



## **ANNUAL REPORT ON REMUNERATION OF DIRECTORS**

ISSUER IDENTIFICATION DATA

REFERENCE REPORTING DATE

31/12/2021

Tax Identification Number

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

Registered Office: PASEO DE LA CASTELLANA 52, 28046, MADRID

## **INTRODUCTION**

The information contained in this report on the remuneration of Directors (the "**Report**") covers the period from 1 January to 31 December 2021 (financial year 2021) and provides information on the remuneration policy for the Directors of Inmobiliaria Colonial, SOCIMI, S.A. ("**Colonial**", the "**Company**" or the "**Group**", interchangeably) applicable in 2022.

This report has been prepared in a freely-designed format, in accordance with the regulatory authorisation contained in the aforementioned Circular 4/2013, although its content observes the minimum standards established in the applicable regulations and is accompanied by the standard statistical annex.

This Report for financial year 2021 was approved by the Board of Directors of Colonial at its meeting of 28 February 2022, at the proposal of the Appointments and Remuneration Committee (the "**Appointments and Remuneration Committee**" or the "**Committee**", interchangeably) and in accordance with the applicable legislation. It is envisaged that it will be submitted to the next General Meeting of Shareholders, as a separate item on the Agenda, for an advisory vote.

## A. REMUNERATION POLICY OF THE COMPANY FOR THE YEAR IN PROGRESS

### A.1. Remuneration Policy for Directors applicable to the current financial year.

The remuneration policy for directors for financial years 2021, 2022 and 2023 (the "Remuneration Policy"), drawn up by the Board of Directors of the Company at the proposal of the Appointments and Remuneration Committee ([link](#)), was approved by the Ordinary General Meeting of Shareholders of the Company on 30 June 2021 with 88.74 % votes in favour.

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, then resolved to **further develop the corporate governance structure** to fit a model in which, in addition to keeping the Chairman of the Board of Directors and the CEO as separate roles, the **Chairman is a non-executive Chairman** without any executive functions assigned to him. This model is consistent with the recommendations made by institutional investors and proxy advisors in Europe, which are gradually being adopted by listed companies. In this context, at the proposal of the Appointments and Remuneration Committee, the Board of Directors resolved:

- To dismiss the Chairman of the Board of Directors, Mr Juan José Bruguera Clavero, as executive director, with effect from 30 April 2022, and his appointment as (non-executive) Chairman of the Board of Directors from 1 May 2022.
- To remove the position of **Independent Lead Director** with effect from 30 April 2022. The position, which had been kept to partially counteract the power concentrated in the executive Directors, is not deemed necessary under the new corporate governance structure.

In view of the above, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, plans to propose to the General Meeting of Shareholders **an adjustment to the maximum annual remuneration paid by the Company to the set of Directors in their capacity as such**. The current limit of €2.2 million was set in the Remuneration Policy approved at the General Meeting of Shareholders of 2021, based on the composition of the Board of Directors and its committees as at the Remuneration Policy approval date (30 June 2021).

Details of the proposed adjustments, as well as the criteria used and the bodies involved in the decision-making process, can be found in Section A of the policy applicable to the current financial year. It is worth noting that the total amount of remuneration proposed for the new corporate governance structure is significantly less than the amount under the current governance structure, although it is still in line with the remuneration philosophy laid down in the Remuneration Policy.

As a result of the above, a distinction based on the current corporate governance structure must be made between two periods in financial year 2022:

- **From 1 January to 30 April 2022**, when the roles of executive Chairman and CEO exist at the same time and a transfer of functions will be carried out.
- **From 1 May to 31 December 2022**, when the roles of (non-executive) Chairman of the Board of Directors and CEO will exist at the same time.

In order to establish the specific amounts and parameters of the Remuneration Policy that will apply in 2022, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, has considered the following as the **basic principles** guiding remuneration decisions at all levels of the Company that were considered to establish the Remuneration Policy approved at the General Meeting of Shareholders of 2021:

- **Pay-for-Performance:** Ensuring that the remuneration received by executive Directors is commensurate with both the overall results of the Company and their individual performance.
- **Alignment with stakeholders' interests:** Aligning the interests of the executive Directors with those of the Company's shareholders by tying a significant portion of the total remuneration to Colonial's financial and operating results and to the creation of long-term value for shareholders. Variable remuneration will also depend on the attainment of environmental, social or governance (ESG) objectives linked to the sustainability strategy.
- **Competitiveness:** The long-term success of the Company will depend on the talent of its employees. Colonial's remuneration philosophy focuses, among other aspects, on attracting, appropriately motivating, and retaining the best talent.
- **Transparency:** Transparency with Colonial's shareholders in relation to the Remuneration Policy, communicating the main conditions of the remuneration plans and, as appropriate, any actions taken in response to significant events.

