General Meeting.
4. Report on proposals for appointment of other Directors to be co-opted or, if applicable, for submission to a decision by the shareholders at the General Meeting, and proposals for re-election and removal of those directors by the General Meeting.
5. Report the proposals for the appointment and removal of senior officers and the basic conditions of their contracts.
6. Examine and organise the succession of the Board Chairman and of the chief executive officer of the Company and, where applicable, make recommendations to the Board to ensure a well-planned and orderly succession.
7. Make recommendations to the Board on remuneration policy for directors and general managers or other members of senior management reporting directly to the Board, for executive committees or the CEO, and for individual remuneration and other contractual conditions of Executive Directors, and ensure compliance with this policy.

The ARC meets whenever requested by at least 2 of its members or as resolved by its Chairman, who is responsible for calling meetings. The call notice shall be valid provided it is sent by any means that allows acknowledgement of its receipt. The ARC shall be considered validly constituted when a majority of its members are present in person or by proxy. Its resolutions shall be adopted by a majority of those present in person or by proxy, and the Chairman will have the casting vote in the event of a tie. Proxies are granted in writing specifically for each meeting, and solely to another member of the ARC. Members of the ARC shall refrain from taking part in deliberations or voting on any resolutions or decisions in which they or any persons related thereto may have a direct or indirect conflict of interest. Minutes are taken of all ARC meetings and are made available to all Board members.

The major activities of the ARC in 2017 were as follows:

- Coordinate and submit to the Committee the reports assessing the performance of thereof, the ARC and the performance of the Chairman, the CEO, the Coordinating Director and the Secretary to the Board, with the advice of Spencer Stuart.
- Oversee that the compensation policy established by the Company was being complied with and, in particular, propose variable compensation for the Chairman and CEO.
- Examine the qualifications of the Board members in accordance with their corporate documents, the Spanish Limited Liability Companies Law and the corporate governance recommendations.
- Issue a favourable report and propose to the Board the approval of the annual report on remuneration for the directors.



Ensure compliance with the rules on corporate governance. In particular, it has carried out the following tasks: (i) ensure compliance with the Company's rules on corporate governance; and (ii) assess the suitability of the Company's corporate governance system.

- Recorded the appointment of an independent Director, in the subsidiary company, Société Foncière Lyonnaise, and proposed an increase in the set compensation, commissions and attendance allowances for the directors of such subsidiary.
- Propose, based on the achievement of the indicators, the number of shares owed to the beneficiaries of the share allocation plan approved at the General Meeting on 21 January 2014 (the "Plan").
- Analyse and monitor possible modifications to the Plan, and report on proposals made by PricewaterhouseCoopers, S. L.
- Agree, in order to motivate and retain the talent of the management team, an extension to the Plan under the same terms that were approved by the General Meeting on 21 January 2014, to remain in force in 2019 and 2020.
- Propose to the Board that the General Meeting set the number of Board members as ten due to the resignation tendered by the director, Mr Juan Villar-Mir de Fuentes.
- Implement and develop the update plan for directors in relation with, among other aspects, the new trends in the sector that are causing disruptions to the property business, with special focus on the "PropTech" and "CoWorking" phenomena.
- Furnish the Board with a favourable report on the resignation of Sheikh Ali Jassim J.M. Al-Thani as member of the ARC and the appointment of Mr Adnane Mousannif as a new member.

C.2.2 Complete the following table with information concerning the number of female directors on board committees over the last four years:

|  | Number of female board members |        |        |        |        |        |        |        |
|--|--------------------------------|--------|--------|--------|--------|--------|--------|--------|
|  | 2017                           |        | 2016   |        | 2015   |        | 2014   |        |
|  | Number                         | %      | Number | %      | Number | %      | Number | %      |
| <b>Executive committee</b>                     | 0                              | 0.00%  | 0      | 0.00%  | 0      | 0.00%  | 0      | 0.00%  |
| <b>Audit committee</b>                         | 1                              | 25.00% | 1      | 20.00% | 1      | 20.00% | 1      | 20.00% |
| <b>Appointments and remuneration committee</b> | 0                              | 0.00%  | 0      | 0.00%  | 0      | 0.00%  | 0      | 0.00%  |

C.2.3 Deleted

C.2.4 Deleted

C.2.5 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.

Board committees are governed by Board Regulations, which are available on the Company's website ([www.inmocolonial.com](http://www.inmocolonial.com)) in the "Corporate governance" section, and on the website of the Spanish Securities Market Commission ([www.cnmv.es](http://www.cnmv.es)). Amendments were made to board regulations in 2017 in

order to adapt them to the new corporate name Inmobiliaria Colonial, SOCIMI, S.A. and to establish the maximum number of listed company boards on which Colonial directors may sit, pursuant to Recommendation 25 of the Good Governance Code of listed companies. Likewise, in 2017, the Audit and Control Committee Regulations were analysed and worked on, in line with *Technical Guide 3/2017 on audit committees of public interest entities*, which was approved by the Board of Directors at its meeting held on 22 February 2018.

