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**ISSUER IDENTIFICATION DATA**

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Reference reporting date:

[ 31/12/2018 ]

TAX IDENTIFICATION NUMBER:

[ A-28027399 ]

Company Name:

[ **INMOBILIARIA COLONIAL, SOCIMI, S.A.** ]

Registered office:

[ PASEO DE LA CASTELLANA, 52 MADRID ]

**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
14/11/2018	1,270,286,952.50	508,114,781	508,114,781

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

- [ ] Yes  
[ ✓ ] No

A.2. State the direct and indirect holders of a significant stake at year-end, excluding directors:

Name or company name of the shareholder	% voting rights attached to the shares		% voting rights through financial instruments		% total voting rights
	Direct	Indirect	Direct	Indirect	
QATAR INVESTMENT AUTHORITY	0.00	20.21	0.00	0.00	20.21
AGUILA, LTD	0.00	5.66	0.00	0.00	5.66
INMO, S.L.	0.00	3.93	0.00	0.00	3.93
BLACKROCK, INC	0.00	2.98	0.00	0.71	3.69
DEUTSCHE BANK AG	1.60	0.00	0.62	0.00	2.22

Details of the indirect stake:

Name or company name of the indirect holder	Name or company name of the direct holder	% voting rights attached to the shares	% voting rights through financial instruments	% total voting rights
QATAR INVESTMENT AUTHORITY	DIC HOLDING LLC	4.29	0.00	4.29
QATAR INVESTMENT AUTHORITY	QATAR HOLDING NETHERLANDS BV	15.92	0.00	15.92
AGUILA, LTD	PARK, S.A.R.L.	5.66	0.00	5.66
BLACKROCK, INC	BLACKROCK HOLDING	2.98	0.71	3.69

Name or company name of the indirect holder	Name or company name of the direct holder	% voting rights attached to the shares	% voting rights through financial instruments	% total voting rights
INMO, S.L.	TRUDONBA XXI, S.L.U.	3.93	0.00	3.93

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

Most significant movements

On 8 November 2018, the Company's Extraordinary General Meeting agreed, in connection with the corporate operation to purchase shares in Société Foncière Lyonnaise from Qatar Holding LLC and DIC Holding LLC, to increase Colonial's share capital with 53,523,803 new shares that would be fully subscribed by Qatar Holding LLC and DIC Holding LLC. As a result of such operation, Qatar Investment Authority now has an indirect stake of over 20% in the Company's 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	% voting rights attached to the shares		% voting rights through financial instruments		% total voting rights	% voting rights that may be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR CARLOS FERNÁNDEZ GONZÁLEZ	0.00	15.75	0.00	0.00	15.75	0.00	0.00
MR CARLOS FERNÁNDEZ-LERGA GARRALDA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS ANA SAINZ DE VICUÑA BEMBERG	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR JAVIER IGLESIAS DE USSEL ORDÍS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR JAVIER LÓPEZ CASADO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR JUAN JOSÉ BRUGERA CLAVERO	0.04	0.00	0.03	0.00	0.07	0.00	0.00
MR PEDRO VIÑOLAS SERRA	0.06	0.00	0.07	0.00	0.13	0.00	0.00
MR LUIS MALUQUER TREPAT	0.00	0.00	0.00	0.00	0.00	0.00	0.00

% of total voting rights held by the board of directors	15.95
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Details of the indirect stake:

Name or company name of the director	Name or company name of the direct holder	% voting rights attached to the shares	% voting rights through financial instruments	% total voting rights	% voting rights that <u>may be transferred</u> through financial instruments
MR CARLOS FERNÁNDEZ GONZÁLEZ	GRUPO FINACCESS, S.A. DE C.V.	15.75	0.00	15.75	0.00
MR CARLOS FERNÁNDEZ-LERGA GARRALDA	EUR- CONSULTORES, SL	0.00	0.00	0.00	0.00
MR LUIS MALUQUER TREPAT	MS MARTA MALUQUER DOMINGO	0.00	0.00	0.00	0.00

**A.4.** Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant stakes, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities, except for those reported in section A.6:

Name or company name of the related party	Type of relationship	Brief description
No data		

**A.5.** Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant stakes, 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
QATAR INVESTMENT AUTHORITY	Corporate	Colonial and Qatar Investment Authority (QIA) agreed to transfer 22% of QIA's shares in SFL to Colonial. Such operation involved a non-cash capital increase in Colonial to be fully subscribed by QIA and a cash contribution from Colonial.
INMO, S.L.	Corporate	Colonial and the company Inmo, S.L., a real-estate affiliate of the Puig family, are conducting a joint project to build a 21-floor building of 14,000 square metres in the city of Barcelona.

- A.6. Describe the relationships, unless insignificant for both parties, between the significant shareholders, or their representatives, on the Board and the directors, or their representatives, when the administrators are a legal entity.

Explain, where appropriate, how the significant shareholders are represented. In particular, specify any directors who have been appointed to represent significant shareholders, those whose appointment was promoted by significant shareholders, or those who were related to significant shareholders and/or entities in their group, indicating the nature of such relationship. Indicate, in particular, the existence, identity and position, if any, of members on the Board, or directors' representatives, of the listed company who are also members of the governing body, or their representatives, in companies with a significant stake in the listed company or in group companies of such significant shareholders:

Name or company name of the related director or representative	Name or company name of the related significant shareholder	Company name of the significant shareholder's group company	Description of the relationship/position
MR ADNANE MOUSANNIF	QATAR INVESTMENT AUTHORITY	QATAR INVESTMENT AUTHORITY	Proprietary director proposed by Qatar Investment Company.
Mr SHEIKH ALI JASSIM M.J. AL-THANI	QATAR INVESTMENT AUTHORITY	QATAR INVESTMENT AUTHORITY	Proprietary director proposed by Qatar Investment Authority.
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	AGUILA, LTD	Proprietary director proposed by Aguila LTD.

- A.7. 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

Parties to the shareholders' agreement	% of the share capital affected	Brief description of the agreement	End date of the agreement, if any
DIC HOLDING LLC, QATAR HOLDING NETHERLANDS BV	20.21	<p>QH AND DIC'S LOCK-UP: During a period of 6 months following the Completion Date QH and DIC shall not Transfer, whether wholly or in part, the Colonial Shares, except in the event of any Transfer of Colonial Shares to a company belonging to their respective Group.</p> <p>TRANSFER OF SHARES AFTER THE INITIAL PERIOD: After the Initial Period, any transfer by QH and/or DIC of the Colonial Shares shall be made in an orderly manner and in accordance with the standard market practice in Spanish listed companies and in compliance with the applicable Spanish stock exchange regulations. SHARE TRANSFER PROHIBITION TO A COMPETITOR: QH</p>	The obligations provided for in Clauses "Transfer of shares after the Initial Period" and "Share transfer prohibition to a Competitor" of this Agreement shall remain in force until the earlier of (i) the end of a 4-year period as from the Completion Date; and (ii) the entry into an agreement by the Parties to terminate the effect of said Clauses.

Parties to the shareholders' agreement	% of the share capital affected	Brief description of the agreement	End date of the agreement, if any
		and DIC will be entitled to Transfer their Colonial Shares to any counterparty without any restriction, except in the extraordinary case of a Transfer to a Competitor in the context of a block sale or a negotiated bilateral trade.	

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

Yes  
 No

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

**A.8.** Indicate whether any individual or legal entities currently exercise control or could exercise control over the company pursuant to Article 5 of the Securities Market Law. If so, identify them:

Yes  
 No

**A.9.** Complete the following tables on the company's treasury shares:

At year-end:

Number of direct shares	Number of indirect shares(*)	Total % of share capital
772,760		0.15

(\*) Through:

Name or company name of the direct holder of an ownership interest	Number of direct shares
No data	

**A.10.** Give details of the applicable conditions and current timeline for the general meeting to authorise the Board of Directors to issue, buy back or transfer treasury shares:

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 their 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 24 May 2018 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 six of the Company's Ordinary General Meeting of Shareholders on 29 June 2017. 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.11. Estimated floating capital:**

	%
Estimated floating capital	48.13

**A.12. Give details of any restrictions (statutory, legal or otherwise) on the transfer of securities and/or voting rights. In particular, detail the existence of any kinds of restrictions that could hinder the company takeover through the purchase of its shares in the market, as well as any prior authorisation or communication rules that, with regard to the purchase or transfer of financial instruments in the company, would be applicable under the industry regulations.**

Yes  
 No

Description of the restrictions

See section A.7 in the Report.

**A.13.** Indicate whether the general meeting has resolved to adopt neutralisation measures to address a takeover bid by virtue of the provisions of Law 6/2007.