The Remuneration Policy has **sound governance processes** that further strengthen our performance-based payment philosophy. These include, among others:

#### WHAT IS COVERED IN THE REMUNERATION POLICY

- **Pay for performance:** Most of the remuneration paid to executive Directors is variable remuneration linked to Colonial's financial results, the performance of its shares or both.
- **Instrument-based long-term incentive conditioned to the performance of targets in a several-year period.**
- **Permanent ownership of shares:** executive Directors are expected to keep a number of shares equal to twice their fixed remuneration.
- **Risk proportionality and management.**
- **Solid processes to involve shareholders in remuneration and governance matters.**
- Malus and clawback clauses.

#### WHAT IS NOT INCLUDED IN THE REMUNERATION

##### POLICY

- There are **no** contracts with **guaranteed pay rises** or variable remuneration that is not linked to business performance.
- **No hedging, pledging, short sales or derivative** contracts are allowed on the value of the **allocated shares** during the required holding period.
- **Non-executive Directors** do not take part in **remuneration** formulae or systems **linked** to the Company's or individual employees' **performance** or in pension plans or other social welfare mechanisms.
- The **benefits** granted **do not exceed market practices.**

Details of the Remuneration Policy for 2022 can be found in the following sections.

**A.1.1. Company procedures and bodies involved in determining, approving and applying the Remuneration Policy and its terms and conditions.**

The Company’s procedures and the competent bodies for determining and approving the Remuneration Policy and its terms and conditions are described below.

	Appointments and Remuneration Committee	Board of Directors	General Meeting OF SHAREHOLDERS
	It proposes the policy to the Board. It consults with the Chairman and Chief Executive Officer regarding the remuneration of executive directors and senior management.	It approves the policy and submits it to the Board for a vote.	It approves the policy at least every three years. It approves any modification or replacement of the policy.
Determination of the Policy and its remuneration items	It proposes to the Board the maximum amount to be paid to Directors in their capacity as such and the remuneration of each Director.	It proposes to the General Meeting the maximum amount to be paid to Directors in their capacity as such. It determines the remuneration of each Director.	It approves the maximum amount of annual remuneration for all directors in their capacity as such.
	It proposes the Directors’ remuneration for the performance of executive functions and the terms and conditions of their contracts.	It sets Directors’ remuneration for the performance of executive functions and the terms and conditions of their contracts.	It approves the remuneration systems for executive Directors.
Application of the Policy	It proposes the amount of fixed annual remuneration for executive Directors and the annual variation thereto. It proposes the parameters for setting the variable components and evaluates them for payment purposes. It proposes, as necessary, the cancellation of the payment or the refund of variable components.	It evaluates and, where appropriate, approves the proposals of the Appointments and Remuneration Committee on implementation of the policy.	
Revision of policy	It checks compliance with the policy and regularly reviews its implementation. It ensures that the individual remuneration is proportionate.		
	It ensures the transparency of remunerations and the inclusion in the annual report of information regarding the remuneration of Directors. It submits the Annual Report on Directors’ Remuneration to the Board of Directors for approval and verifies the information on Directors’ remuneration contained in corporate documents. It prepares the specific report that underlies the Remuneration Policy.	It approves the Annual Report on the Remuneration of Directors so it can be submitted to the General Meeting for consultation purposes.	It approves the Annual Report on the Remuneration of Directors for consultation purposes.
Transparency of policy			

#### **A.1.2. Consideration of comparable companies for the purposes of establishing the Company's Remuneration Policy.**

The design of the Remuneration Policy has taken into account the conclusions of comparative analyses of the policy in force in 2020 with industry practices and comparable companies, as well as with corporate governance recommendations.

As regards executive Directors, the comparison included analysing the total remuneration strategy (positioning in the market and remuneration mix) and the practices regarding the design of the various remuneration components in European real estate and Ibex-35 companies.

The remuneration of non-executive Directors was compared to the amounts paid at Ibex-35 companies. In particular, the remuneration practices of Ibex-35 companies and companies from other relevant European countries (CAC40 in France, DAX40 in Germany, SMI 20 in Switzerland, and FTSE 100 in the United Kingdom), among others, were taken into account to establish the fixed remuneration of the (non-executive) Chairman of the Board of Directors.

#### **A.1.3. External Advisors**

The Regulations of the Board of Directors provide that directors and the members of its committees may request external advice on any matters they may deem necessary. WTW has provided advice in this regard.

#### **A.1.4. Procedures envisaged in the Remuneration Policy for the application of temporary exceptions to its own application.**

The Remuneration Policy does not contain any procedures to apply temporary exceptions to its own application.