#### C.2.6 Deleted

### **D RELATED-PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS**

D.1 Explain any procedures for the approval of related-party transactions and intragroup transactions.

| <b>Procedure for the approval of related-party transactions</b>  |
|--|
| <p>In accordance with the Regulations of the Board of Directors, express authorisation is required from the Board of Directors, which cannot be delegated, following a favourable report from the ACC, in the following cases, among others:</p> <ul style="list-style-type: none"> <li>- Provision of professional services by a director to Colonial companies. The employment or any other type of relationship that executive directors have with the Company is exempt for these purposes.</li> <li>- For a director, a significant shareholder or his/her representative on the Board, or a related person to sell or otherwise transfer supplies, materials, goods or rights, in general, to Colonial or other companies in its Group in exchange for any type of economic compensation.</li> <li>- For the companies in the Group to transmit supplies, materials, goods or rights, in general, on behalf of a Director, a significant shareholder or his/her representative on the Board, or a related person that are outside the transferor company's normal business.</li> <li>- Provision of works, services or sale of materials by Inmobiliaria Colonial Group companies to a director, significant shareholder or a shareholder represented on the board, or a related person, and which, being part of their ordinary business, is carried out under economic conditions below market rates.</li> <li>- Any other legal business with Group companies in which the director or a related person has a direct or indirect interest.</li> </ul> <p>The aforementioned approval by the Board of Directors shall not be necessary when such transactions have the following three characteristics simultaneously: 1. They are carried out under contracts with standard terms and conditions and are applicable across-the-board to many customers; 2. They are carried out at market prices, generally set by the person supplying the goods or services; and 3. The amount of the operation does not exceed 1% of the Company's annual revenue.</p> |

D.2 State any operations which are significant in terms of their value or relevant due to their contents, carried out between the company or companies in its group, and significant shareholders of the company:

| <b>Name or company name of the significant shareholder</b> | <b>Name or company name of the company or company in its group</b> | <b>Type of relationship</b> | <b>Type of transaction</b> | <b>Amount<br/>(thousands of euros)</b> |
|--|--|-----------------------------|----------------------------|--|
|  |  |                             |                            |  |

D.3 State any operations that are significant in terms of their value or relevant due to their contents, carried out between the company or companies in its group, and company directors or managers:

| Name or company name of the directors or managers | Name or company name of the related party | Link | Nature of transaction | Amount (thousands of euros) |
|---|---|------|-----------------------|-----------------------------|
| --  | --  | --   | --                    | --                          |

D.4 State any significant transactions carried out by the company with other companies in the same group, provided they are not eliminated during the process of drawing up the consolidated financial statements and do not form part of the company's usual business in terms of its corporate purpose and conditions.

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 | Amount (thousands of euros) |
|--|--------------------------------------|-----------------------------|
| --   | --                                   | --                          |

D.5 State the amount of the transactions carried out with other related parties.

0 (in thousands of euros).

D.6 State the mechanisms established to detect, determine and resolve any conflicts of interest between the company and/or the group, directors, managers or significant shareholders.

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 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. Resolutions or decisions that affect directors in their capacity as directors, such as the appointment or revocation of positions in the governing body or others of a similar nature, are excluded from this obligation to abstain. 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.

Likewise, directors must adopt the measures necessary to avoid becoming involved in situations where their interests, either as independent professionals or as employees, may be in conflict with the Company's interests and their duties to the Company. In particular, the duty to avoid conflicts of interest requires that directors abstain from:

- a) carrying out transactions with the Company, except when they are ordinary transactions, performed under standard market conditions for customers and are scantily relevant, which is understood to mean those transactions whose disclosure is not necessary to present a true and fair view of the Company's assets and liabilities, financial position and results;
- b) using the Company's name or relying on their status as directors to unduly influence private transactions;
- c) using the Company's assets, including its confidential information, for personal gain;
- 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, unless considered an act of mere courtesy;

f) carrying out activities as independent professionals or as employees that involve effective competition, be it present or potential, with the Company, or that, in any other way, place the directors in an ongoing 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.

The persons stipulated in the Spanish Limited Liability Companies Law shall be considered related persons. In all cases, directors must notify the Board of Directors of any direct or indirect conflict that they or any related persons may have that could affect the Company. Any conflicts of interest in which the 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 when its purpose is to waive the prohibition of obtaining an advantage or remuneration from third parties, or when it affects a transaction the value of which is greater than 10% of the Company's assets. The Board of Directors may grant authorisation in other cases, provided the independence of the members granting such authorisation with regard to the exempt director can be guaranteed. 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. A non-compete obligation may only be waived in the event that no damages are expected for the Company or when damages are expected to be offset by the potential benefits. The General Meeting shall grant dispensation through an express and separate resolution.

D.7 Is more than one Group company listed in Spain?

Yes

No X

Identify the listed subsidiaries in Spain:

State whether the respective areas of activity and business relations between them, and those of the listed subsidiary with the other group companies, have been accurately defined in a public manner;

Yes

No

Define any business relations between the parent company and the listed subsidiary, and between the subsidiary and other group companies

Identify the mechanisms in place to resolve any conflicts of interest between the subsidiary and other group companies:

Mechanisms to resolve any conflicts of interest

## **E RISK MANAGEMENT AND CONTROL SYSTEMS**

E.1 Describe the Risk Management System in place at the company, including tax risks.

E.1 Describe the Risk Management System in place at the company, including tax risks.

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 reviewed and updated every two years. Also, Colonial's RMCS establishes monitoring activities by the owners of risk by updating the records of the risks in order to verify the effectiveness of the management of risks.

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 Risk Management 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. Meanwhile, the internal audit function is responsible for carrying out the oversight duties required and established in its annual plans to evaluate the effectiveness of the risk management and control processes implemented to mitigate risk.

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 Indicate the main risks, including tax risks, which may prevent the company from achieving its business targets.