Yes  
 No

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

**A.14.** Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes  
 No

Where applicable, state the various classes of shares, and the rights and obligations attached to each class:

## **B. GENERAL MEETING**

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**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

**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

**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 two previous fiscal years:

Date of general meeting	Attendance information				Total
	% of attendance in person	% attendance by proxy	% distance voting		
			Electronic voting	Other	
28/06/2016	24.36	45.70	0.00	1.63	71.69
Of which Floating Capital	16.50	9.53	0.00	1.63	27.66
29/06/2017	36.82	30.65	0.00	10.52	77.99
Of which Floating Capital	3.80	19.12	0.00	10.52	33.44
24/05/2018	1.23	77.79	0.01	0.01	79.04
Of which Floating Capital	0.16	26.97	0.01	0.01	27.15
08/11/2018	9.68	63.02	0.00	8.53	81.23
Of which Floating Capital	0.23	20.60	0.00	8.53	29.36

B.5. Specify if there have been any items on the agenda at the General Meetings held during the year that, for whichever reason, were not adopted by the shareholders:

- Yes  
 No

B.6. Indicate whether the bylaws contain any restrictions with respect to a minimum number of shares required to attend general meetings or to vote remotely:

- Yes  
 No

Number of shares required to attend general meetings	500
Number of shares needed to vote remotely	1

B.7. Indicate if there is a rule establishing that certain decisions, other than those established by Law, that involve the purchase, disposal, contribution to another company of key assets or other similar corporate operations, should be put to vote at the General Meeting of Shareholders:

- Yes  
 No

B.8. 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 THE COMPANY'S GOVERNING BODY**

**C.1. Board of Directors**

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

Maximum number of directors	15
Minimum number of directors	5
Number of directors stipulated by the General Meeting	11

C.1.2 Fill in the following table with the Board members' 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 JAVIER LÓPEZ CASADO		Proprietary	DIRECTOR	24/05/2018	24/05/2018	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 CARLOS FERNÁNDEZ-LERGA GARRALDA		Independent	INDEPENDENT LEAD DIRECTOR	19/06/2008	24/05/2018	RESOLUTION BY THE GENERAL MEETING OF SHAREHOLDERS
MR JAVIER IGLESIAS DE USSEL ORDÍS		Independent	DIRECTOR	19/06/2008	24/05/2018	RESOLUTION BY THE GENERAL MEETING OF SHAREHOLDERS
MR PEDRO VIÑOLAS SERRA		Executive	CEO	18/07/2008	24/05/2018	RESOLUTION BY THE GENERAL MEETING OF SHAREHOLDERS
MR JUAN JOSÉ BRUGERA CLAVERO		Executive	CHAIRMAN	19/06/2008	24/05/2018	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 LUIS MALUQUER TREPAT		Independent	DIRECTOR	31/07/2013	24/05/2018	RESOLUTION BY THE GENERAL MEETING OF SHAREHOLDERS
MS ANA SAINZ DE VICUÑA BEMBERG		Independent	DIRECTOR	30/06/2014	24/05/2018	RESOLUTION BY THE GENERAL MEETING OF SHAREHOLDERS
MR JUAN CARLOS GARCÍA CAÑIZARES		Proprietary	DIRECTOR	30/06/2014	24/05/2018	RESOLUTION BY THE GENERAL MEETING OF SHAREHOLDERS
MR SHEIKH ALI JASSIM M.J. AL-THANI		Proprietary	DIRECTOR	12/11/2015	28/06/2016	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

Total number of directors	11
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Indicate the directors who have left by resignation, removal or any other cause, from the Board of Directors during the reporting period:

Name or company name of the director	Category of the director when they left	Date of last appointment	Date of departure	Special committees the director was a member of	Indicate whether the director left before the end of their office
No data		//	//		

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	Profile
MR PEDRO VIÑOLAS SERRA	CEO	He is a graduate in Business Management and MBA from ESADE and Universidad Politécnica de Cataluña, and holds a Diploma in Business Management from Universidad de Barcelona, where he also studied Law. In 1990, Pedro Viñolas began to work as Director of the Research Department at the Barcelona Stock Exchange, of which he later became Deputy Managing Director, where he remained until 1997. He then took up duties as Managing Director of FILO, S.A., a listed real estate company, where he remained until 2001. Subsequently, until July 2008, he was Partner and CEO at the Riva y García Financial Group. He was Chairman of the Urban Land Institute in Spain and member of the Board of Directors of the financial group Riva y García. He was also Chairman of the Spanish Institute of Financial Analysts in Catalonia from 1994 to 2000. He is a member of the Board at the European Public Real Estate Association (EPRA). Pedro Viñolas joined Colonial in July 2008. He is currently a member of the Board of Directors of SFL and also sits on the Executive Committee. He is a full professor at ESADE's Finance Department and a member of the Board of Directors of ElectroStocks, S.A. and Bluespace, S.A.
MR JUAN JOSÉ BRUGERA CLAVERO	Chairman	Chairman of Inmobiliaria Colonial Socimi, S.A. since 2008, and previously held the office of CEO from 1994 to 2006. Chairman of Soci�t� Fonci�re Lyonnaise since 2010. He was Chief Executive Officer of Mutua Madrile�a, CEO of SindiBank and Deputy General Manager of Banco de Sabadell before this. Other occupations: He has been Chairman of the Board of Trustees of the Universidad Ram�n Llull (URL). Chairman of the ESADE Foundation, Panrico and Holditex. He is currently Chairman of the C�rculo de Econom�a of Barcelona. He is an Industrial Technical Engineer and holds an MBA from ESADE. PDG for the IESE and Honorary Doctorate from the University of Rhode Island.

Total number of executive directors	2
% of the total board	18.18

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of the director	Name or company name of the significant shareholder who is represented or has proposed the appointment	Profile
MR ADNANE MOUSANNIF	QATAR INVESTMENT AUTHORITY	He has both French and Moroccan nationalities and is currently working at Qatar Investment Authority -QIA- the sovereign investment fund of Qatar. In the past years, he has taken part, on behalf of QIA, in most of its real-estate operations in Europe and America, including the acquisition of the Canary Wharf Group in London and the acquisition of the Virgin Megastore building in the Parisian Champs Elysees. He also took part, once again representing QIA, in acquiring a stake in Société Foncière Lyonnaise and in Inmobiliaria Colonial in Spain. Previously, he'd worked for several years for the Morgan Stanley Real Estate Investing funds in Europe. He has a master's degree in business creation and Finances by the ESCP Europe Business School and a university degree in Civil Engineering.
MR SHEIKH ALI JASSIM M.J. AL- THANI	QATAR INVESTMENT AUTHORITY	A Qatar national. He has been working for over 30 years with the Qatar Government, basically in the Trade, Financial and Real-Estate industries. He has been Senior Director in Strategy and Investments since 2007. Since 1995, he has been Vice President and member of the Board of Directors and of the Executive Committee of The Housing Bank for Trade and Finance of Jordan (listed company and second most important bank in Jordan). He has been a member of the Board of Directors of United Arab Shipping Company in Dubai, UAE, since 2003; Vice President of LQB- Libyan Qatari Bank since 2007 and in 2009 he was appointed Chairman and General Manager of Qatar Navigation, a listed company based in Qatar of which he has been a member of its Board of Directors since 2006. This Holding company operates in sea transport and real estate. Since 2012, he has been a member of the Board of Directors of QADIC-Qatar Abu Dhabi Investment Company, a company specialising in real-estate investments and private equity. In November 2015, he was appointed Director of Société Foncière Lyonnaise (SFL).
MR CARLOS FERNÁNDEZ GONZÁLEZ	MR CARLOS FERNÁNDEZ GONZÁLEZ	As an Industrial Engineer he has attended senior management programmes at the Instituto Panamericano de Alta Dirección de Empresa. For over 30 years, he has held positions with a high degree of responsibility, complexity and competence in business management in different sectors. He was CEO (1997-2013) and Chairman of the Board of Directors (2005-2013) of Grupo Modelo. Since his appointment as CEO and until 2013, this Group became the leading beer company in Mexico, the seventh group in the world and the largest beer export company in the world. Furthermore, he was director in international and national companies, including Anheuser Busch (USA), Emerson Electric Co. (USA), Televisa Group (Mexico), Crown Imports, Ltd. (USA), Inbursa (Mexico) and Mexico Stock Exchange. He was also a member of the international advisory board of Banco Santander, S.A. and director of Grupo Financiero Santander México S.A.B. de C.V. He is currently the Chairman of the Board of Directors and general manager of Grupo Finaccess S.A.P.I. de C.V. -of which he is a founder- with presence in Mexico, Europe and the United States. He is also an independent Director of Banco Santander, S.A, proprietary Director of Inmobiliaria Colonial based in Spain and member of the supervisory board of AMREST Holdings in Wroclaw, Poland.

