



**Tax transparency report of Inmobiliaria  
Colonial, SOCIMI, S.A. 2022**

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## **1 Good governance, transparency and integrity**

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

### **1.1 Values**

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

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

### **1.2 Tax Strategy**

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

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

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

### 1.3 Tax Risk Management and Control System

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

Colonial has neither created nor holds any interests in entities domiciled in non-cooperative jurisdictions or low or no-tax territories.

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

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

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

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

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

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

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

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

Section C.2.1 of the 2022 [Annual Corporate Governance Report](#) describes the main actions taken by the ACC during the year, including those relating to the Company's tax affairs.

In addition, further details of the activities carried out in relation to these tax matters can be found in the following [document](#).

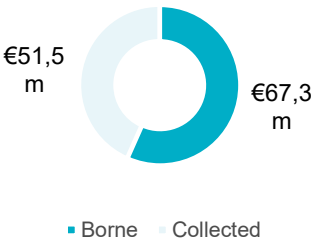
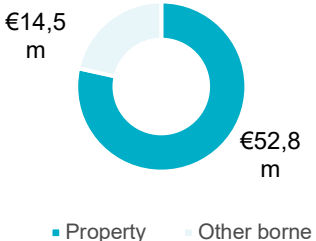
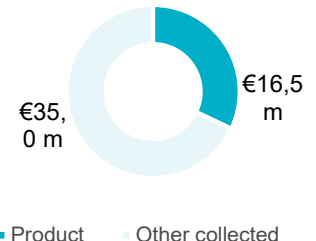
## 2 Breakdown of tax information

Properly explaining the importance of the Colonial Group's tax contribution is a priority for Colonial from the point of view of transparency and corporate social responsibility.

### 2.1 Tax contribution report

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

#### 2.1.1 Total Tax Contribution in 2022

<b>Total Tax Contribution of the Group</b> Total taxes generated by the Group's activity in all the territories in which it operates <b>amounted to €118.8m</b> , of which <b>57% refers to taxes borne</b> and <b>the other 43% refers to taxes collected</b> .	<b>Taxes borne in 2022</b> The taxes borne by the Colonial Group in 2022 amounted to 67.3 million euros, of which the most important were property taxes with the costs arising from the purchase of the Pasteur building in France followed by property tax, accounting for 78%.	<b>Taxes collected in 2022</b> The taxes collected by the Colonial Group in 2022 amounted to 51.5 million euros, the most significant of which are the taxes on products and services, mainly VAT, which represent 68% of the total taxes collected.
 <p>                         €51,5 m (Collected)                          €67,3 m (Borne)                     </p>	 <p>                         €14,5 m (Other borne)                          €52,8 m (Property)                     </p>	 <p>                         €35,0 m (Product)                          €16,5 m (Other collected)                     </p>

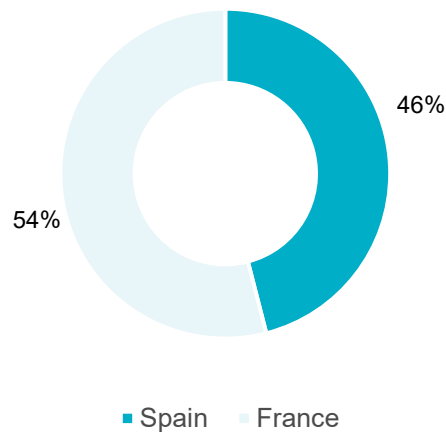
Source: Prepared in-house

<b>Colonial's Tax Contribution with respect to 2022 turnover</b>	<b>Total Tax Contribution Rate in 2022</b>	<b>Distributed tax value in 2022<sup>(*)</sup></b>
For every 100 euros of the Group's revenue, 33 euros are used to pay taxes. Of that amount, 19 euros are taxes borne and 14 euros are taxes collected.	During 2022, the Total Tax Contribution Ratio of the Colonial Group represents 29% of the profits before taxes borne (the profit before taxes borne is adjusted for the impact of revaluations).	Of the value generated by the Colonial Group while carrying out its business activities, 118.8 million euros has been paid to the Public Treasury through taxes borne and collected. Thus, of every 100 euros of value generated by the Group in 2022, 31 euros were used to pay taxes.