The main risks faced by Colonial in achieving its targets include:

- Corporate and sectoral risks arising from political and macroeconomic situations in the countries in which it operates, since the property sector is cyclical by nature, realisation of its activity through the acquisition of other companies or businesses and management of subsidiaries, management of reputation and the corporate image.
- Strategic risks arising from the specific nature of its activity, in relation to the increase in competition and complexity of investments, keeping ahead of new trends in the sector, the high concentration of office rental activities in the "Central Business Districts" of Barcelona, Madrid and Paris, anticipation of the real estate cycle in the event of a potential lower appraisal of real estate assets.
- Operating risks arising from management of property assets, the high concentration of customers, damage to real estate assets, management of information systems, maintenance and repair of these systems, liability for action taken by contractors and subcontractors, management of licences for operation of real estate assets, and judicial and extrajudicial claims.
- Risks of a financial nature relating to restrictions in capital markets and in financial debt markets, levels of debt, the drop in credit ratings and interest rate fluctuations.
- Risks arising from compliance with all the regulations and contractual obligations applicable, including tax risks concerning loss of Colonial's REIT status and loss of its French subsidiary Société Foncière Lyonnaise's status as a listed property investment company ("SIIC"), limitations on the offsetting of negative taxable amounts.

#### E.4 State whether the company has a risk tolerance level, including tax risks.

Colonial has established an appetite and tolerance for each risk area. Risk appetite is the level of risk a company is prepared to undertake or reject according to its objectives and taking into account the expectations of its stakeholders, and risk tolerance is the determination of fluctuations in risk levels deemed to be normal in keeping with their risk appetite.

Risk management 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 in terms of its operations, reputation and compliance, and the potential likelihood of the risk occurring 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.

#### E.5 Identify any risks, including tax risks, which have occurred during the year.

The risks that arose in 2017, the circumstances that caused them and the functioning of the control systems are as follows:

**i. CONCENTRATION OF GROUP ACTIVITIES IN SPAIN AND FRANCE**

Colonial focuses its business activity on the rental business of properties in Barcelona, Madrid and Paris. The Group is, therefore, exposed to changes in the political or economic situation in the countries in which it operates.

**Control systems:** The level of the Group's rental income comes from property rentals located mainly in CBD areas of these cities. This strategy of focusing its business mainly in CBD areas and its high-quality standards have positioned the Group as a benchmark in the sector. In 2017, the Company also increased its ownership interest in Axiare Patrimonio Socimi, S. A., and also submitted a takeover bid for all the remaining shares of this company, which was accepted in January 2018.

**ii. INCREASED COMPETITION IN THE REAL ESTATE SECTOR**

Heavy investment continued in 2017 in the real estate sector. This situation entails the continuation of a considerable amount of competition between companies in the sector, which could generate an increase in the price of property acquisitions, excess supply on the office rental market or a decrease in the level of rent obtained from such properties.

**Control systems:** Colonial diversifies its investments in Barcelona, Madrid and Paris, selecting high-quality properties located in Central Business District ("CBD") areas. Colonial's strategy is to have the best portfolio of offices for rent.

**iii. IMPAIRMENT OF REAL ESTATE ASSETS**

The holding and acquisition of real estate assets imply certain risks, including the possibility that returns on investment shall be lower than estimated or that estimates and valuations performed could prove to be inaccurate or wrong. In addition, the market value of the assets may decline or be adversely affected in certain cases.

**Control systems:** To mitigate this risk factor, Colonial engages independent experts to appraise all its assets on a six-monthly basis. The Group also regularly reviews the future value creation potential of each of the properties in its portfolio. The Group allocates a significant portion of its resources to investing in and maintaining its real estate assets in order to enhance their value and position on the market and the income obtained from these assets. In this regard, the Group invested €69 million in 2017 in new projects and projects to renovate and improve its real estate assets.

**iv. ANTICIPATION OF NEW TRENDS**

The property sector, like other sectors, calls for constant adaptation to emerging trends. Increasing development of digitalisation in all sectors, the new technology applied in the property sector and the increase in co-working spaces entail constant changes that specifically affect the real estate sector.

**Control systems:** The Colonial Group allocates resources and carries out specific activities in order to analyse

and, where appropriate, implement these trends in the activities carried out by the Group. In this regard, in 2017, Colonial engaged a digital senior advisor to drive Company initiatives and strategies in relation to 'Proptech' (Property Technologies), a segment that studies the impact of technology and digitalisation on the development of services and new business models in the property sector. Also in 2017, the Colonial Group purchased a controlling stake in the Spanish co-working platform Utopic\_US, taking up a position in a new strategic line to enhance and boost the strategy of Group users, offering flexibility and integrated contents and services.

**v. FINANCING OF REAL ESTATE ASSETS. FINANCIAL STRUCTURE AND LEVEL OF DEBT**

Companies operating in the property sector require a considerable amount of investment to guarantee their projects and business expansion through the acquisition of buildings and/or land.

**Control systems:** In 2017, Colonial carried out a new bond issue in the total amount of €800 million. Colonial also raised the Standard & Poor's credit rating to BBB in the long term and A-2 in the short term, both with outlook stable; and the rating for SFL to BBB+ in the long term and A-2 in the short term, with outlook stable. Moody's, meanwhile, rated Colonial as Baa2 with outlook negative. Colonial also carried out two share capital increases and sold treasury shares in the total amount of €591 million in 2017. As a result, the Group obtained additional funds to acquire high-quality real estate assets to boost its stake in Axiare and undertake the Axiare takeover bid, while diversifying and increasing the average maturity of its debt, and continuing to optimise its financial costs. At 31 December 2017, the Group's net financial debt amounted to €3,066 million, with an LTV ratio of 31.3%.

**vi. APPLICATION OF THE SOCIMI SPECIAL TAX REGIME**

In December 2016, an amendment to Spain's Corporation Tax Law reduced the thresholds for offsetting negative taxable amounts from previous years, thereby increasing the theoretical effective tax rate.