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of the director	Name or company name of the significant shareholder who is represented or has proposed the appointment	Profile
MR JAVIER LÓPEZ CASADO	MR CARLOS FERNÁNDEZ GONZÁLEZ	He joined Finaccess as International Director of Asset Management in November 2010. Since 2012, he has been CEO of Finaccess Advisors LLC. Since 2014, he has also been responsible for Finaccess Estrategia S.L. in Spain. Prior to joining Finaccess, he worked as Senior Vice-President for Santander Private Banking in Miami. He previously held different posts in Banco Santander's International Private Banking area in Madrid and Miami. He worked at the Santander Group from 1996 to 2010. Before joining Banco Santander, he worked as a Lawyer in Madrid. He has 22 years' experience in financial markets and is a member of Grupo Finaccess' Board of Directors, the International Investment Committee and the Audit Committee of Finaccess Advisors LLC. He is Chairman of SOLTRA S.L., a company working on the promotion, education and rehabilitation of people with different capacities in order to achieve full social integration, which currently has 400 employees. He also sits on the board of trustees of several Foundations in Spain and Mexico. He holds a Law Degree from Universidad San Pablo CEU in Madrid, an MBA from the University of Miami and a Master's in Legal and Tax Consultancy for Construction and Real Estate Companies from Universidad Politécnica of Madrid.
MR JUAN CARLOS GARCÍA CAÑIZARES	AGUILA, LTD	Industrial Engineer. He also studied management programmes at IMD Switzerland, and holds an MBA granted jointly by the New York University Stern School of Business, London School of Economics and HEC Paris. He is an investment banker who was responsible for more than \$35 billion in mergers, acquisitions and financing of acquisitions over a period of 25 years. He was Vice President of Planning for Bavaria, one of Latin America's leading breweries, where he was responsible for the \$4 billion international brewery acquisition programme, and for the subsequent \$8 billion merger with SABMiller plc, creating the world's second largest brewery. In recent years, he led negotiations on behalf of the Santo Domingo Group for the conversion of its holding in SABMiller into a share in Anheuser Busch Inbev following the merger of the two, an operation which was finalised in 2016. Before joining the Santo Domingo Group, he was co-founder and Main Partner of Estrategias Corporativas, an investment bank firm in Latin America. He is currently the Managing Director of Quadrant Capital Advisors, Inc. in New York (a Santo Domingo Group investment company based in New York). He is responsible for Quadrant Capital's Strategic Investments Group, including investments in Anheuser Busch Inbev and in the consumer, financial system, natural resources and energy sectors worldwide, among others. He is a member of the Boards of Park S.A.R.L., Bavaria, S.A., Valorem S.A. (Colombia) and Genesis Foundation (USA).

Total number of proprietary directors	5
% of the total board	45.45

EXTERNAL INDEPENDENT DIRECTORS	
Name or company name of the director	Profile
MS ANA SAINZ DE VICUÑA BEMBERG	She is a graduate in Agricultural Economics from Reading University in the UK, with a Programme for Management Development from Harvard University. 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 incorporated 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. 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. 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.
MR LUIS MALUQUER TREPAT	He holds a degree in Law from the University of Barcelona and a Diploma in International Institutions from the University of Geneva. Throughout his career 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 Chamber of Commerce, and worked as director at the European Society for Banking and Financial Law (AEDBF Paris). 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.
MR CARLOS FERNÁNDEZ-LERGA GARRALDA	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 Collège Universitaire d'études fédéralistes, Nice, Val d'Aoste. 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 Independent Lead 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. 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.
MR JAVIER IGLESIAS DE USSEL ORDÍS	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. 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.

Total number of independent directors	4
% of the total board	36.36

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.

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

Name or company name of the director	Description of the relationship	Reasoned statement
No data		



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	Profile
No data			

Total number of other external directors	N.A.
% of the total board	N.A.

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
No data			

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			
	2018	2017	2016	2015	2018	2017	2016	2015
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	1	1	1	1	25.00	25.00	25.00	33.33
Other External Female Directors					0.00	0.00	0.00	0.00
Total	1	1	1	1	9.09	10.00	9.09	9.09

C.1.5 Indicate whether the company has diversity policies in place for its Board of Directors with regards to age, gender, disability, education or work experience, among other matters. Small and medium businesses, as described by the Auditing Law, should at least report about the policy they have established to ensure gender diversity.

- Yes
- No
- Partial policies

If this is the case, describe the diversity policies, their targets, measures and the way they have been implemented and their outcome in the fiscal year. Also indicate the specific measures taken by the Board of Directors and the Appointments and Remuneration Committee to ensure a balanced and diverse ratio of directors.

Should the company not have a diversity policy in place, explain the reasons for it.

Description of policies, targets, measures and way they have been implemented, as well as their outcome.

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 (the "Selection 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. In 2018, a new director was proposed but as it was a proprietary director, the proposal was made by a significant shareholder.

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 and that will ensure a balanced ratio of women and men:

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 that 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 of Shareholders, and proposals to the General Meeting for the re-election or removal of the Directors.

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

Explanation of the reasons

In 2018, only one director was appointed and was designated as representative of one of the significant shareholders.

C.1.7 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.

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 2018. This policy specifically stipulates that the Board of Directors will ensure that the procedures for the selection of its members favour diversity in terms of gender, experience and knowledge, and have no implicit biases that may entail any discrimination whatsoever, and, in particular, the procedures will also favour the selection of female directors.

C.1.8 Explain any reasons for which proprietary directors have been appointed at the behest of shareholders accounting for less than 3% of share capital:

Name or company name of the shareholder	Justification
No data	

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

C.1.9 Indicate, if any, the powers delegated by the Board of Directors to directors or to Board committees:

Name or company name of the director or committee	Brief description
PEDRO VIÑOLAS SERRA	In his capacity as CEO, he has been granted all the powers that may be delegated by the Board of Directors.
JUAN JOSÉ BRUGERA CLAVERO	In his capacity as Chairman of the Board of Directors, he has been granted all the powers set forth in the regulations of the Board of Directors. He has also been granted broad executive powers.

C.1.10 Identify any Board members working as managing directors, representatives of managing directors or executives at other companies that are 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 JUAN JOSÉ BRUGERA CLAVERO	Société Foncière Lyonnaise	Chairman of the Board of Directors	NO
MR LUIS MALUQUER TREPAT	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

Name or company name of the director	Group company name	Position	Does the member have executive functions?
Mr SHEIKH ALI JASSIM M.J. AL-THANI	Société Foncière Lyonnaise	Director	NO
MR PEDRO VIÑOLAS SERRA	Utopicus Innovación Cultural, S.L.	Director	NO
MR PEDRO VIÑOLAS SERRA	VENUSAUR SL	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	Colonial Tramit, S.L.	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	COLONIAL INVEST SL	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	MOORAGE INVERSIONES 2014 SL	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	CHAMELEON (CEDRO) SL	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	AXIARE INVESTMENTS SL	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	DANIELTOWN SPAIN SL	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	AXIARE PROPERTIES SL	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES
MR PEDRO VIÑOLAS SERRA	AXIARE INVESTIGACION DESARROLLO E INNOVACIÓN SL	Natural person representing the sole director, Inmobiliaria Colonial, SOCIMI, S.A.	YES

C.1.11 Identify any directors, or representatives of directors who are legal entities, at your company who are members of the Board of Directors, or representatives of directors who are legal entities, in other companies listed on official securities markets other than 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 Holdings SE	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.1.12 Indicate and, explain where appropriate, whether the company has established rules on the maximum amount of company boards the company's directors may sit on, identifying, if any, where these rules are established:

- Yes  
 No

Explanation of the rules and identification of the document where they are established

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.1.13 Specify the amounts of the following items regarding the global remuneration of the Board of Directors:

Remuneration accrued by the Board of Directors during the fiscal year (thousands of euros).	7,289
Amount of pension rights accumulated by the current directors (thousands of euros).	535
Amount of pension rights accumulated by the current directors (thousands of euros).	

The remuneration accrued by the Board of Directors during the fiscal year matches the group's total remuneration.

C.1.14 List any members of the senior management who are not also executive directors and state the total remuneration accrued by them during the year:

Name or corporate name	Position(s)	
MR ALBERTO ALCOBER TEIXIDO	Business Manager	
MR CARLOS ESCOSA FARGA	Internal Auditor	
MS CARMINA GANYET CIRERA	Corporate General Manager	
MS NURIA OFERIL COLL	Manager of Legal Counsel	
Total remuneration of senior management (thousands of euros)		3,005

As in section C.1.13 above, the figure includes the group's total remuneration of the senior management.

C.1.15 Indicate whether any amendments have been made to the Board regulations during the fiscal year:

- Yes  
 No

**C.1.16 Indicate the procedures for the selection, appointment, re-election and removal of directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.**

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 of Directors, 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. For the shareholders at the General Meeting to have the information required for the appointment of the directors, from the publication of the call notice and until the General Meeting is held, the Company must display on its corporate website a permanent publication of at least these details regarding 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 the ARC explanatory report containing the findings of the analysis performed beforehand on the Board's needs. For legal entities, information should be included on the natural person designated for the permanent exercise of the functions of the post. The procedure to evaluate directors is also governed by the 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 in connection with: (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 Independent Lead 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 office as set forth in the Company Bylaws, except where just cause is found by the Board, based on a report by the ARC. It will 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.1.17 Explain to what extent the annual evaluation of the Board has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of changes

There were no changes because the self-assessment was satisfactory.

Describe the assessment procedure and the areas assessed by the Board of Directors with the support, if any, of an external consultant, regarding the performance and composition of the Board and its committees and any other area or aspect that has been assessed.