*(\*) The value distributed by the company is the sum of taxes (borne and collected), net withholding dividends, net interest and wages and salaries net of taxes collected on behalf of employees.*

### 2.1.2 Geographic distribution of the tax contribution in 2022

Of every 100 euros that the Colonial Group pays in taxes throughout the world, 46 euros are paid in Spain.



Source: Prepared in-house

### 2.1.3 Taxes paid to the Public Treasury

	Spain		France		Total	
	Taxes borne	Taxes collected	Taxes borne	Taxes collected	Taxes borne	Taxes collected
<b>Profit taxes</b>	<b>2.0</b>	<b>5.5</b>	<b>4.6</b>	<b>0.1</b>	<b>6.6</b>	<b>5.6</b>
Income tax	0.2	--	4.6	--	4.8	--
Others	1.8	5.5	--	0.1	1.8	5.6
<b>Property taxes</b>	<b>19.7</b>	<b>--</b>	<b>33.1</b>	<b>--</b>	<b>52.8</b>	<b>--</b>
Yearly municipal property tax	17.0	--	18.1	--	35.1	--
Others	2.7	--	15.0	--	17.7	--
<b>People taxes</b>	<b>1.9</b>	<b>7.0</b>	<b>5.7</b>	<b>3.6</b>	<b>7.6</b>	<b>10.6</b>
Payments to Social Security and others	1.9	0.4	4.1	1.8	6.0	2.2
Work income withholdings	--	6.6	0.6	1.8	0.6	8.4
Others	--	--	1	--	1	--
<b>Product taxes</b>	<b>0.3</b>	<b>17.6</b>	<b>--</b>	<b>17.4</b>	<b>0.3</b>	<b>35.0</b>
VAT settled	--	17.6	--	17.4	--	35.0
Others	0.3	--	--	--	0.3	--
<b>Planet taxes</b>	<b>0.0</b>	<b>0.3</b>	<b>--</b>	<b>--</b>	<b>0.0</b>	<b>0.3</b>
<b>Subtotal of taxes paid</b>	<b>23.9</b>	<b>30.4</b>	<b>43.4</b>	<b>21.1</b>	<b>67.3</b>	<b>51.5</b>
<b>Total</b>	<b>54.3</b>		<b>64.5</b>		<b>118.8</b>	

### 2.1.4 Tax contribution report

[The total tax contribution report of the Colonial Group for 2022](#) is available at this link.

## 2.2 Financial and non-financial tax information

### 2.2.1 Financial tax information

The breakdown of Colonial's tax expense is detailed in the consolidated financial statements of Colonial and its subsidiaries and in the separate financial statements of Inmobiliaria Colonial, SOCIMI, S.A., specifically in Notes 18 and 18, respectively.

### 2.2.2 Non-financial tax information

Law 11/2018 of December 28 amends the Commercial Code and the Spanish Limited Liability Companies Law, by making it mandatory in certain cases to include certain tax information in the statement of non-financial information of companies and groups: country-by-country profits earned, taxes on profits paid and government subsidies received.



	2022			2021		
	Third-party revenue	Intragroup transactions	Total	Third-party revenue	Intragroup transactions	Total
Spain	157.1	--	157.1	142.1	--	142.1
France	204.5	--	204.5	174.6	--	174.6
<b>Total</b>	<b>361.6</b>	<b>--</b>	<b>361.6</b>	<b>316.7</b>	<b>--</b>	<b>316.7</b>

The contribution by country to the accounting profit/(loss) before tax shown in the consolidated income statement is as follows:

	Accounting profit/(loss) before tax (contribution to consolidated profit/(loss))	
	2022	2021
Spain	-136.3	201.8
France	178.3	361.6
<b>Total</b>	<b>42.0</b>	<b>563.4</b>

The Colonial Group applies the fair value through profit or loss method to the accounting records of its investment properties, and therefore the consolidated results include the impact of the change in value recorded during the year. These results do not have an impact on the tax payable in each country, since (i) they are either treated as deferred taxes on consolidation as they are deferred unrealised capital gains, (ii) do not generate such deferred tax as they are properties that have met the minimum maintenance requirements established by the SOCIMI Law, or (iii) are French assets subject to the SIIC regime for which the Group has already paid the exit tax and. Therefore, no additional taxation is associated with them.