**Control systems:** In the wake of this amendment, following an analysis of the impacts and requirements for the structure of the Group and its shareholders, in 2017, Colonial undertook the special Spanish REIT tax system, establishing the necessary control mechanisms to secure compliance with this system.

**E.6 Indicate the plans in place for responding to and supervising the company's main risks, including tax risks.**

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 Company'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 residual risk so that it is in line with the Company's risk tolerance.
- *Share:* The likelihood or impact of a risk is reduced by transferring or sharing part of the risk to reduce residual risk so that it is in line with the Company's risk tolerance.
- *Accept:* No action is taken which may affect the likelihood or impact of the risk as residual risk is already within the Company's risk tolerance.

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 tolerance 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. Which bodies and/or functions are responsible for (i) the existence and maintenance of a proper 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. Determine the Company's general policies and strategies, approve the investment and financing policy, the strategic or business plan, the annual management targets and annual budgets, and the treasury share policy, determine the corporate governance policy of the Company and the Group and the dividend policy, and approve the corporate social responsibility policy. The Board of Directors also determines 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 ideal development.

To this end, Colonial has published an Internal Risk Management and Control Manual for its ICFR system, approved by the ACC, detailing the methodology for establishing the materiality of risks, as well as methodologies for documenting, classifying and assessing risks and associated control activities.

2. Approval of the financial information that all listed companies must periodically disclose.

To this end, Colonial has published a Manual for Disclosure of Regulated Information that covers the aspects mentioned in this section and has been approved by the ACC.

3. Monitor the effective functioning of the Committees created by the Board and the performance of the delegated bodies and executives 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 risk control and management policy, which identifies at least: (i) types of financial and non-financial risks faced by the Company, including financial and economic risks, contingent liabilities and other off-balance sheet risks; (ii) the level of risk that the Company considers acceptable; (iii) the measures planned to mitigate the impact of identified risks, should they materialise; (iv) and the information and internal control systems to be used to control and manage these risks, including contingent liabilities and off-balance sheet risks.



2. Oversee the preparation and filing of required financial information.
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 orientation and its 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) establish and supervise a method that allows employees to make confidential and, if possible and appropriate, anonymous, declarations on any irregularities, especially financial and accounting irregularities, that may potentially be important to the company.
4. Act as a communications channel between the Board of Directors and the Company's external auditor, assessing the results of each audit. It also receives regular information from the 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.

The internal audit function is responsible for drawing up the annual Internal Audit Plan and submitting it to the ACC. It includes the necessary tests to verify compliance with ICFR manuals, procedures and policies. 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.

The responsibility for developing Colonial's ICFR organisational model lies with the Internal Audit Department and the Operations-Finance Department, as they are the two departments most involved in drawing up and subsequently supervising the financial information to be reported.

Nevertheless, all Departments involved to a lesser or greater degree in preparing the financial information must also take responsibility for correctly carrying out the tasks, processes and controls in which they are involved.

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 guidelines of operation of the ICFR and senior-level roles and responsibilities.
- b) Identification of major risk events, which, if they occur, may materially affect financial information.
- c) For risks identified in the relevant processes, specific mitigating controls are implemented to reduce these risks to acceptable levels. The operational Departments concerned are responsible for adequately implementing these procedures.

- d) The Operations-Finance Department is responsible for maintaining documentation on and keeping Colonial's accounting policies and manuals up to date and maintaining an environment of general controls of the IT systems.
- e) Lastly, the Internal Audit function and the 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 which expresses 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."*

Colonial's Regulatory Compliance Unit, which reports to the ACC, is responsible for disseminating the Code of Ethics both internally and externally.

The Code has been distributed to all employees.

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, reporting whether this is confidential, as the case may be.

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 set up a whistleblowing channel on its intranet where employees can report any irregularities and breaches identified at the Company.

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, audit, 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.

In addition, the Regulatory Compliance Division, 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.

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 basic function of the ACC, as delegated by the Company's Board of Directors, is to monitor and control risk. To this end the managers of the various operating units cooperate in identifying and correcting risk 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) Presentation: Incorrect presentation of financial transactions in the financial statements (assets vs. liabilities, income vs. expense, current vs. non-current etc.).
- 7) Transaction cut-off: Incorrect recording of transactions in the proper accounting period.

Colonial’s ICFR Internal Control and Risk Management Manual is revised and periodically updated by Internal Audit and the Legal Advisory and Operations-Finance Departments, at the proposal of any of these, also taking into account the suggestions and proposals of Internal Audit arising from its reviews. The ACC must approve any amendments to the Manual, while Internal Audit and the Operations-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 Operations-Finance Department. The ACC is notified when the scope of consolidation changes.

- 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 risk. To this end, the managers of the various operating units work together to identify and correct risks.

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 CAC.

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:

*"In relation to information systems and internal control: ... (ii) to conduct a periodic review of the internal control and risk management systems in such a way that the main risks are identified, managed and notified properly."*

In this regard, the ACC is responsible for approving Colonial's ICFR Internal Control and Risk Management Manual.

As indicated in section 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 of reliable financial information to the market. In this regard, the Committee has approved a manual for disclosure of statutory information that regulates the procedure for preparing and approving this information.

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 Directors' Remuneration (IAR).
- c) Registration document
- d) Regulatory Announcements.

There are preparation and review procedures in place for all relevant statutory financial information to be reported to the market. 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.

Monitoring of the Manual for Disclosure of Statutory Information as well as the completion of the specific internal control questionnaires are mandatory and subject to review by Colonial's internal auditor.