Description of the assessment procedure and areas assessed

The Board of Directors assessed its composition and competences, the operation and composition of committees and the performance of the Chairman, CEO, Independent Lead 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 assessing the Board of Directors, Chairman, CEO, Lead Independent Director, other Company directors and the Secretary to the Board, as well as its own composition, competences and operation, for submission to the Board. The ACC also prepared a report assessing its own composition, competences and functioning. The ARC hired the company Spencer Stuart as external consultant to help with the aforementioned assessments and the latter sent a report on the suitability of the procedure and methods used by Colonial for the assessments, as well as their conclusions on these. Following the assessment, the Board of Directors approved the assessment reports on the Board, its committees, the Chairman, the CEO, the Independent Lead Director and the Secretary, concluding that: (i) the Board of Directors has the proper composition and exercises the functions and competences assigned 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 assigned 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 an satisfactory and appropriate manner; and (iv) the Independent Lead Director and the Secretary to the Board have discharged their functions effectively and diligently.

C.1.18 Detail, as appropriate, for the years in which the assessment was supported by an external consultant, any business dealings that the consultant or any company in its group have with the Company or any company in its group.

Business dealings with the consultant (Spenser Stuart) have been as an external consultant in relation to the assessment of the Board of Directors, its committees, the Chairman of the Board and the CEO, the Independent Lead Director and the secretary to the Board and as external advisor on the remuneration policy of the Board of Directors.

C.1.19 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. When, notwithstanding the foregoing paragraph, the Board of Directors considers that there are justified reasons for the director to remain in office, the impact that the new circumstances may have on the qualification of the director will be taken into account.
3. When they have been seriously reprimanded by the ARC for having infringed any of their duties as directors.
4. When their remaining as 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.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?

- Yes  
 No

If applicable, describe the differences.

C.1.21 State whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman of the Board of Directors:

- Yes  
 No

C.1.22 Indicate whether the Bylaws or the Board regulations set any age limit for directors:

- Yes  
 No

C.1.23 Indicate whether the Bylaws or the Board regulations set a limited term of office or other stricter requirements for independent directors other than those established by the regulations:

- Yes  
 No

C.1.24 Indicate whether the Bylaws or Board regulations stipulate specific rules to delegate votes on the Board of Directors to other directors, the procedures thereof and, in particular, the maximum number of proxy votes a director may hold. Also indicate whether there is any limit as to the categories in which it is possible to delegate votes, beyond the limits provided in law Briefly explain these rules, if any.

Pursuant to the Regulations of the Board of Directors, the powers of representation will be granted in writing and expressly for each meeting and only to another member of the Board. However, non-executive directors may only assign proxy to another non-executive director. Furthermore, the Regulations of the board of directors set forth that in the event of a proxy, directors should provide precise instructions to their proxy on the vote for or against the items on the agenda.

C.1.25 Indicate the number of Board meetings held during the fiscal year. Also state, if applicable, the number of occasions on which the Board met without its Chairman in attendance. Attendance shall also include proxies appointed with specific instructions.

Number of Board meetings	15
Number of Board meetings not attended by the Chairman	

Indicate the number of meetings held by the Independent Lead Director with the other directors without the attendance, in person or by proxy, of an executive Director:

Number of meetings	3
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Indicate the number of meetings of the various board committees held during the fiscal year:

Number of meetings of the Appointments and Remuneration Committee	6
Number of meetings of the Executive Committee	
Number of meetings of the Audit and Control Committee	10

C.1.26 Indicate the number of meetings held by the Board of Directors during the fiscal year and the attendance data of its members:

Number of meetings where at least 80% of directors attended in person	15
% of attendance in person out of the total votes during the fiscal year	94.34
Number of meetings with attendance in person, or by proxy with precise instructions, of all the directors	15
% of votes cast with attendance in person, or by proxy with precise instructions, out of the total votes during the fiscal year	100.00

C.1.27 Indicate whether the consolidated and individual annual financial statements submitted to the Board for their preparation are certified beforehand:

Yes  
 No

Identify, where applicable, the person(s) who certified the Company's individual and consolidated annual financial statements to be prepared by the Board:

Name	Position
MS ANGELS ARDERIU IBARS	Financial Manager

C.1.28 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 will 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 Audit and Control Committee and, in exceptional circumstances, the auditors shall give a clear account of the contents and scope of these limitations or reservations to the shareholders. In any case, based on the functions granted to it in this regard by Board Regulations, the Audit and Control Committee constantly monitors the process of preparing the individual and consolidated financial statements to prevent them from being prepared with reservations in the audit report.

**C.1.29 Is the secretary to the Board a director?**

- Yes  
 No

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

Name or company name of the secretary	Representative
MR FRANCISCO PALÁ LAGUNA	

**C.1.30 Indicate the specific methods established by the company to protect the independence of the external auditors, as well as the methods, if any, employed to protect the independence of the financial analysis, of investment banks and of credit rating agencies, including how the legal provisions have been effectively implemented.**

Among the obligations of the ACC is to preserve the independence of the external auditor in the performance of its duties. Furthermore, the ACC will: (i) should the external auditor resign, examine the circumstances that led to such resignation; (ii) ensure that the external auditor's compensation for his/her work does not compromise his/her integrity or independence; (iii) supervise that the Company reports as a regulatory announcement to the Spanish Securities Market Commission (CNMV) the change of auditor alongside a statement on the likeliness of a disagreement on the contents with the outgoing auditor; and (iv) ensure that the Company and the external auditor adhere to the current regulations on the provision of non-audit services as well as the limits on the auditor's business concentration and, in general, all 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 accounts audit process and, when appropriate, to authorise non-prohibited services on the terms provided in current legislation relating to independence and to communicate with the auditors as provided for in the financial audit legislation and auditing standards. In any case, each year the external auditors shall be required to furnish a statement of their independence with respect to the Company or entities related directly or indirectly thereto, as well as detailed and separate information on any manner of additional services of any kind provided and the related fees received from these entities by the external auditor or entities related thereto in accordance with the governing accounts audits. The ACC shall also issue, prior to the audit report, an annual report expressing an opinion on whether the independence of the auditors or audit companies has been compromised. This report shall, in any case, contain the evaluation of the provision of each and every additional service referred to in the preceding section, considered individually and as a whole, other than legal audit services in relation to the rules on independence or in accordance with the audit regulations. Additionally, the ACC has an authorisation procedure of the external auditor's services other than the prohibited ones. Furthermore, the Board of Directors, at its meeting of 22 February 2018, approved the Audit and Control Committee Regulations 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 Committee's activity to preserve, among other things, the independence of external auditors.

**C.1.31 Indicate whether the company changed its external auditors during the fiscal year. Where appropriate, identify the incoming and outgoing auditors:**

- Yes  
 No

**C.1.32 Indicate whether the audit firm performs other non-audit work for the company and/or its group, and if so, state the amount of fees received for such work and the percentage they represent of the fees billed to the company and/or its group:**

- Yes  
 No

	Company	Group companies	Total
Amount of fees for other non-audit work (thousands of euros)	151	25	176
Amount of fees for other non-audit work/Amount of audit work (in %)	36.47	7.30	23.28

C.1.33 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 the shareholders of the General Meeting to explain the contents and scope of the reservations or qualifications.

Yes  
 No

C.1.34 Indicate the number of consecutive years that the current audit firm has been auditing the Company's individual and/or consolidated annual financial statements. Likewise, indicate for how many years the current firm has been auditing the annual financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	2	2

  

	Individual	Consolidated
Number of years audited by the current audit firm/number of years the company or its group has been audited (as a %)	5.00	5.00

C.1.35 Indicate whether there is a procedure for the directors to be able to receive the necessary information to prepare for meetings of the management bodies sufficiently in advance, and if so, give details:

Yes  
 No

#### Detail of the procedure

In accordance with Board Regulations, the Chairman, aided by the Secretary to the Board, must ensure that the directors have, in advance and with sufficient notice, the necessary information for the deliberation and adoption of resolutions on the matters to be dealt with at each meeting, unless the Board of Directors has been constituted or has been exceptionally convened by reasons of urgency. Likewise, any director may, upon request to the Chairman, CEO or Secretary to the Board, request and examine the books, registers, documents and other background information of the company's operations, and may also obtain supplementary information of the interlocutors as deemed appropriate. Finally, the Company will establish the appropriate channels for directors to obtain the necessary advice for the performance of their duties including, if circumstances so require, advice at the expense of the Company. 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. Furthermore, the Regulations of the Board of Directors stipulate that the committees may resort to external advice when deemed necessary for their roles, following the same procedure as set forth above.

C.1.36 Indicate and, where appropriate, 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  
 No

#### Detail of the procedure

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.1.37 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

C.1.38 Detail any significant agreements entered into 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 subscribed two syndicated loans for a total amount of 875 million euros, which provide for early maturity in the event of a change of control.

On 14 November 2018, Colonial took out a bilateral loan of 50 million euros, which also provides for early maturity should there be a change of control.

As a result of the merger with Axiare Patrimonio Real Estate, SOCIMI, S.A., the company subrogated in several bilateral loans, the outstanding amount of which at 31 December 2018 was 206 million euros, subject to the change of control clause.

On the other hand, in the case of fixed-income issues under the Euro Medium Term Note ("EMTN") "non-equity" issuance programme, the bonds are expected to mature early, at the option of the bondholder, in the event of a change of control leading to the loss of the "Investment Grade" rating. The total amount of issues under the EMTN Programme amounts to 2,600 million euros.