#### **A.1.5. Measures taken by the Company in relation to the Remuneration Policy, including steps taken for risk reduction purposes.**

- The Remuneration Policy includes a remuneration scheme that provides a balanced and efficient ratio between fixed and variable components, with the latter having a greater impact on the remuneration system. Furthermore, the Remuneration Policy established for directors aims to boost profitability and long-term sustainability for the Company and includes the necessary precautions to avoid excessive risk-taking and rewards for adverse results.
- The fixed remuneration accounts for a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, such that it is possible not to pay a variable remuneration component.
- Within the variable components, the long-term variable remuneration, which consists of a share award plan (long-term incentive plan) subject to specific measures, has a significant weight. This multi-year variable remuneration is structured in three overlapping cycles over time so that a long-term orientation is maintained in all decision-making processes. Each cycle has a duration of three years, ensuring that the evaluation process is based on long-term performance and takes into account the Company's underlying business cycle and the achievement of strategic objectives.
- The steps taken to mitigate inappropriate risk-taking include, among others: (i) limits on variable remuneration; (ii) the possibility of deferring payment of the portion of variable annual remuneration in excess of the incentive target; (iii) multiple metrics; (iv) multi-year accrual periods;

and (v) malus and clawback clauses.

- With regard to the measures adopted to prevent conflicts of interest, Article 16 of the Board of Directors' Regulations defines the duty to avoid such situations and obliges Directors to refrain from certain actions. In addition, Article 18 establishes the duty to report any situation of conflict of interest to the Board of Directors.
- Lastly, in relation to clauses for the reduction or refund of variable remuneration, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, will have the power to cancel (malus) and/or recover (clawback) all or part of the annual variable remuneration and/or long-term incentives in certain circumstances such as, among others:
  - If the Company sustains significant losses and the above-mentioned committee considers that this is due to significant risk management failures by Colonial, to which the wilful or grossly negligent conduct of the executive Director has contributed;
  - Serious breach by the beneficiary of internal policies and rules of the Company; or
  - The restatement of Colonial's financial statements, provided that such restatement is confirmed by the external auditors and is not due to a change in accounting regulations, and that, in accordance with such restatement, the variable remuneration to be paid is lower than that originally accrued or no remuneration has been paid in accordance with the Company's variable remuneration system.

The clawback clause may be applied by the Board of Directors during the two years following payment of the variable remuneration.

#### A.1.6 Main features of the Remuneration Policy

##### REMUNERATION OF EXECUTIVE DIRECTORS

- The three main components of the executive Directors' ordinary remuneration are: (i) fixed remuneration, (ii) variable annual remuneration, and (iii) instrument-based long-term incentives. As of the date of this Report, the following persons are executive Directors: (i) the Chairman of the Board of Directors, who is expected to retain his executive status until 30 April 2022; and (ii) the CEO, who is also the executive Vice-Chair of Colonial.



- Unlike non-executive directors, executive Directors will not receive any specific remuneration in 2022 for their membership of the Company's Board of Directors or its committees. These functions

are included in the fixed remuneration components established for them in their respective contracts.

- The Remuneration Policy establishes that:
  - The fixed annual remuneration and its variation during the period referred to in the Remuneration Policy;
  - the different parameters used to set the variable components; and
  - the main terms and conditions of their contracts including, in particular, the duration, severance payment for early contract termination and exclusiveness, post-contractual non-compete clause and permanence and loyalty clauses.

### **Fixed remuneration**

The Remuneration Policy approved at the General Meeting of Shareholders of 30 June 2021 lays down the amounts of fixed remuneration for the executive Chairman and the CEO, with no changes over the 3 financial years of validity of the policy.

As the Board of Directors of the Company has resolved to put an end to the executive functions of the Chairman of the Board with effect from 30 April 2022, it is envisaged that the Chairman will receive a fixed annual remuneration of €250,000 for his executive role; i.e. his fixed annual remuneration (€750,000), prorated for the number of months during which he will hold the position of executive Chairman. From 1 May 2022, the Chairman will hold the position of non-executive Chairman. Details of the remuneration for this position can be found in section A.2 below.

Notwithstanding the foregoing, at its meeting of 28 February 2022, at the proposal of the Appointments and Remuneration Committee, the Board of Directors resolved to maintain the CEO's fixed remuneration established in the Remuneration Policy approved by the General Meeting of Shareholders of 30 June 2021.

It is therefore envisaged in accordance with the Remuneration Policy that the CEO will receive an individual fixed annual remuneration of €750,000 in 2022. This remuneration, which has not gone up since last year, consolidates the fixed remuneration payable for sitting on other bodies of affiliate companies. Therefore, the fixed remuneration that may be received by the CEO during financial year 2022 for his dedication and attendance of Board and/or committee meetings of Group companies would be deducted from the individual amount of fixed annual remuneration indicated.