The amount of investment property revaluations recorded for 2022 in Spain and France amounts to 186.13 million and 38.6 million euros of income (2021: 189.1 million euros of losses and 255.1 million euros of income respectively). These amounts do not include the effect of possible deferred taxes associated with them, nor the portion of such results attributable to non-controlling interests.

The contribution by country to the Group's consolidated profit/(loss) before tax excluding the effect of recording its investment property at fair value through profit or loss, as it would have been, is shown in the table below:

	Accounting profit/(loss) before tax (contribution to consolidated profit/(loss))	
	2022	2021
Spain	44.8	12.7
France	139.7	106.5
<b>Total</b>	<b>189.5</b>	<b>119.2</b>

The following table shows property, plant and equipment and investment property (including those classified as non-current assets held for sale) by country:

	Property, plant and equipment and investment property (contribution to consolidated profit/(loss))	
	2022	2021
Spain	4,625.5	4,749.9
France	8,128.2	7,515.7
<b>Total</b>	<b>12,753.7</b>	<b>12,265.6</b>

The following table shows the amount of income taxes paid and accrued by country:

	2022		2021	
	Income tax paid	Income tax paid	Income tax paid	Accrued income tax
Spain	(0.2)	4.3	1.7	0.8
France	(4.5)	3.3	(6.0)	2.7
<b>Total</b>	<b>(4.7)</b>	<b>7.6</b>	<b>(4.3)</b>	<b>3.5</b>

Most of the group's companies, both Spanish and French, are part of what are known as REITs (*Real Estate Investment Trusts*). These are real estate companies listed on official national markets and which generate income for their shareholders through the development and sale of their real estate assets. Investors in this type of entity (be they small investors or institutional investors) can invest in a listed real estate company, in the same way as they can invest in other listed entities, and instead of investing in individual properties, they can invest collectively in a portfolio of assets.

Since the purpose of the REIT is to channel the collective investment in real estate assets, the profits generated by these companies is not taxed from the REIT, and in fact it is the shareholder who is taxed on these profits when they are distributed via dividends. Spanish SOCIMIs and French SIICs are legally obliged to distribute as dividends the following gains/losses that have benefited from these tax regimes:

	REIT	SIIC
Net gain/(loss) on leasing of properties	80%	95%
Net gain/(loss) on sales of assets	50%*	70%
Net gains/losses through dividends from REIT companies	100%	100%

\* The remaining 50% must be reinvested in new assets subject to the SOCIMI regime within 3 years from the date of the transfer, and if not reinvested, the net gain must be distributed as a dividend.

Taxation of net rental income and sales of real estate assets is passed on to its shareholders to ensure that such gains are only taxed once and not twice (first by the REIT and then by the shareholder). This creates an incentive for investing in property through REITs, as they are accessible, transparent and liquid.

In addition to SOCIMIs and SIICs, there are companies under the general Spanish and French corporate income tax regime. Certain gains and losses in SOCIMIs are also included in the general regime, such as sales of assets which have not been held for the minimum three-year holding period required by the SOCIMI Law, or the inclusion of certain adjustments from years before the adoption of the SOCIMI regime, which Colonial opted for with effect from 1 January 2017.