C.1.39 Identify, separately when referring to directors and aggregated when referring to all other cases 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.

Number of beneficiaries	3
Type of beneficiary	Description of the agreement
Chairman of the Board, CEO and Corporate General Manager.	Executive Directors will receive, in accordance with their relevant service agreement approved by the Board of Directors, a payout as compensation for an unjustified dismissal or non-renewal of their office, or a material reduction of their respective functions. They will also be entitled to it (i) in the event of a waiver or resignation from their position due to a change of control at the Company or significant change in the composition of the Board of Directors 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 of Directors. Said 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. There is also a Long-Term Incentive Plan (LTIP) approved by the General Meeting that entails the allocation of ordinary shares in the Company conditioned to meeting certain criteria each year. The beneficiaries of the plan are the Chairman of the Board, the CEO and the members of Colonial's

	<p>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. 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 an early settlement of the Plan and to the delivery of the 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 will lose any rights to shares that have been granted.</p>
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Indicate whether, beyond the assumptions foreseen by the regulations, these agreements must be reported to and/or authorised by the governing bodies of the company or its group. If this is the case, specify the procedures, assumptions foreseen and nature of the bodies in charge of their approval or their communication:

	Board of Directors	General Meeting
Body which authorises the clauses	✓	
	Yes	No
Is the General Meeting informed of the clauses?		✓

## C.2. Board Committees

C.2.1 Give details of all board committees, their members and the proportion of executive, proprietary, independent and other external directors that form them:

Appointments and Remuneration Committee		
Name	Position	Category
MR CARLOS FERNÁNDEZ-LEGA GARRALDA	CHAIRMAN	Independent

Appointments and Remuneration Committee		
Name	Position	Category
MR JAVIER IGLESIAS DE USSEL ORDÍS	MEMBER	Independent
MR LUIS MALUQUER TREPAT	MEMBER	Independent
MR JUAN CARLOS GARCÍA CAÑIZARES	MEMBER	Proprietary

MR ADNANE MOUSANNIF	MEMBER	Proprietary
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% of executive directors	0.00
% of proprietary directors	40.00
% of independent directors	60.00
% of other external directors	0.00

Explain the functions conferred to this Committee and describe the procedures and rules of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it by Law or Bylaws or other corporate agreements.

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 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 Vice President, 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 on 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 CEO 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. Proxy shall be conferred in writing, expressly for each meeting, and only in favour of another member of the ARC. Members of the ARC will not take part in deliberating or voting the resolutions or decisions if they, or their related party, have a direct or indirect conflict of interest. Minutes are taken of the ACC meetings and are made available to all the Board members. In this regard, in 2018, the Committee carried out the following functions: i) Coordinated and submitted to the Board reports on the assessment of the Board of Directors, of the Committee and the performance of the Chairman of the Board, the CEO, the Independent Lead Director and the Secretary to the Board, supported by the advice from Spencer Stuart; ii) Ensured compliance with the remuneration policy established by the Company and, in particular, proposed to the Board of Directors the variable remuneration to be paid to the Chairman and the CEO; iii) Analysed the targets that condition the variable remuneration of the Management Committee for 2018; iv) Reported about the impact of the business digitalisation and the Company's culture; v) Analysed the qualifications of the members of the Board of Directors; vi) Reported in favour and proposed to the Board of Directors the approval of the Annual Report on Directors' Remuneration; vii) Proposed, depending on the performance of the parameters, the number of shares to be allocated to the beneficiaries within the framework of the LTIP adopted at the General Meeting of Shareholders on 21 January 2014; ix) Proposed to the Board of Directors the motion to set the number of Board members at 11 to be put to vote at the General Meeting; x) Presented the Board of Directors with a positive report on the appointments and re-election of the directors; xi) Proposed the re-election of the independent Directors; xii) Approve, to then be put to vote before the Board of Directors, a proposal of the succession plan for the Chairman of the Board of Directors and the CEO; and xiii) Reported to the Committee members about the performance of the Corporate Governance Unit.

#### Executive Committee

Name	Position	Category
MR CARLOS FERNÁNDEZ GONZÁLEZ	MEMBER	Proprietary
MR CARLOS FERNÁNDEZ-LERGA GARRALDA	MEMBER	Independent
MR PEDRO VIÑOLAS SERRA	MEMBER	Executive
MR JUAN JOSÉ BRUGERA CLAVERO	CHAIRMAN	Executive
MR JUAN CARLOS GARCÍA CAÑIZARES	MEMBER	Proprietary
MR ADNANE MOUSANNIF	MEMBER	Proprietary

% of executive directors	33.33
% of proprietary directors	50.00

% of independent directors	16.67
% of other external directors	0.00

Explain the functions conferred to this Committee and describe the procedures and rules of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it by Law or Bylaws or other corporate agreements.

The Executive Committee shall be made up of at least three and not more than eight members. The Chairman and Secretary to the Committee shall be the Chairman and Secretary to the Board of Directors. The Executive Committee may appoint from among its members a Vice President 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 conflict of interest and who must abstain shall be removed for the purposes of calculating the necessary majority of votes. In the event of a tie, the matter shall be submitted to the Board of Directors. Through its Chairman, the Executive Committee shall report to the Board on the business transacted and the resolutions adopted by the Committee. The Executive Committee did not meet in 2018.

#### Audit and Control Committee

Name	Position	Category
MR CARLOS FERNÁNDEZ-LERGA GARRALDA	MEMBER	Independent
MR JAVIER IGLESIAS DE USSEL ORDÍS	MEMBER	Independent
MR LUIS MALUQUER TREPAT	MEMBER	Independent
MS ANA SAINZ DE VICUÑA BEMBERG	CHAIRMAN	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the functions conferred to this Committee and describe the procedures and rules of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it by Law or Bylaws or other corporate agreements.

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 number of independent directors must be as determined by law at any given time, and at least one, considering their 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 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 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 in accordance with the

Board regulations. 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 refrain 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. Among the activities performed by the ACC in 2018, it is worth mentioning the following: i) Act as a communications channel between the Board and the external auditor, assessing the outcome of each audit; ii) Issue before the accounts audit report a report with their opinion on the independence of the auditors; iii) Monitor the efficiency of the internal control, the internal audit and the risk management systems in the Company, including those relative to taxes, and discuss with the auditor the material weaknesses in the internal control identified during the audit; iv) Approve the reports on the risk control and management policy for its treasury shares before it is submitted to the Board of Directors; v) Monitor the strategy and practices regarding corporate social responsibility; vi) Monitor compliance with the internal code of conduct and the policy on corporate social responsibility; vii) Monitor the process of preparing and filing the required financial statements; viii) Report on the Annual Corporate Governance Report that is part of the annual financial statements, to be approved by the Board of Directors; x) Analyse and report on the Company's transactions with treasury shares to be approved by the Board of Directors; x) Report to the Board of Directors, through the Chairwoman, about the contents of the Committee meetings; xi) Update the Company's risk map and process map; xii) Monitor the implementation of measures agreed as part of the action plan and improvement plan for the Company's cybersecurity; xiii) Submit a positive report to the Board of Directors on the joint project entailing the merger of the Company and Axiare Patrimonio, Socimi, S.A; xiv) Submit a positive report to the Board of Directors on the purchase of all the shares in Société Foncière Lyonnaise from Qatar Holding LLC and DIC Holding LLC.

Identify the directors who are members of the audit committee appointed with regard to his or her knowledge and experience in accounting, auditing or both, and indicate the date when the Chairman of the committee was appointed as such.

Names of directors with experience	MR CARLOS FERNÁNDEZ- LERGA GARRALDA / MR JAVIER IGLESIAS DE USSEL ORDÍS / MR LUIS MALUQUER TREPAT / MS ANA SAINZ DE VICUÑA BEMBERG
Date the Chairman was appointed as such	27/07/2016

C.2.2 Fill in the following table with the information on the number of female directors sitting on the committees of the Board of Directors at the end of the last four years:

	Number of female board members							
	2018		2017		2016		2015	
	Number	%	Number	%	Number	%	Number	%
Appointments and Remuneration Committee		0.00		0.00		0.00		0.00
Executive Committee		0.00		0.00		0.00		0.00
Audit and Control Committee	1	25.00	1	25.00	1	20.00	1	20.00

C.2.3 Indicate, where applicable, the existence of regulations governing the Board committees, where they can be accessed, and any amendments thereto during the year. Also state whether any voluntary annual reports have been produced on the activities of each committee.

Reports have been issued on the activities performed by the Audit and Control Committee and the Appointments and Remuneration Committee. With regard to regulations governing the committees, besides the regulations established by the Regulations of the Board of Directors, on 22 February 2018, the Board of Directors adopted the regulations governing the Audit and Control Committee.



**D. RELATED-PARTY TRANSACTIONS AND INTRACOMPANY TRANSACTIONS**

**D.1.** Explain, where appropriate, the procedure and competent bodies for the approval of related-party transactions and intracompany transactions.