The said amount may be increased during the term of the Remuneration Policy under certain circumstances, such as material changes in the business, or the executive Director's skills and responsibilities, or the Company's extraordinary performance. If this happens, it will be explained and set out in detail in the relevant Annual Report on Directors' Remuneration.

### **Social welfare plan**

Executive Directors are beneficiaries of a defined-contribution welfare plan covering the contingencies of retirement, disability and death. The annual contribution for financial year 2022 will be 15% of their fixed annual remuneration.

The above-mentioned social benefit scheme recognises the vesting of economic rights in the event of a dismissal or termination of employment prior to the occurrence of the covered contingencies, except if



such dismissal or termination is due to just cause. In addition, these social benefit schemes are compatible with any severance pay that may be owed to the executive Directors.

Notwithstanding the foregoing, as the Board of Directors of the Company has resolved to terminate the executive functions of the Chairman of the Board of Directors with effect from 30 April 2022, it is envisaged that the contribution to the welfare scheme will only be made in the first 4 months of financial year 2022. This contribution would be equivalent to €37,500. From 1 May 2022, the Chairman will hold the position of non-executive Chairman and will cease to be a beneficiary of the social welfare scheme (see section A.2 below).

### **Other benefits**

In 2022, the Company will keep in force other remuneration in kind for executive Directors for up to a maximum of €100,000 in the form of the use of a vehicle, and life, disability, accident and family health insurance.

Notwithstanding the foregoing, as the Board of Directors of the Company has resolved to terminate the executive functions of the Chairman of the Board of Directors with effect from 30 April 2022, it is envisaged that he will only continue to be a beneficiary of these remunerations in kind (save as provided in section A.2 below) for the first 4 months of financial year 2022.

### **Variable annual remuneration**

Pursuant to the Remuneration Policy approved by the General Meeting of Shareholders on 30 June 2021, executive Directors may receive an annual variable remuneration for 2022. The amount of that remuneration if the target is achieved (100 %) will be equal to 100 % of their fixed annual remuneration (€750,000). The maximum amount in 2022 if the targets are exceeded will be 132.5 % of their fixed annual remuneration (€993,750), i.e. below the limit of 140 % of their fixed annual remuneration established in the Remuneration Policy.

Notwithstanding the foregoing, as the Board of Directors of the Company has resolved to terminate the executive functions of the Chairman of the Board of Directors with effect from 30 April 2022, the Board of Directors has resolved, at the proposal of the Appointments and Remuneration Committee:

- To limit the maximum amount of variable remuneration to which the Chairman will be entitled for his executive functions to the target amount; i.e. to 100 % of his fixed remuneration. This amount will be prorated to adjust it to the period during which he held executive functions. The maximum amount to which the Chairman will be entitled, if applicable, will therefore be €250,000.
- The final variable remuneration will be paid, if applicable, after the close of financial year 2022 and following a resolution of the Board of Directors after verifying that the targets set at the start of financial year 2022 have been achieved, all this as provided in this section.

From 1 May 2022, the Chairman will hold the position of non-executive Chairman, without the right to variable remuneration (see section A.2 below).

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, has established the metrics, weightings and targets to determine the executive Directors' variable remuneration in accordance with the limits and criteria established in the Remuneration Policy approved at the General Meeting of Shareholders of 2021. Specifically, they are as follows for 2022:

Types of targets	Weight	Metrics
<b>80% economic-financial and creation of shareholder value</b>	35%	Net rental income and adjusted earnings per share Depending on the budget for 2022
	30%	Net Asset Value per share (NTA) Depending on the business plan for 2022
	15%	Loan to Value (LTV) Depending on the business plan for 2022
<b>20% Non-financial</b>	10%	ESG targets: (i) to maintain excellent ratings (2/3) in the following indices: GRESB 5 star, CPD "A", VIGEO "A1+"; and (ii) comply with the targets of the decarbonisation plan.
	10%	Performance evaluation focused on strategic initiatives for the Company.

The criteria for determining the annual variable remuneration of the executive Directors, as well as the process for its application, and among these aspects, the calibration to be made according to the objectives set out in Colonial's business plan for financial year 2022, shall be carried out in accordance with the following:

- In the event that the level of attainment of the metric falls below the minimum threshold, the incentive portion associated with that metric will not be generated.
- If the level of attainment of the metric is at the minimum threshold of compliance, the payout level would be 50% of the incentive target associated with that metric.
- If the level of attainment of the metric is at or above the maximum level, the payout level will be 150 % if it is a shareholder value creation metric (NTA) or 125 % of the target incentive level for all other metrics.

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, has the power to adjust the payment level of the annual variable remuneration to ensure that the outcome is fair and balanced, in light of the Company's overall performance and experience for shareholders.