Lastly, as was the case with the consolidated profit/(loss), the amounts in the table above are greatly affected by the impact of recording investment property at fair value through profit or loss, and the associated deferred tax in those cases where applicable. If we strip out this impact, the table would be as follows:

	2022		2021	
	Income tax paid	Income tax paid	Income tax paid	Accrued income tax
Spain	(0.2)	0.1	1.7	1.2
France	(4.5)	(5.7)	(6.0)	(5.6)
<b>Total</b>	<b>(4.7)</b>	<b>(5.6)</b>	<b>(4.3)</b>	<b>(4.4)</b>

The following table shows the amount of public subsidies received in Spain, plus the amount of contributions made to foundations and non-profit organisations:

	2018	2019	2020	2021	2022
Public subsidies received in Spain	--	--	--	--	--
Contributions to foundations and non-profit entities	0.1	0.1	0.3	0.1	0.1

## 2.3 Status of main tax inspections and litigation

### 2.3.1 Inspections

#### ***Periods open to review by the Tax Authorities***

On 2 November 2022, Colonial was notified of the commencement of general verification and investigation audits for corporate income tax for 2018 to 2021, and for value added tax, withholdings on account of non-residents and withholdings and payments on account of income from employment, professional activities and economic activities for the period October 2018 to December 2021.

At year-end 2022, the rest of Spanish-registered companies have 2018 and subsequent years open for review for the other applicable taxes.

#### ***Inspections originating in prior years***

In Spain, at the beginning of 2022, sixteen inspection processes for the Construction, Installations and Works Tax are open: seven for works carried out in buildings in Madrid, five in Barcelona and four in Alcobendas.

#### ***Inspections closed during 2022***

In 2022, Madrid City Council initiated twenty-six inspections of the Construction, Installations and Works Tax, while Barcelona City Council initiated a further sixteen.

At year-end 2022, nineteen procedures were closed out with Madrid City Council and twenty-one procedures with Barcelona City Council.

None of these have had a significant impact for Colonial.

### 2.3.2 Litigation

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

The most relevant cases of litigation refer to the appeal against two additional settlements of the Transfer Tax and Stamp Duty arising from the purchase of property owing to disagreement concerning the value stated in the public deed and the value assigned by the Administration.

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

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

### 2.4 Low tax territories

According to Article 529 of the Corporate Enterprises Act (RDL 1/2010 of 2<sup>nd</sup> of July), the boards of directors of listed companies may not delegate certain decision-making powers, including the power to approve the creation or acquisition of shares in special purpose vehicles or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature the complexity of which could make the company and its group less transparent.

In Colonial's eyes, a tax haven or non-cooperative jurisdiction is any territory that either allows tax avoidance or facilitates a lack of investment transparency and that qualifies as such under current law and regulations.

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

Colonial Group does not have any investments in territories classified as tax havens or non-cooperative jurisdictions.

### 3 Cooperative relationship with the Tax Administration

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

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

During 2022, Colonial presented the Annual Tax Transparency Report for 2021, following the proposal for the reinforcement of good corporate tax transparency practices of the companies adhering to the Code of Good Tax Practices.

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

In relation to tax issues, Colonial tries to respond to all the questions that are raised by the different stakeholders through the different existing communication channels. Colonial offers its employees, directors, shareholders, suppliers, contractors and subcontractors a [Ethical Channel](#) through which they may confidentially and anonymously raise any query or report any irregularity of which they become aware and which falls within the scope of the Code of Ethics.

## 4 Other tax-related information

### 4.1 Non-provision of tax services by the account auditor

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

The services provided by the audit firm during 2022 are limited to those referring to the actual account audit services, as well as limited reviews of the financial statements and other minor services related to the audit, which include support for limited reviews, issuing comfort letters, reports on agreed procedures for ratios linked to financing contracts and the net asset value of assets, as well as limited assurance work on certain ESG indicators and review of the Green Bonds Report. In 2022, the auditor did not provide tax services, or other services other than the above.

[The Independent auditor's report for 2022](#) is available at this link.

### 4.2 Colonial's regulatory risk prevention model

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

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

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

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

Colonial offers its employees, directors, shareholders, suppliers, contractors and subcontractors a [Ethical Channel](#) through which they can confidentially and anonymously raise any query or report any irregularity of which they become aware and which falls within the scope of the Code of Ethics.

The Regulatory Compliance Unit is tasked with receiving and processing queries and complaints through the platform itself and in accordance with the [Whistleblowing Channel Regulations](#), which are available on the corporate website.

Persons who make any kind of query or complaint, provided they do so in good faith, will be protected against any form of reprisal, threat, extortion, discrimination or criminalisation on the basis of the disclosures made.

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