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. This structures specific internal control mechanisms that have been deployed to maintain an internal control environment conducive to comprehensive, reliable and timely financial information and which looks to foresee the possible existence of irregularities and the means to detect and correct 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. The Organisational Model details the high-level controls and mechanisms.

Colonial has determined what errors or inaccuracies in the financial statements and other public information could severely affect its reputation, image and share price and these are, therefore, included in the ICFR system for monitoring and supervision.

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, by complying therewith, complete and reliable financial information is obtained.

The Operations-Finance 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) Manual for Disclosure of Statutory Information.
- g) Procedure for maintaining the Group's accounting policies and the Accounting Policies Manual.
- h) Taxes.

- i) Reporting systems, including capture and preparation mechanisms for supporting financial information to be issued.
- j) Investments and asset acquisitions.
- k) Purchases of goods and services.
- l) Human resources.

All key processes are documented and are 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 activities of the processes.
- 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 must be adhered to. Therefore, it is essential that all the functions/departments involved monitor the processes established, as well as the controls in place, to guarantee security when preparing financial information at Colonial. 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.

In this regard, Colonial has software to monitor the responses to the controls defined in each accounting period for the key processes. Internal audit monitors and supervises compliance with these controls.

Any transactions with a substantial weight of critical judgments, estimates, measurements and projections are specifically monitored, as is the case with real estate asset valuations, the preparation of impairment tests and the preparation of effectiveness tests for derivative financial instruments.

### F.3.2. Internal control policies and procedures for IT systems (including access security, control of changes, system operation, continuity and separation of duties) giving support to key Company processes involved in the preparation and publication of financial information.

The Systems area is responsible for Colonial's corporate IT systems. This department reports to the Operations-Finance 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. The head of IT coordinates the main aspects concerning the 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, therefore, information is exchanged by exporting data to secure 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.

The internal audit's annual plan includes the monitoring activities needed to ensure the processes described are correctly executed.

#### **F.4 Information and reporting**

Report, indicating salient features, if available, on, at least:

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 Operations-Finance Department is responsible for maintaining documentary records of Colonial's accounting policies and keeping the Group accounting policies manual up to date, which entails settling doubts or 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 Operations-Finance Department is responsible for preparing and maintaining this manual.

F.4.2. Mechanisms to capture and prepare the financial information with consistent formats, to be implemented and used by all units in the Company or group, which support the main financial statements and the notes, in addition to any information provided on the ICFR.



Colonial has implemented a computer tool to facilitate the financial consolidation and financial and operating budget planning of the Group. This guarantees greater control and security in the process of capturing and preparing financial information.

The Group Accounting Policies Manual establishes a chart of accounts and templates of financial statements that all Group companies must follow and which are set up in the tool, thereby guaranteeing the uniformity of the financial information.

The preparation of statutory financial information, as well as the separate financial statements for Colonial's Spanish companies, is coordinated centrally by the Operations-Finance Department and the 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.

Also, Colonial uses a GRC (Governance, Risk and Compliance) IT tool in order to monitor the information specific to ICFR management relating to compliance with the controls established for 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 and whether the entity has an internal audit department whose competences include supporting the committee in its oversight of the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. 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 2017 consisted of approving the Internal Audit Plan for 2017, which includes monitoring ICFR and being apprised of the related degree of implementation, compliance and effectiveness.

The ACC also met with the Company's external auditors to assess the internal control weaknesses encountered during the course of their work, as well as the relevant aspects or incidents.

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 the processes, risks and relevant controls relating to ICFR.

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:

*“The Audit and Control Committee, with respect to the information and internal control systems, shall:*

*(iii) monitor the independence and efficacy of the internal audit function, proposing the selection, appointment, re-election and removal of the head of internal audit; propose the department’s budget, receiving regular report-backs on its activities and verifying that senior management are 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 2018, including the necessary actions necessary to guarantee monitoring and evaluation of the internal control procedures, the performance of one-off work to verify the operational effectiveness of Colonial’s ICFR. Any incidents detected and the necessary corrective measures are reported on a regular basis, as well as their potential impact on the financial information, once these have been confirmed 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:

*“Dealings of the Board of Directors with the external auditor will be 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. Act as a communications channel between the Board of Directors and the Company’s external auditor, assessing the results of each audit. Also, in connection with the external auditor, the ACC has the duty to receive regular information from the external auditor on the audit plan and the implementation thereof;
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 Appointments Committee, and any other matters related to the financial audit process and to communicate with the auditors as provided for in the financial audit legislation and auditing standards.
3. Supervise the effectiveness of the Company’s internal control, the internal audit and the risk management systems, and discuss with the auditor any significant weaknesses detected in the internal control system during the conduct of 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 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 complement the contributions of the external auditor regarding the identification, as appropriate, of the internal control weaknesses identified in the course of their external audit.

These monitoring activities are considered to be appropriate and sufficient and, therefore, it is not considered necessary to submit the ICFR information to additional external review.

## **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.

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  X

Explain

**2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:**

**a) Their respective areas of activity and possible business relations between them, as well as those of the subsidiary listed company with other companies belonging to the same group.**

**b) The mechanisms in place to resolve any conflicts of interest that may arise.**

Compliant  X Partially compliant  Explain  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. 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 any recommendations of the Code of Corporate Governance and, if any, the alternative rules applied to this matter.**

Compliant  X Partially compliant  Explain

4. The Company shall define and promote a policy of communication and contact with shareholders, institutional investors and proxy advisors, respecting the rules on market abuse and treating shareholders who are in the same position equally.

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.

Compliant X Partially compliant  Explain

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 the right to preferential purchase, the Company should immediately publish on its website the reports on this exclusion as laid down in the companies laws.

