

## **Report of the Nomination and Remuneration Committee in relation with the directors' remuneration policy submitted for approval by the 2023 General Shareholders' Meeting**

Article 529 novodecies of the consolidated text of the Capital Companies Law, approved by Royal Legislative Decree 1/2010, of 2 July (the "LSC"), establishes that proposals for new directors' remuneration policies must be submitted to the General Shareholders' Meeting prior to the end of the last financial year of application of the previous one.

Inmobiliaria Colonial, SOCIMI, S.A. (the "Company" or "Colonial") approved the directors' remuneration policy for the years 2021, 2022, and 2023 at the General Shareholders' Meeting held on 30 June 2021. Therefore, the validity of the remuneration policy ends on 31 December 2023. Accordingly, the Nomination and Remuneration Committee (the "Committee") has proposed a new directors' remuneration policy for the years 2024, 2025, and 2026 (the "Remuneration Policy" or "Policy") to the Board of Directors.

Pursuant to the provisions of the aforementioned article of the LSC, the proposal for the directors' remuneration policy will be justified and must be accompanied by a specific report from the Committee, and both documents must be published on the corporate website from the call of the General Shareholders' Meeting.

This document constitutes the justification report (hereinafter, the "Report") of the proposal for the Remuneration Policy that will be submitted for approval by the Board of Directors for subsequent submission to the General Shareholders' Meeting. This Report sets out the changes proposed by the Committee and the corresponding justifications to determine the proposal for the Remuneration Policy applicable during the years 2024, 2025, and 2026.

At the beginning of 2023, Colonial's Committee carried out a reflection process on the existing remuneration policy. In this regard, the Committee has considered the results of the votes on the Annual Report on Director Remuneration obtained in the recent years and those relating to the directors' remuneration policy approved on 30 June 2021 (88.74% of votes in favour) and subsequently amended on 21 June 2022 (94.07% of votes in favour).

As a result of the conclusions reached in the reflection process, the Committee has proposed to the Board of Directors a new Remuneration Policy that is consistent with the one approved by the General Shareholders' Meeting on the 30 June 2021, without prejudice to the following changes:

- Regarding the Executive Director, the Committee has analysed in depth all the remuneration elements to assess a possible repositioning both in terms of amount and of pay mix and has proposed to set the fixed remuneration at €800,000 as from the entry into force of the Policy, which represents a 6.7% increase (2.2% in annualised terms since the last increase).

Throughout the aforementioned analysis, the Committee has considered a holistic and strategic approach, specifically examining the following factors:

- The need to retain and motivate the Executive Director in a complex context such as that of recent years (among other, pandemic, inflation, rising interest rates, Colonial's public offer of SFL shares), where his leadership enabled the Company to obtain positive results. The proposed increase is below the cumulated inflation in the last 3 years.
- The amounts of fixed remuneration, annual bonus and long-term incentives of the Executive Director unchanged during the validity of the remuneration policy. At the same time, the positive evolution of the remuneration of Colonial's wider workforce over the last 3 years has been analysed. The proposed increase for the Executive Director is lower than the average increase in the remuneration of Colonial's wider workforce over the last 3 years.
- The positioning of the Executive Director's total target remuneration compared to comparable entities. In this regard, a group of European REITs, comparable in terms of

size by market capitalisation, asset volume, revenues and number of employees has been considered. The proposed total target remuneration for the Executive Director is aligned with the market and maintains the same positioning as the current total remuneration.

- The pay-for-performance principle established in the Remuneration Policy. In this regard, the Executive Director's remuneration package is significantly skewed to variable remuneration, particularly, to the long-term incentive. The weighting of the variable remuneration on total remuneration in Colonial is 72%, while in the analysed market, it is 62%.
- In relation to the maximum amount of annual remuneration, the appointment of two additional non-executive directors has been submitted to the General Shareholders' Meeting for approval, thus increasing the number of members of the Board of Directors from 11 to 13. The existing remuneration policy provides that in the event of an increase in the number of members of the Board of Directors, the maximum amount of annual remuneration for all directors in their capacity as such (€2,500,000) shall be increased by 10% for each new member of the Board of Directors that implies an increase in its number of members. Therefore, in the event that the General Shareholders' Meeting approves such appointments, the current maximum annual remuneration limit shall be increased to €3,000,000.

Notwithstanding the foregoing, the Committee proposes a maximum amount of annual remuneration for all the directors of Colonial in respect of their membership of the Company's Board of Directors and its Committees of €2,700,00 in case the number of members of the Board of Directors increases to 13 members. Therefore, this maximum amount is reduced by 10% compared to the resulting from applying the automatic increase provided in the existing policy and is also below the median of the Ibex-35.

In the event that the General Shareholders' Meeting does not approve the appointment of the two new directors, the limit of 2,500,000€ approved at the 2022 General Shareholders' Meeting will be maintained, in the same terms defined in the existing directors' remuneration policy approved by the General Shareholders' Meeting held on 30 June 2021 and subsequently amended by the General Shareholders' Meeting held on 21 June 2022.

Regarding the effectiveness of the Remuneration Policy, the Board of Directors, on the Committee's proposal, will present the Policy for the approval at the 2023 Annual General Meeting and, if approved, will apply from 1 January 2024. This Remuneration Policy shall remain in force until 31 December 2026, notwithstanding that the Board, on the Committee's proposal, may seek approval for a new policy at an earlier point or the amendment of the Remuneration Policy, if it is considered appropriate.