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 positive report from the ACC, in the following cases, among others: -From a director to provide Colonial's companies with professional services. The employment or any other type of relationship that executive Directors have with the Company is exempt for these purposes. - For a director, a significant shareholder or his/her representative on the Board, or a related party to sell or otherwise provide supplies, materials, goods or rights, in general, to Colonial or other companies in its Group in exchange for any type of economic compensation. - For the companies in the Group to provide supplies, materials, goods or rights, in general, to a director, a significant shareholder or his/her representative on the Board, or a related person that are outside the provider's normal business. - For the provision of work, 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 not carried out at arm's length. - For any other legal business with Group companies in which the director or a related party has a direct or indirect interest. 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.

**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:

Name or company name of the significant shareholder	Name or company name of the company or company in its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
QATAR INVESTMENT AUTHORITY	Inmobiliaria Colonial, SOCIMI, S.A.	Corporate	Financing agreements: capital contributions in cash or in kind	718,000

**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 executives	Name or company name of the related party	Link	Nature of transaction	Amount (thousands of euros)
No data				N.A.

**D.4.** Indicate any significant operations carried out by the Company with other companies in the same group, provided that they are not eliminated when preparing the consolidated financial statements and are not part of the Company's usual business in terms of purpose and conditions.

In any case, all intracompany operations with companies established in countries or jurisdictions considered as a safe haven must be reported:

Corporate name of the company in the group	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

**D.5.** Detail any significant operations carried out between the company or group companies and with other related parties that have not been reported in the previous sections:

Company name of the related party	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

**D.6.** State the methods established to detect, determine and resolve any conflicts of interest between the company and/or the group, directors, executives 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 related parties may have a direct or indirect conflict of interest. The votes of the directors who are affected by such conflict of interest and who must abstain shall be removed 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. The Regulations of the Board of Directors 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 interest. Furthermore, Directors should take all necessary measures to avoid situations where their interests, on his/her own behalf or otherwise, may be in conflict with the corporate interests and with their duties to the Company. In particular, the Director should refrain from: a) entering transactions with the Company, unless these are ordinary operations under the standard conditions applied to customers and of scarce relevance, in other words, operations whose information is not required to produce a true image of the shareholder's equity, the financial statements or the Company's results; b) using the Company's name or invoking his/her appointment as Director to wrongfully influence private operations; c) making use of the corporate assets, including the Company's confidential information, for personal purposes; d) benefiting from the Company's business opportunities; e) gaining advantages or compensation from third parties other than the Company and its Group, on account of the performance of his/her role, save when these are given as mere gifts or business courtesies; f) carry out activities, on his/her own behalf or otherwise, that would be in actual competition, effective or potential, with the Company or that, in any other way, would be in constant conflict with the Company's interests. The foregoing shall also be applicable if the beneficiary of the actions or prohibited activities is a person related to the director. 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. In all other cases, this may be granted by the Board of Directors provided that the members granting it remain independent in connection with the director who has been excused. It is also necessary to ensure that the shareholders' equity remains unharmed by the authorised transaction or that, if appropriate, it is carried out at arms' length and transparently. The covenant not to compete with the Company may only be waived under circumstances that should not entail any damages to the Company or if there were damages, these would be offset by the benefits it would be entitled to. 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

## E. RISK MANAGEMENT AND CONTROL SYSTEMS

### E.1. Describe the Risk Management and Control 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 risk management.

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 and Control System, including tax risks:

The Board of Directors is responsible for determining the Company's risk management and control policy, including tax risks, identifying its main risks, and implementing and supervising the internal reporting and control systems in order to ensure the future viability and competitiveness of the Company, adopting the decisions best suited to its implementation. The Audit and Control Committee (ACC) assists the Board of Directors in managing this policy. The ACC performs, inter alia, the following functions relating to risk control and management:

- Submitting a report on risk policy and management for approval by the Board.
- Conducting a regular review of risk control and management systems, in such a way that the main risks are identified, managed and notified properly.
- Overseeing the preparation, completeness and filing of regulated public information (financial and non-financial). In addition, the Company has set up a Regulatory Compliance Division (RCD) and Internal Audit Unit to reinforce this objective. The RCD is responsible for ensuring compliance with any laws and regulations that may affect the Company and the internal audit function carries out the necessary supervision tasks set forth in the annual plans to assess the efficiency of the risk management and control procedures implemented to minimise risks.

The main responsibilities assigned in relation to the RMCS correspond to the Board of Directors, the Audit and Control Committee and the Internal Audit Unit. The RMCS also explicitly sets out the responsibilities of senior management, operational managers and owners of the risks in relation to risk management.

### E.3. Specify the main risks, including tax ones and, when significant, those derived from corruption (as described in the Spanish Royal Decree 18/2017) that may jeopardise the 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 valuation 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 risk tolerance levels, including tax risks:

Colonial has established an appetite and tolerance for each risk area. Appetite is understood as the risk level that the company is prepared to take on or reject depending on its targets and considering the expectations of its stakeholders and the risk tolerance as the determining factor of the risk level fluctuations seen as normal surrounding its 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 fiscal year:

The risks that arose in 2018, the circumstances that caused them and the functioning of the control systems are as follows:  
CONCENTRATION OF GROUP ACTIVITIES IN SPAIN AND FRANCE

Circumstances: Colonial focuses its business activity on the rental business of properties in Barcelona, Madrid and Paris, mainly in the "Central Business District" (CBD) areas of these cities, and is, therefore, exposed to changes in the political or economic situation in the countries in which it operates.

Control systems: Colonial consolidated and streamlined this strategy in 2018. Following a takeover bid process, it has acquired all of the shares of Axiare Patrimonio Socimi, S.A. and has carried out the merger of that company. It also strengthened the Group's positioning in France through the acquisition of an additional 22.2% of its subsidiary Société Foncière Lyonnaise. In addition, in line with its strategy, the Group has acquired several assets in Barcelona and in Madrid and has sold several office buildings as they were considered aged non-strategic assets or were outside the CBD area, as well as a turnkey project. This strategy of focusing its activity mainly in CBD areas and its high-quality standards have positioned the Group as a benchmark in the sector.

#### INCREASED COMPETITION IN THE REAL ESTATE SECTOR

Circumstances: Heavy investment continued in 2018 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. In 2018, Colonial Group continued with this selective investment strategy strengthening the Group's positioning in the three markets in which it operates.

#### IMPAIRMENT OF REAL ESTATE ASSETS

Circumstances: 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. Furthermore, the market value of the assets could drop or be negatively impacted 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 €161 million in 2018 in new projects and projects to renovate and improve its real estate assets.

#### FINANCING OF REAL ESTATE ASSETS. FINANCIAL STRUCTURE AND LEVEL OF DEBT

Circumstances: 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 2018, the Group issued two new lots of bonds, one of 650 million euros by Colonial and another of 500 million euros by SFL, having repurchased bonds in both companies for 375 and 300 million euros respectively. In addition, both companies have also issued two short-term promissory note programmes for maximum amounts of 500 million and 300 million euros, respectively. Also, Colonial settled a bilateral debt that came from Axiare for a total 408 million euros. Standard & Poor's upgraded Colonial's credit rating to BBB+ long term and A-2 short term, with a stable forecast. As a result, the Group secured sufficient funding to carry out its growth and investment strategy while diversifying and increasing the average maturity of its debt and continuing to optimise its financial costs. At 31 December 2018, the Group's net financial debt amounted to €4,680 million, with an LTV ratio of 39%.

#### GETTING AHEAD OF NEW TRENDS

Circumstances: 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 may specifically affect the real estate sector.

Control systems: Colonial 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 2018, Colonial continued its goal of fostering initiatives and strategies in "PropTech" (Property Technologies), a segment that studies the impact made by technology and digitalisation on the development of services and new business models in the real-estate sector. It has also boosted its growth strategy on its co-working platform (Utopicus) with the opening of 3 new centres, thus having a total of 6 centres (1 in Barcelona and 5 in Madrid). This strategy will be reinforced in 2019 with the opening of new centres in both locations, offering great flexibility of spaces, services and content in all its centres.

### E.6. Explain any response and supervision plans in place for the company's main risks, including tax risks, as well the procedures followed by the company to ensure that the Board of Directors can respond to coming challenges:

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 the Regulations of the Board of Directors.

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-elect and remove 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. 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.

Lastly, the Internal Audit function is responsible for drawing up the annual Internal Audit Plan and submitting it to the ACC. Such plan includes all evidence required to prove compliance with the manuals, procedures and policies related to the ICFR. The internal auditor shall carry out these internal audit 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 that 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 across the company:

The responsibility for developing Colonial's ICFR organisational model lies with the Internal Audit Department and the Financial 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 Financial 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 Unit and is regularly reviewed to guarantee its confidentiality and compliance with the regulations applicable.

- Training programmes and regular refresher courses for personnel involved in the preparation and review of financial information and the assessment of ICFR, covering at least accounting standards, auditing, internal control and risk management:

Colonial has a Training Plan covering all business areas according to the specific needs of each. However, the functional business areas themselves, under the coordination and supervision of the Human Resources department, are responsible for devising and proposing specific training plans for their areas.

For staff involved in preparing and reviewing financial information, training is structured around attending events concerning regulatory updates of financial, accounting and tax regulations, as well as receiving, distributing and analysing documentation from external advisors regarding regulatory developments.

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 Financial 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 assessment of certain internal control and risk management aspects.