Compliant X Partially compliant  Explain

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 mandatory:

a) Report on external auditor independence.

b) Reports of proceedings of the audit committees and the Appointments and Remuneration Committee.

c) Audit Committee Report on Related Party Transactions

d) Report on the corporate social responsibility policy.

Compliant X Partially compliant  Explain

7. The Company broadcasts live, via its website, the holding of general meetings of shareholders.

Compliant X Explain

8. The Audit Committee ensures that the Board of Directors should seek to present the accounts to the General Meeting of Shareholders without limitations or qualifications in the audit report and, in exceptional cases where there are qualifications, both the chairman of the Audit Committee and the auditors should clearly explain to shareholders the contents and scope of such limitations or qualifications.

Compliant X Partially compliant  Explain

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  Partially compliant  Explain

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 form of proxy or remote voting with the changes required 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 meaning of the vote.

d) Announces, after the general meeting of shareholders, the breakdown of the vote on such additional points or alternative proposals.

Compliant  Partially compliant  Explain  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.

Compliant  Partially compliant  Explain  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  Partially compliant  Explain

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 X

Explain

14. The Board of Directors approves a policy of selection of directors that:

a) Is specific and verifiable.

b) Ensures that proposals for appointment or reappointment are based on a preliminary analysis of the needs of the Board of Directors.

c) Promotes the diversity of knowledge, experience and gender.

The result of the previous analysis of the needs of the Board of Directors is collected in the committee's report justifying the appointments to be published when the general meeting of shareholders is called, in which the ratification, appointment or re-election of each director is submitted.

And the selection policy promotes the goal that by 2020 the number of female directors will represent no less than 30% of the total members of the Board of Directors.

The Appointments Committee shall annually verify compliance with the policy of selection of directors and inform thereof in the annual corporate governance report.

Compliant X

Partially compliant

Explain

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.

Compliant X

Partially compliant

Explain

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 highly capitalized companies where the shareholdings legally considered significant are low.

b) In companies where there is a diversity of shareholders represented on the Board of Directors and there are no links between them.

Compliant X

Explain

17. The number of independent directors represents at least half of all directors.

However, where the Company is not highly capitalized or where, still being so, 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.

Compliant

Explain X

During the first half of 2017, the Company complied with the recommendation insofar as it was not considered a highly capitalised company. At 31 December 2017, the Company, considered a highly capitalised company, did not comply with the recommendation, although the percentage of independent directors is almost half of the total number of directors, as there are 4 independent directors over a total of 10 directors. In this regard, the number of independent directors of Colonial is equal to the number of proprietary directors and, in any case, greater than the number of executive directors.

Thus, although the percentage of independent directors does not reach the 50% required by the recommendation, the Company estimates that the representation of this type of Directors is high, so all interests are duly represented in the board of directors.

**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 he belongs, where applicable, stating, in the case of proprietary Directors, the shareholder to whom he owes his/her office and with whom he is associated.

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 X Partially compliant  Explain

**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.**

Compliant  Partially compliant  Explain  Not applicable X

**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 X Partially compliant  Explain  Not applicable

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 occupies a new position or takes on new duties that prevent him/her from devoting the necessary time to the performance of the duties associated with the office of Director, when the director fails to fulfil the duties inherent to his/her office 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 applicable legislation.

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 X

Explain

22. Companies establish rules obliging directors to provide information and, where appropriate, tender their resignation in cases where it is alleged they could prejudice the good name and reputation of the Company and, in particular, oblige them to inform the Board of Directors of any criminal lawsuits they may be involved in, as well as any subsequent legal proceedings.

In any event, if a Director were prosecuted or had a court order issued against him or her initiating trial proceedings for any of the offences defined in corporate law, the Board of Directors shall examine the case as soon as practicable and, in view of the particular circumstances, decide whether or not he/she should remain in office And the Board of Directors gives a reasoned account of such circumstances in the Annual Corporate Governance Report.

Compliant X Partially compliant  Explain

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 recommendation. This recommendation also affects the Secretary to the Board of Directors, even where he/she does not have the status of director.

Compliant X Partially compliant  Explain  Not applicable

24. When, whether due to resignation or any other reason, a director leaves his or her position before the end of the term, the reasons are explained in a letter sent to all the members of the Board of Directors. Irrespective of whether such resignation is filed as a



regulatory announcement, the motive for the same must be explained in the Annual Corporate Governance Report.

Compliant X Partially compliant  Explain  Not applicable

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 X Partially compliant  Explain

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 X Partially compliant  Explain

27. A Director's absence 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 X Partially compliant  Explain

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 X Partially compliant  Explain  Not applicable

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 X Partially compliant  Explain

30. In addition, regardless of the knowledge required of the Directors to perform their duties, the Company will also offer Directors refresher programs when circumstances so warrant.

Compliant X Explain  Not applicable

31. The agenda of the sessions clearly indicates those points on which the Board of Directors shall 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 X Partially compliant  Explain

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 X Partially compliant  Explain

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 X Partially compliant  Explain

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.

Compliant X Partially compliant  Explain  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 X Explain

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 operation;
- 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 X Partially compliant  Explain

37. When an Executive Committee exists, the framework for the participation of the different categories of directors will be similar to that of the Board of Directors itself, and its Secretary will be the secretary to the board.

Compliant X Partially compliant  Explain  Not applicable

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.

Compliant X Partially compliant  Explain  Not applicable

39. The members of the Audit Committee, and especially its chairman, are appointed taking into account their knowledge and expertise in the field of accounting, audit or risk management, and the majority of such members are independent directors.