The results are assessed, and the corresponding payments decided, based on the data provided by the management team, subject to the financial data contained in the annual accounts having been audited beforehand. In this evaluation, the Appointments and Remuneration Committee shall also consider the associated risks. In relation to this, any positive or negative economic effects arising from extraordinary events that may distort the results of the assessment may be ignored when proposing the quantitative target achievement level.

The variable annual remuneration is paid in cash after the close of the financial year to whose results it is linked. This includes, if applicable, the variable remuneration payable to the Chairman of the Board of Directors for the part of financial year 2022 during which he held the position of executive Director (see

section A.2 below). If the amount is higher than the target incentive, the Board of Directors may decide, at the Appointments and Remuneration Committee's proposal, to defer the excess in shares during the year. If applicable, the delivery of the shares will be subject to the executive Director remaining in the Colonial Group during the deferral period, except if the termination of the relationship is for a cause attributable to the Company or in other cases deemed by the Board to be a good leaver. The beneficiaries will be entitled to receive a cash amount equivalent to the dividends accruing on the deferred shares during the deferral period on the delivery date of the deferred shares.

The Board of Directors, at the Appointments and Remuneration Committee's proposal, will be able to decide on the total or partial **cancellation (malus) or recovery (clawback)** of the annual variable remuneration or the long-term incentives in the event of certain circumstances laid down in this Remuneration Policy.

Furthermore, the Board of Directors, at the Appointments and Remuneration Committee's proposal, may decide to grant **extraordinary remuneration** to executive Directors for their involvement in extraordinary corporate operations, including acquisitions, investments, restructuring or other operations, mostly based on the relevance, complexity and singularity of the corporate operation that produces a considerable added value for shareholders and/or a financial benefit or a considerable asset increase. This extraordinary variable remuneration will be limited to 100% of their fixed annual remuneration. It will be set out in detail in the relevant Annual Report on Directors' Remuneration.

### **Long-term incentive**

The executive Directors are beneficiaries of a long-term incentive plan consisting of the delivery of shares in Colonial approved at the Ordinary General Meeting of Shareholders of 30 June 2021 (the "Plan"). The approval of the Plan rendered void the Long-Term Incentive Plan approved at the General Meeting of Shareholders of the Company held on 21 January 2014, which was extended for two years pursuant to a resolution of the General Meeting of Shareholders of 29 June 2017 and extended for a final time for an additional two years pursuant to a resolution of the General Meeting of Shareholders of 30 June 2020.

Notwithstanding the foregoing, as the Board of Directors of the Company has resolved to terminate the executive functions of the Chairman of the Board of Directors with effect from 30 April 2022, it is envisaged that he will only be a beneficiary of the Plan for the first 4 months of financial year 2022. In particular, the Chairman will be entitled to receive the shares to which he would be entitled in the first cycle of the plan (2021-2023), prorated for the number of days in the period from 1 January 2021 (the cycle start date) to 30 April 2022 (the effective termination date). The Board of Directors, at the proposal of the Appointments and Remuneration Committee, resolved that the Chairman is not to be a beneficiary of the second cycle of the Plan, which starts on 1 January 2022. From 1 May 2022, the Chairman will hold the position of non-executive Chairman and will cease to be a beneficiary of the long-term incentive plans in force at any given time (see section A.2 below).

The main terms and conditions of the Plan are as follows:

- **Description:** The Plan consists of the delivery of shares in the Company to beneficiaries of the Plan by way of long-term variable remuneration, subject to meeting specific multi-year targets.
- **Beneficiaries:** The Company's executive Directors and any executives and employees of the Colonial Group that may be specified by the Board of Directors of the Company. The delivery of shares is subject in any case to the beneficiaries of the Plan being executive Directors of the Company or having an employment or business relationship with any Colonial Group company on the dates on which the delivery is made. This is without prejudice to the special cases.

- **Term of the Plan:** The Plan will have a duration of five years, which will be divided into three overlapping and independent three-year annual cycles (i.e. with the shares for each cycle being delivered three years after the start of each cycle). In particular:
  - The first cycle under the Plan is the three-year period running from 2021 to 2023 (inclusive), and the target measurement period for this first cycle will be from 1 January 2021 to 31 December 2023.
  - The second cycle under the Plan will be the three-year period running from 2022 to 2024 (inclusive), and the target measurement period for this second cycle will be from 1 January 2022 to 31 December 2024.
  - The third cycle under the Plan will be the three-year period running from 2023 to 2025 (inclusive), and the target measurement period for this third cycle will be from 1 January 2023 to 31 December 2025.
- **Maximum number of shares to be allocated under the Plan:** The maximum number of shares that may be allocated under the Plan is 4,055,205 ordinary shares of the Company, making up 0.80% of the share capital, of which a maximum of 510,588 shares will be for the executive Chairman of the Company's Board of Directors and a maximum of 1,021,175 will be for Colonial's CEO.