## F.2. Assessment of risks in relation to financial information.

Report, at least, on:

F.2.1 The main characteristics of the process for identification of risks, including the risk of error or fraud, as follows:

· Whether the process exists and is documented:

Colonial has a Risk Management and Control System (RMCS), as indicated in section E.1 of this report. The ACC is in charge of monitoring and controlling risks as delegated by the Company's Board of Directors. To this end, the managers of the various operating units cooperate in identifying and correcting risks by applying the RMCS, as indicated in sections F.1.1 and F.1.2 of this report. Colonial's ICFR Organisational and Monitoring Model, as well as its ICFR Internal Control and Risk Management Manual, which aim to ensure the preparation and issue 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) Operating cuts: Incorrect registration of transactions during the relevant reporting 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. Any revisions or updates entailing the amendment of the Manual should be approved by the ACC once the Internal Audit and the Financial Department have seen and reviewed them.

· 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) supervise the preparation process and completeness of financial information on the Company and, where applicable, the Group, reviewing compliance with regulatory requirements, the composition of the consolidated group and the correct application of accounting criteria ..."

In this regard, Colonial has a consolidation process that stipulates, as a basic procedure, the determination of the Group's scope of consolidation at the end of every reporting period. This procedure is implemented by the Accounting, Consolidation and Tax Department, which reports to the Financial Department and the ACC is informed when the scope of consolidation varies.

· Whether the process takes account of other types of risks (operational, technology, financial, legal, tax, reputational, environmental risk etc.), which may affect the financial statements:

As described in the first item of section F.2.1, the basic function of the ACC, as delegated by the Company's Board of Directors, is to monitor and control risks supported by the work done by the executives of each operating unit, which help identify and correct them. Colonial's ICFR Organisation and Supervision Model, as well as its Internal Control and Risk Management Manual, are aligned with and form part of Colonial's general risk policy (see section E of this report), and have been approved by the 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) 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 internal audit 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 judgements, estimates, valuations and forecasts.

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 is a specific procedure to prepare and review each set of regulated financial statements to be published in the market. This includes 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 that structures the specific mechanisms that have been provided to keep an internal control that fosters full, reliable and relevant financial information and considers the likelihood of irregularities and the ways to detect and repair them.

The Organisational Model of Colonial's ICFR system is based on two distinct areas:

- a) The general control environment, where the main guidelines of operation of the ICFR and high-level roles and responsibilities are developed.
- b) The specific controls on ICFR that develops operating procedures related to preparing the financial information.

In addition, Colonial has an ICFR Internal Control and Risk Management Manual that sets out the specific controls established with regard to the risks relating to financial information and formal documentation, whereas the Organisational Model contains high-level methods and controls.

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 next step is to identify the cycles and business processes that may have a material impact on the information in terms of their preparation and their issue. Once the

processes have been identified, the relevant functional areas and internal audit will 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 Financial Department and Internal Audit are jointly responsible for identifying the ICFR processes, risks and relevant controls, which are then approved by the ACC. In this process, the Company has specifically considered the potential risk of fraud and has control activities in place to prevent this risk.

The key processes identified at Colonial relating to the ICFR system are:

- a) Closing of accounts, including the process of judgements, estimates, measurements and projections.
- b) Consolidation and reporting of subsidiaries.
- c) Revenue recognition.
- d) Asset valuation (determination of the fair value of investment property).
- e) Cash, debt and derivatives.
- f) 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 is mandatory. It is, therefore, essential that all functions/departments involved monitor



all the procedures established and the controls in place to ensure the reliability of Colonial's financial information. The most senior-ranking employee in each of the departments involved in the procedures documented in the internal control model is responsible for ensuring that the processes and controls are correctly applied and documented for each accounting period.

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.

Operations with a material weight of judgements, estimates, valuations and forecasts are subject to special monitoring as is the case with the valuation of real-estate assets, impairment tests and performance tests on 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 function is in charge of Colonial's corporate computer systems. This department reports to the Financial Department, which, in turn, reports to the General-Corporate Department.

At present, the operation and maintenance of Colonial's corporate IT systems supporting financial reporting are outsourced, which means that Colonial's head of Systems manages the key aspects related to physical security, continuity and operation of the systems with the external supplier.

Furthermore, the head of IT systems at Colonial is responsible for establishing the IT internal control model regarding secure access, segregation of duties (in coordination with the operating business and support areas) and control of changes, as well as carrying out risk monitoring and control activities arising from the outsourcing of the IT systems.

All Spanish Colonial Group companies operate under one transactional system, SAP. The information systems of the French Group SFL are not fully integrated with Colonial, and, therefore, information is exchanged by exporting data as files.

Colonial's IT internal control model includes, among others, the following key processes:

- a) Physical security of equipment and data processing centres (in coordination with the external provider).
- b) Logical security of the applications (in coordination with the external supplier).
- c) Follow-up of the Service Level Agreement (SLAs) and the 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 with substantial third-party involvement are as follows:

- a) Valuation of real estate assets: determination of fair value.
- b) Financial hedging instruments: effectiveness tests and securing 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.

Provide information, indicating salient features, if available, on at least the following:

### F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and resolving queries or settling disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the Company's operating units.

Colonial's ICFR Organisational and Monitoring Model, which has been approved by the ACC, stipulates that the Financial Department is responsible for maintaining documentary records of Colonial's accounting policies and keeping the Group accounting policies manual up to date, which entails resolving queries or settling disputes over their application. Colonial has a Group Accounting Policies Manual, which has been approved by the ACC, and which must be adhered to by all Group companies. The Financial Department is responsible for preparing and maintaining this manual.

**F.4.2 Mechanisms to 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 so as to ensure greater control and security in gathering information and preparing the 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 Financial 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 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. State also the scope of the ICFR assessment during the year and the procedure used by the person in charge to report the results, 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 2018 consisted of approving the Internal Audit Plan for 2018, 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 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 and annual accounts 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, will:

- (iii) monitor the independence and effectiveness 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 2019, including the necessary action necessary to guarantee monitoring and evaluation of internal control procedures, specific work to verify the operational effectiveness of Colonial's ICFR, with regular reporting on incidents detected and courses of action required for improvements, in addition to their potential impact on financial disclosures, when they have been contrasted with the areas audited.

**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. Serve as a channel of communication between the Board of Directors and the Company's external auditor, assessing the results of each audit, and in this connection also with the function of regularly collecting information from the auditor on the audit plan and how it is to be carried out.
2. Establish the necessary relations with the external auditor in order to receive information on any matters that might jeopardise the auditors' independence, for examination by the Committee, any other matters related to the financial audit process and, when appropriate, to authorise non-prohibited services on the terms provided in

current legislation relating to independence and to communicate with the auditors as provided for in the financial audit legislation and auditing standards.

3. 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 on the schedule established for each year.

#### **F.6. Other significant information**

[ No additional issues to be disclosed have been identified. ]

#### **F.7. External auditor's 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 perform 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 of Listed Companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by acquiring shares on the market.

Compliant [ X ]      Explain [ ]

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

- a) Of the changes that have occurred since the last ordinary general meeting.
- b) Of the specific reasons why the company is not following certain recommendations of the Code of Corporate Governance and, if any, the alternative rules applied to this matter.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

4. The company will 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 the company should make this policy public via its website, including information on the way it has been put into 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 with sufficient notice before the ordinary general meeting is held, although their dissemination is not mandatory:

- a) Report on the external auditor's independence.
- b) Reports of proceedings of the audit committees and the appointments and remuneration committee.
- c) Audit committee report on related-party transactions.
- 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 [ X ]      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, in the terms proposed by the board of directors.
- c) Submits all these items or alternative proposals to vote and the same voting rules are applied to them as those made by the board of directors, including, in particular, presumptions or inferences about the direction of the vote.
- d) Announces, after the general meeting of shareholders, the breakdown of the vote on such additional points or alternative proposals.

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 will perform its duties with unity of purpose and independent judgement, and it will 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 maximise 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 will 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 between five and fifteen members.

Compliant  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 will annually verify compliance with the policy of selection of directors and inform thereof in the annual corporate governance report.

Compliant  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  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 large-cap 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  Explain

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

However, where the Company is not a large-cap or where, if it is, it has a shareholder or several acting together, who control more than 30% of the share capital, the number of independent directors should represent at least one third of all directors.

Compliant [  ] Explain [  ]

The company has 4 independent directors out of a total of 11, one less than the number of proprietary directors and double the number of executive directors. Thus, although the percentage of independent directors does not reach the 50% required by the recommendation, in accordance with the company's current shareholder structure it is estimated that representation of this type of Directors is considerable, and thus all interests are duly represented in the management body.

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional and biographical profile.
- b) Other boards of directors on which they sit, whether or not these belong to listed companies, as well as other remunerated activities in which they may be involved.
- c) The category to which the director belongs, where applicable, stating, in the case of proprietary directors, the shareholder they represent or to whom they have links.
- d) Date when they were first appointed as a director of the company, as well as the dates of any subsequent reappointments.
- e) Their holdings of company shares and their stock options.