Compliant X Partially compliant  Explain

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 X Partially compliant  Explain

41. The head of the division that fulfils the internal audit duties shall present its annual work plan to the Audit Committee in which it directly reports any incidents that may have arisen during its implementation, submitting this information at the end of each year in an activity report.

Compliant X Partially compliant  Explain  Not applicable

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 the process of preparing and the integrity of the financial information on the Company and, where applicable, to the Group, reviewing compliance with the regulatory requirements, the proper delimitation of its scope of consolidation and the correct application of accounting principles;

b) Ensure the independence and effectiveness of the internal audit processes, proposing the election, appointment, re-election and removal of the head of the internal audit division in addition to proposing the budget for this service, approving both orientation and its operating plans, ensuring that their activity is focused mainly on the risks that are relevant to the Company, receiving regular information on their activities and verifying that senior management is taking into account the conclusions and recommendations of the Committee's reports;

c) Establish and supervise 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.

2. With regard to the external auditor:

a) investigate the issues giving rise to the resignation of the external auditor, should this come about;

b) ensuring that the compensation for the external auditor for their work does not compromise their integrity or independence;

c) overseeing that the Company notifies the change of auditor as a regulatory announcement to Spain's National Securities Market Commission (CNMV) and that this notification is accompanied by a statement citing any disagreements the Company may have had with the outgoing auditor and, if there were such disagreements, to discuss them;

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 X Partially compliant  Explain

43. The Audit Committee may summon any employee or executive of the Company; this includes appearances without the presence of any other executive.

Compliant X Partially compliant  Explain

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 X Partially compliant  Explain  Not applicable

**45. Control and risk management policy should specify at least:**

- a) The different types of financial and non-financial risks (including operational, technological, legal, business, environmental, political and reputational) that the Company faces, including financial and economic risks, contingent liabilities and other risks not found on balance sheets;
- b) Setting the level of risk that the Company considers acceptable;
- c) The measures planned to mitigate the impact of identified risks, should they materialize;
- d) The information and internal control systems to be used to control and manage the abovementioned risks, including contingent liabilities and off-balance sheet risks.

**Compliant X**    **Partially compliant**     **Explain**

**46. Under the direct supervision of the Audit Committee or, if any, of a specialized 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) 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;
- b) to actively participate in the development of a risk strategy and to take part in the important decisions concerning risk management;
- c) 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.

**Compliant X**    **Partially compliant**     **Explain**

**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 X**    **Partially compliant**     **Explain**

**48. Highly-capitalized companies have an Appointments Committee and a separate Remuneration Committee.**

**Compliant**                       **Explain X**                      **Not applicable**

During the first half of 2017, the recommendation was not applicable to the Company insofar as it was not considered a highly capitalised company. At 31 December 2017, having acquired the status of a highly-capitalised entity, the Company did not comply with this recommendation, although, given the current structure of the Company, it is considered appropriate for it to maintain one 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  Partially compliant  Explain

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 officer employment contracts.

b) Oversee compliance with the remuneration policy set by the company.

c) To periodically review the remuneration policy applied to Directors and senior officers, as well as the compensation systems which include shares and how they are implemented, in addition to guaranteeing that their individual compensation is proportional to that which is paid to other Directors and senior officers of the Company.

d) To ensure that any conflicts of interest does not interfere with the independence of the external advice given to the Appointments and Remuneration Committee.

e) To verify the information on Directors and senior officers' remuneration found in various corporate documents, including the annual report on Director compensation.

Compliant  Partially compliant  Explain

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  Partially compliant  Explain

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) These committees are composed exclusively of nonexecutive directors, with a majority of independent directors.

b) The chairmen of these committees are independent directors.

c) The Board of Directors appoints the members of these committees, taking into account the knowledge, skills and experience of the directors and the responsibilities of each committee; deliberates on its proposals and reports; and, at the first plenary session of the board after their meetings, receives an account of their activity and a report on the work carried out.

d) The Committees may seek outside advice when they deem it necessary to perform their duties.

e) Minutes are taken for all their meetings and copies are sent to all directors.

Compliant  Partially compliant  Explain  Not applicable X

53. The supervision of compliance with the rules of corporate social responsibility policy, the internal codes of conduct and the corporate governance policy is attributed to one or more committees within the Board of Directors; these committees may be the Audit Committee, the Appointments Committee, or the corporate social responsibility committee, if any, or a specialised committee created specifically for such duties by the Board of Directors; and these committees will have the following minimum duties:

a) Overseeing compliance with the Company's internal codes of conduct and its rules of corporate governance;

b) Supervising the Company's communication strategy and its relations with shareholders and investors, including small and medium shareholders;

c) Regular assessment of the adequacy of the Company's corporate governance system so that it may fulfil its mission of promoting its business activity and keep the legitimate interests of other stakeholders in mind;

d) Reviewing the Company's corporate responsibility policy, ensuring that it is aimed at creating value;

e) monitoring the Company's social responsibility strategy and practices and assessing its degree of compliance;

f) supervising and evaluating relations with different stakeholders;

g) Evaluating all matters that relate to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks;

h) Coordinating the process of reporting non-financial information and information on diversity, in accordance with applicable regulations and international reference standards.

Compliant X Partially compliant  Explain

54. The corporate social responsibility policy includes the principles or commitments, which the Company voluntarily assumes in its relationship with the different stakeholders and identify at least:

a) The objectives of the corporate social responsibility policy and the development of support tools.

b) The corporate strategy related to sustainability, the environment and social issues.

c) Specific practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, tax responsibility, respect for human rights and the prevention of illegal conducts.