In accordance with the Remuneration Policy approved at the General Meeting of Shareholders of 2021, the maximum amount, if any, to which each executive Director will be entitled in each of its cycles, based on the metrics and parameters that may be established, will be as follows: i) an amount equal to 150 % of his fixed annual remuneration (€750,000) for the executive Chairman; and ii) an amount equal to 300 % of his fixed remuneration (€1.5 million) for the CEO. These amounts have been established taking into account the share price on the cycle start date, without taking into account any potential changes thereto.

As a general rule, the maximum total number of shares in the Company that may be delivered to beneficiaries pursuant to the Plan at the end of each cycle will be the result of dividing the previous maximum amount by the Company's shares' weighted average listed price for the 30 trading days immediately before (and not including) 1 January of the first year of the relevant cycle. This entails:

Beneficiary	Cycle	Maximum number of shares
Executive Chairman	2021-2023	137,699
	2021-2023	275,399
CEO	2022-2024	279,156

As provided in section A.2 below, as he will stop holding the position of executive Chairman from 30 April 2022, the Chairman of the Board of Directors will not participate in the second cycle of the Plan.

The number of shares allocated to each beneficiary of the Plan for each cycle as provided will be increased by a number of shares equal to the amount of the share dividends distributed by Colonial to its shareholders in each cycle, depending on the number of shares awarded to each beneficiary in the relevant cycle. For such purposes, the benchmark value will be the weighted average of Colonial's stock on the dates of the dividend payouts in each of the years of the cycle.

- **Requirements and conditions for the settlement of each cycle:** The exact number of shares in Colonial to be delivered – within the established maximum – to the beneficiaries of the Plan at the end of each cycle will be subject to the fulfilment of the financial and shareholder value creation targets. Furthermore, the Board of Directors may include as a metric the achievement of non-financial targets, which may under no circumstances account for more than 30% of the calculation of the maximum incentive.

Specifically, the long-term incentive for the first cycle (2021-2023) of the Plan is calculated based on the following metrics, which are essentially associated with the creation of value for shareholders:

Weight	Metric	Justification
50%	Total Shareholder Return relative to a comparison group and adjusted (up or down) by the absolute Total Shareholder Return.	This measures both performance compared to comparable companies and Colonial's own performance compared to a set target.
30%	NAV/share as at 31 December 2023.	This measures the valuation of all the assets in the portfolio.
10%	Pipeline management: the variation in the appraisal value of the assets included in the pipeline from the start to the end of the cycle, taking into account the CapEx incurred in the period 2021-2023.	This measures the value created for shareholders by ongoing projects.
10%	Adjusted earnings per share in 2023.	This measures the fulfilment of one of the parameters that ensures compensation to shareholders.

The Total Shareholder Return ("TSR") is the metric used to calculate the medium- and long-term generation of value at Colonial by measuring the return on investment for shareholders. This is defined, for the purposes of the Plan and for each cycle, as the quotient (expressed as a percentage) of the final value of a hypothetical investment in Colonial shares (with the dividends being reinvested from time to time) divided by the initial value of the same hypothetical investment.

Establishing whether the TSR target has been met and calculating the exact number of shares to be delivered for this item involves first measuring the performance of the TSR of Colonial's shares during the term of each cycle relative to the TSR of an index (the "**Index**") composed of the following eleven domestic and foreign companies in the industry: Gecina, Merlin Properties, Covivio, Icade, Cegereal, British Land, Landsec, Great Portland Estates, Aroundtown, Alstria, and Prime Swiss Property.

In order to establish the result of the Index, a weighted value is given to each company based on its degree of comparability with Colonial according to certain parameters, such as the geographical scope of its operations, the sub-sector in which it operates (asset class) and its size (market capitalisation). For this purpose, the Board of Directors assigns a weighted value to each company in the Index and establishes the parameters for its calculation, with the ability to replace the companies in the Index if this is warranted by the circumstances.

Under the Plan, the preliminary number of shares linked to the fulfilment of this target to be delivered will range between 50% of the theoretical number of allocated shares if the performance of Colonial's TSR is equal to at least 75% of the TSR Index, 100% if Colonial's TSR is equal to the TSR

Index, and 150% if Colonial's TSR is equal to 125% of the TSR Index or greater. For intermediate values, the preliminary number of shares to be delivered will be calculated by linear interpolation.

No shares linked to the achievement of this target will be delivered if Colonial's TSR is equal to less than 75% of the TSR Index.

The final number of shares to be delivered must then be calculated. This will be done by multiplying the preliminary number of shares by a modifying factor based on Colonial's absolute TSR. An achievement scale will be established for this purpose. This will include a minimum TSR threshold with a modifying factor of 0, and a maximum level with a modifying factor of 1.5.