Compliant [  ] 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 stake 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 [  ]

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 [  ] Partially compliant [  ] Explain [  ] Not applicable [  ]



21. The Board of Directors will 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 will be understood that there is just cause when the director takes up a new post or takes on new duties that prevent him/her from devoting the necessary time to the performance of the duties associated with the directorship, when the director fails to carry out the duties inherent to his/her post or when the director is involved in circumstances which cause him/her to lose his/her independent status in accordance with the provisions of the legislation applicable.

The removal of independent directors from office may also be proposed as a result of public buy-outs, mergers or other similar enterprise-level transactions implying a change in the structure of the Company's capital, where such changes in the Board are due to the proportionality criterion in Recommendation 16.

Compliant  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 is prosecuted or has a court order issued against him or her initiating trial proceedings for any of the offences defined in corporate law, the board of directors should examine the case as soon as possible and, in view of the particular circumstances, decide whether or not he/she should remain in office. The board of directors should also give a reasoned account of these circumstances in the annual corporate governance report.

Compliant  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 directors and other directors in particular, who are not affected by potential conflict of interest, should 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 must be explained in the letter referred to in the following recommendation.

This recommendation also extends to the secretary to the board of directors, even if the secretary is not a director.

Compliant  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 Committee will 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 year, with each director able to propose for inclusion alternative items not originally on the agenda.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

27. Directors' absences should be limited to the bare minimum and quantified in the Annual Corporate Governance Report. And, when they must occur, instructions are given to proxies.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

28. When the directors or the 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 will 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 programmes when circumstances so warrant.

Compliant [ X ]      Explain [ ]      Not applicable [ ]

31. The agenda of the sessions clearly indicates the points on which the Board of Directors will adopt a decision or agreement so that directors can study or seek, in advance, the information required for its adoption.

When exceptionally, for reasons of urgency, the Chairman wishes to submit for 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 shareholdings and of the opinions that significant shareholders, investors and rating agencies have of the Company and its group.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

33. The chairman, as the person responsible for the proper functioning of the board of directors, in addition to exercising the functions assigned to him by law and the bylaws, should prepare and submit to the board a schedule of dates and items to be discussed; organise and coordinate regular assessment of the board and, where applicable, assessment of the company's chief executive; take responsibility for management of the board and of the effectiveness of its functioning; ensure that sufficient time is allocated to discuss strategic issues, and agree and review programmes to update knowledge for each director, when circumstances so advise.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

34. When there is an independent lead 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 will 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 should evaluate, once a year, and adopt, where applicable, an action plan to correct deficiencies identified with respect to:

- a) The quality and efficiency of operation of the board of directors.
- 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  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  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  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  Partially compliant  Explain

40. Under the supervision of the audit committee, there should be a unit that assumes the internal audit function 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 will 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) Examine the circumstances behind the resignation of the external auditor, should this occur.
- b) Ensure that the remuneration for the external auditor for his or her work does not compromise his or her integrity or independence.
- c) Ensure that the Company notifies the change of auditor as a regulatory announcement to the 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 should be informed of 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. The 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 off-balance sheet risks.
- b) Setting the level of risk that the Company considers acceptable.
- c) The measures planned to mitigate the impact of identified risks, should they materialise.
- d) The information and internal control systems to be used to control and manage the abovementioned risks, including contingent liabilities or off-balance sheet risks.

Compliant [ X ]      Partially compliant [ ]      Explain [ ]

46. Under the direct supervision of the Audit Committee or, if any, of a specialised committee of the Board of Directors, there is an internal function of risk control and management exercised by a unit or internal department of the Company that has expressly attributed the following functions:

- a) Ensure the proper functioning of the control and risk management systems and, in particular, that all the important risks affecting the Company are adequately identified, managed and quantified.
- b) Actively participate in the development of a risk strategy and take part in the important decisions concerning risk management.
- c) Ensure that the 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. Large-cap companies have an Appointments Committee and a separate Remuneration Committee.

Compliant [  ]

Explain [  ]

Not applicable [  ]

Based on the current structure of the Company, in particular, the number of employees and executives, as well as its organisation and activity, it is deemed appropriate to maintain a single appointments and remuneration committee.

49. The Appointments Committee should consult with the Company's Chairman of the Board of Directors and chief executive officer of the company, especially on matters relating to executive directors.

Any Director may request that the Appointments Committee take into consideration potential candidates to fill director vacancies if he/she feels that they are suitable.

Compliant [  ]

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 officers' employment contracts.
- b) Check compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy applied to directors and senior officers, as well as the remuneration systems that include shares and how they are implemented, in addition to guaranteeing that their individual remuneration is proportional to that which is paid to other directors and senior officers of the Company.
- d) Ensure that any conflicts of interest do not interfere with the independence of the external advice given to the committee.
- e) Verify the information on directors' and senior officers' remuneration found in various corporate documents, including the annual report on directors' remuneration.

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 supervisory and control committees should be listed in the Board Regulations and be consistent with those applicable to the legally mandatory committees under the foregoing recommendations, including the following:
- a) They should be composed exclusively of non-executive directors, with a majority of independent directors.
  - b) The chairmen should be independent directors.
  - c) The board of directors should appoint the members of these committees, taking into account the knowledge, skills and experience of the directors and the responsibilities of each committee; deliberate on its proposals and reports; and, at the first plenary session of the board after their meetings, receive an account of their activity and a report on the work carried out.
  - d) The committees should seek external advice when they deem it necessary to perform their duties.
  - e) Minutes of meetings should be taken, and copies sent to all directors.

Compliant [  ]

Partially compliant [  ]

Explain [  ]

Not applicable [  ]

53. The supervision of compliance with the rules of corporate social responsibility policy, the internal codes of conduct and the corporate governance policy should be 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 should 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 should include the principles or commitments, which the Company voluntarily undertakes in its relationship with the different stakeholders and identify at least:
- The objectives of the corporate social responsibility policy and the development of support tools.
  - The corporate strategy related to sustainability, the environment and social issues.
  - 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 conduct.
  - Methods or systems monitoring the results of the implementation of the specific practices identified in the previous point, the associated risks and their management.
  - The mechanisms for monitoring non-financial risk, ethics and business conduct.
  - The channels of communication, participation and dialogue with stakeholders.
  - Responsible communication practices that prevent manipulation of information and protect 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. Directors' remuneration 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 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 remuneration 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 will 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) Should be linked to performance criteria that are predetermined and measurable, and these criteria should consider the risk taken to obtain a result.
- b) Should promote the sustainability of the Company and include non-financial criteria that are suitable for creating long-term value, such as compliance with internal rules and procedures of the Company and its policies for control and risk management.
- c) Should be configured on the basis of a balance between compliance with short-term, medium-term and long-term objectives, to remunerate output for continuous performance over a period of time that is sufficient to appreciate the contribution to the sustainable creation of value, in such a way that the items measuring this performance do not focus only on sporadic, occasional or extraordinary facts.

Compliant [  ]      Partially compliant [  ]      Explain [  ]      Not applicable [  ]

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

Compliant [  ]      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 [  ]      Partially compliant [  ]      Explain [  ]      Not applicable [  ]

61. A significant percentage of the variable remuneration of executive directors should be linked to the delivery of shares or financial instruments referenced to their value.

Compliant [  ]      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 have elapsed since they were allocated.

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

Compliant  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  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  Partially compliant  Explain  Not applicable

#### H. OTHER INFORMATION OF INTEREST

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1. If there are any other relevant aspects of corporate governance at the company or at group companies that have not been set out in the other sections of this report but must be included to provide a more complete and reasoned view of the governance structure and practices of the company or its group, describe them briefly.
2. Any other information, clarification or observation related to the above sections of this report may be included in this section insofar as they are relevant and not repetitive.

Specifically indicate whether the Company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

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

1. On 27 July 2016, following an amendment of the Regulations of the Board of Directors, it was decided that the Appointments and Remuneration Committee would have competences in relation to supervision of compliance with the rules of corporate governance and other issues related thereto. By virtue of the foregoing and to implement best corporate governance practices at Colonial, the Appointments and Remuneration Committee created the Corporate Governance Unit, reporting directly to the Committee and composed of the Chairman of the Appointments and Remuneration Committee and the Head of Legal Advisory at the company.

Concerning paragraph C.1.3 (proprietary directors), Mr Carlos Fernández González has been stated as a significant shareholder inasmuch as he holds the control over Grupo Finaccess S.A.P.I. de C.V., a company holding the direct ownership of the shares of Colonial, S.A.

The Selection and Diversity Policy was approved in 2019.

The related operation mentioned in paragraph D.2. in this report was subjected and approved by the Extraordinary General Meeting of Shareholders held on 8 November 2018.

2. Ms Ana Sainz de Vicuña tendered her resignation as member of the Board of Directors of the Company on 24 January 2019, which entailed her cessation as member of the Audits and Control Committee. On the same date the Board of Directors, at the proposal of the Appointments and Retributions Committee, agreed to appoint Ms Silvia Alonso-Castrillo Allain as the new member of the Board of Directors as an independent director. Moreover, Mr Javier Iglesias de Ussel Ordís was also appointed as Chairman of the Audit and Control Committee.

3. 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.

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This annual corporate governance report was approved by the board of directors at a meeting on:

[ 26/02/2019 ]

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

[ ] Yes

[ ✓ ] No