**d) Methods or systems monitoring the results of the implementation of the specific practices identified in the previous point, the associated risks and their management.**

**e) The mechanisms for monitoring non-financial risk, ethics and business conduct.**

**f) The channels of communication, participation and dialogue with stakeholders.**

**g) Responsible communication practices that prevent manipulation of information and protect the integrity and honour.**

**Compliant X**   **Partially compliant**    **Explain**

**55. The company should report in a separate document or in the management report on matters related to corporate social responsibility, using any of the internationally accepted methodologies.**

**Compliant X**   **Partially compliant**    **Explain**

**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 X**   **Explain**

**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 X**   **Partially compliant**    **Explain**

**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) Are linked to performance criteria that are predetermined and measurable and that these criteria consider the risk taken to obtain a result.**

**b) Promote the sustainability of the Company and include non-financial criteria that are suitable for creating long-term value, such as compliance with internal rules and procedures of the Company and its policies for control and risk management.**



c) Are 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 X Partially compliant  Explain  Not applicable

59. The payment of a significant part of the variable components of remuneration is deferred for a period sufficient to ensure that the previously established minimum performance conditions have been met.

Compliant X Partially compliant  Explain  Not applicable

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 X Partially compliant  Explain  Not applicable

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 X Partially compliant  Explain  Not applicable

62. Once the shares or options or rights over shares corresponding to the remuneration systems are allocated, directors will not be able to transfer ownership of a number of shares equivalent to twice their fixed annual remuneration, or to exercise the options or rights until at least three years the allocation thereof have elapsed.

The above shall not apply to shares that the director needs to dispose of, if appropriate, to meet the costs related to acquisition.

Compliant X Partially compliant  Explain  Not applicable

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 X Partially compliant  Explain  Not applicable

64. Payments for contract termination do not exceed the established amount equivalent to two years of total annual remuneration and they are not paid until the Company has been able to verify that the director has met the performance criteria previously established.

Compliant X Partially compliant  Explain  Not applicable

## **H** OTHER INFORMATION OF INTEREST

1. If there are any relevant points regarding the corporate governance of the Company or entities of the group that are not contained in the rest of the sections of this report, but which should be included in order to present a more

complete and reasoned view of the governance structure and practices of the Company or its group, describe them briefly

On Colonial joined the Ibex 35 on 19 June 2017, which meant that in the middle of the year it was considered a highly capitalised company in accordance with the recommendations of the *Code of Good Governance for Listed Companies*, approved by the CNMV in February 2015.

2. You may include in this section any other information, clarification or observation related to the above sections of this report.

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.

A.2. As regards Mr Carlos Fernández González, additionally, and as “other close connections” of directors is the following information:

| Name or company name of the director | Indirect rights  |                         | Number of equivalent shares | % of total voting rights |
|--------------------------------------|--|-------------------------|-----------------------------|--------------------------|
|                                      | Close connection*  | Number of voting rights |                             |                          |
| Mr Carlos Fernández González         | Finaccess México, S.A. de C.V., Sociedad Operadora de Fondos de Inversión ** | 4,239,062               | 4,239,062                   | 0.974                    |

\*Legal entity or fiduciary legal business whose economic interests are largely equivalent to those of the officer or director.

\*.\* The holder of the share is Latin 10, SA de CV, a fund independently managed by Finaccess Mexico, SA de CV (a subsidiary of Grupo Finaccess, which has availed itself of article 26 of Royal Decree 1362/2007).

A.9. bis. The calculation was based on the instructions contained in *Circular 5/2013, dated 12 June, issued by the Spanish Securities Market Commission (CNMV), which establishes the annual corporate governance report models for listed companies, savings banks and other entities that issue securities admitted to trading on official stock markets*, reflecting the share capital that is not held by significant shareholders, the members of the Board of Directors and the members of the Board of Directors, as well as treasury shares.

C.1.11. The Company is the sole director of Colonial Tramit, S.L., Colonial Invest, S.L., Morage Inversiones 2014, S.L. and Danieltown Spain, S.L., and Mr Pedro Viñolas Serra, in his capacity as CEO of Colonial, is the physical representative of the Company, in his capacity as sole director of these entities.

C.1.15. In relation to the amount of the total remuneration of the Board of Directors indicated in the aforementioned section, it is reported that the Directors, in their capacity as such, receive up to a maximum remuneration of €1,900,000, in accordance with the remuneration policy approved by the General Meeting of Shareholders of 29

June 2016. This remuneration does not apply to directors holding executive positions or functions (Chairman and CEO) do not participate, in accordance with the aforementioned policy.

Consequently, the information contained in the aforementioned section of the Annual Corporate Governance Report includes the total remuneration of directors, both executive and directors who hold only the status of directors.

C.1.45. Although the contracts of the directors do not have to be approved by the shareholders at the General Meeting, the general terms and conditions thereof are included in the remuneration policy, which they do approve.

In relation to the functions of the Company's Coordinating Director, during 2017, said director has held three preparatory meetings with the independent directors, attending both to the functions that the Coordinating Director is legally entrusted with (article 529 septies of the Spanish Limited Liability Companies Law), as well as the recommendations on good governance established for this purpose in the Code of Good Governance of Listed Companies, approved in February 2015 by the CNMV (recommendation 34).

3. Also state whether the Company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, identify the code and date of adoption. In particular, it will mention whether the Company has adhered to the Code of Good Tax Practice of 20 June 2010.

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.

This annual corporate governance report was approved by the Company's Board of Directors at its meeting held on 22 February 2018.

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes  No

| Name or company name of director who did not vote in favour of this Report | Reasons (against, abstention, non-attendance) | Explain the reasons |
|--|---|---------------------|
|  |   |                     |