In order to establish whether the NAV/share, pipeline management and adjusted earnings per share targets have been met and to calculate the exact number of shares to be delivered for these items, the Board of Directors will establish an achievement scale for each target, at the Appointments and Remuneration Committee's proposal, at the start of each cycle. This will include: (i) a minimum threshold under which no incentive is paid and whose achievement will result in the delivery of 50 % of the theoretical number of allocated shares; (ii) a target level that will result in the delivery of 100 % of the theoretical number of allocated shares; and (iii) a maximum level that will entail the delivery of 150 % of the theoretical number of allocated shares.

For the second cycle (2022-2024) of the Plan, which is measured from 1 January 2022, the Board of Directors has agreed that the metrics will be the same as those established for the first cycle (2021-2023). Specifically:

Weight	Metric	Justification
50%	Total Shareholder Return relative to a comparison group and adjusted (up or down) by the absolute Total Shareholder Return.	This measures both performance compared to comparable companies and Colonial's own performance compared to a set target.
30%	NTA/share as at 31 December 2024.	This measures the valuation of all the assets in the portfolio.
10%	Pipeline management: the variation in the appraisal value of the assets included in the pipeline from the start to the end of the cycle, taking into account the CapEx incurred in the period 2022-2024.	This measures the value created for shareholders by ongoing projects.
10%	Adjusted earnings per share in 2024.	This measures the fulfilment of one of the parameters that ensures compensation to shareholders.

The degree of attainment of the Total Shareholder Return will be established using the method described for the first cycle and based on the target measurement period of the 2022-2024 cycle.

After the end of the target measurement period for each cycle, the Board of Directors will establish the payment levels, at the Appointments and Remuneration Committee's proposal, based on the degree of fulfilment of the targets, and it may adjust the payment level to ensure a fair and balanced outcome in view of the Company's overall profit or loss and taking any associated risks into account. In relation to this, any positive or negative economic effects arising from extraordinary events that may distort the results of the assessment may be ignored when proposing the quantitative target achievement level. The results can be assessed, and the payment according

to certain metrics can be established, based on data provided by external consultants.

In any case, in the event of changes to the number of shares in Colonial due to a decrease or increase in the shares' nominal value or as a result of an operation with an equivalent effect, such as a merger, consolidation, or spin-off, the maximum number of shares to be delivered will be modified, if appropriate, in order to maintain the equivalence of the benefits under the Plan.

On the other hand, the Board of Directors will be authorised, at the Appointments and Remuneration Committee's proposal, to propose the full or partial cancellation (malus) or recovery (clawback) of the shares to be delivered to beneficiaries of the Plan under the following circumstances: (i) if the Company suffers significant losses and the Board of Directors is of the opinion that this is the result of significant risk management mistakes by the Company in which the Executive Director's wilful misconduct or gross negligence played a part; (ii) on serious breach by the beneficiary of the Company's internal rules and policies; (iii) if the Company's financial statements are restated, provided that such restatement is confirmed by the external auditors and is not due to a change in the accounting legislation, and provided that the restatement results in a lower variable remuneration to be paid than that initially accrued or if no remuneration is payable under the Company's variable remuneration system; and (iv) if the remuneration paid was calculated based on data that subsequently proved to be inaccurate and the resulting variable remuneration to be paid is lower than that initially accrued or no remuneration is payable under the Company's variable remuneration system. The clawback clause may be applied by the Board of Directors during the two years following payment of the variable remuneration in question.

- Maintenance of the shares: the executive Directors will be required to retain the Colonial shares delivered to them under the Plan for at least one year after their delivery, without prejudice to the fact that, under the Remuneration Policy, they must comply with the requirement to maintain a number of shares equivalent to two annual payments of the fixed remuneration to which they are each entitled.
- Delivery date of the shares: The delivery of the Company's shares for each cycle of the Plan will take place after the end of each cycle, i.e., in 2024 for the first cycle and in 2025 for the second cycle, once the audited annual financial statements for 2023 and 2024 respectively have been prepared. The specific date of delivery of the shares will be determined by the Board of Directors or by the person delegated by the Board of Directors to do so. In addition, advance tax payments or any applicable withholding tax will be charged to the beneficiaries of the Plan. In any event, the Board of Directors has the necessary powers to decide, where appropriate and giving reasons, not to execute, to cancel, to settle in advance, or to invalidate, all or part of the Plan or its cycles, if appropriate under the circumstances.

However, in the event that, in accordance with applicable regulations, a takeover bid is made for Colonial and the positive result of this bid entails a change of control in the Company, and any of the Plan beneficiaries terminate their relationship with Colonial for any reason within six months of the settlement of the takeover bid, the Plan will be settled early for all beneficiaries of the Plan who have terminated their relationship with Colonial within the aforementioned period, and the maximum number of shares assigned to them in each of the Plan's active cycles will be delivered.

On the other hand, if the executive Directors are removed from their positions without just cause during the term of the Plan, the General Meeting does not extend their term, or there is a substantial modification of their functions (including the loss of their executive status), they will be entitled to the early settlement of the Plan as set forth below. If the event prompting the early settlement of the Plan takes place in the first 18 months of one of the Plan's cycles, they will be entitled to receive the target number of shares to which they are entitled under that Plan cycle on

a pro rata basis, proportionate to the number of days between the start date of the cycle in which the event giving rise to the early settlement of the Plan took place and the effective date of termination, non-extension or material change of their functions. If the event giving rise to the early settlement of the Plan takes place in the second half of a cycle's target measurement period, they will be entitled to receive the target number of shares to which they are entitled for that cycle.

Beneficiaries of the Plan will lose their right to the delivery of shares in the event of justified dismissal, except for objective causes, termination of their contract for cause, or resignation 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 also lose any rights to shares that have been granted.

### **Main terms and conditions of the contracts**

In view of the Remuneration Policy, the executive Directors' contracts have been adjusted to the Policy's principles, terms and content. The said contracts therefore have the following essential terms and conditions:

- **Term:** It has been stipulated for both the executive Chairman and the CEO that the term of their contract is subject to the term of their appointment as executive Chairman of the Board of Directors or CEO, as applicable. If the appointment of the executive Chairman of the Board of Directors or CEO is renewed, the contract will be understood to have been automatically renewed for the period relating to such renewal of office, unless the Board of Directors resolves otherwise, in which case a new contract must be approved.
- **Severance payments upon termination of the contractual relationship:** The executive Directors will receive an additional special payment by way of severance payment in the event of non-justifiable removal or non-renewal of their terms or a substantial reduction of their respective functions. The severance payment will also accrue: (i) if they depart or resign from their posts as a result of a loss of control in the Company or a major change in the composition of the Board of Directors; (ii) in the event of an amendment to the conditions agreed in their contracts without their consent; and (iii) in any other scenarios that may be established by the Board of Directors. The severance payment calculation will take into account two years of their fixed remuneration and their target annual variable remuneration, excluding any other amounts already received and the rights derived from the long-term incentive in force at the time.

In the event of a change of control at the Company, a significant change in the composition of the Board of Directors or a substantial amendment to the respective functions of each of the directors or of the conditions agreed in their contracts without their consent, the parties concerned will have a certain amount of time (six months in the event of a change of control, or three months in all other cases) from the effective date of these resolutions or changes to give the Board of Directors notice of their resignation or departure, in which case they will be entitled to the aforementioned severance payment.

For the purposes of applying the foregoing, the effective date of the change of control or a significant change in the composition of the Board of Directors will be understood as the date on which such circumstances are published as a notice of "insider information" or other "relevant information" on the website of the Spanish Securities Market Commission (CNMV). In the event that the Board of Directors resolves to substantially reduce the duties of the beneficiary or amend the conditions agreed in their employment contracts without the beneficiary's consent, the effective date will be the time when the party concerned receives due notice of the resolution.

From 1 May 2022, the Chairman of the Board of Directors will hold the position of non-executive



Chairman, without the right from that date to any compensation for termination of his contractual relationship with the Company.

- **Non-competition covenant:** Each executive Director will have a non-competition covenant to which they will be subject for 6 months from the date of their resignation from Colonial without reasons.

The non-competition covenant will be remunerated with a gross amount equivalent to six months of the fixed annual remuneration, which shall be paid pro rata during the months of the non-competition covenant.

In the event of the director's resignation in the above-mentioned cases of change of control of the Company, a significant change in the composition of the Board of Directors, a substantial reduction of each Director's duties or a change to the terms and conditions agreed in their contracts without their consent, the remuneration for the non-competition covenant will be absorbed by the amount of the compensation received (therefore, no additional payment will be made).

### **Other remuneration items**

This year, executive Directors of Colonial who are also members of the management bodies of other group companies (especially *Société Foncière Lyonnaise*) are expected to accrue fixed remuneration in this regard. This remuneration accrued by the executive Directors shall be deducted from their fixed annual remuneration at Colonial.

Without prejudice to the foregoing, there are no plans for the accrual during the current year by Colonial's directors of (i) supplementary remuneration for the rendering of services other than those inherent to their office, or (ii) remuneration arising from the provision of advances, credits or guarantees, since no remuneration is expected to be paid to Directors in this regard.

### **REMUNERATION OF DIRECTORS IN THEIR CAPACITY AS DIRECTORS**

In accordance with the provisions of the consolidated text of the Spanish Limited Liability Companies Law approved by Royal Legislative Decree 1/2010 of 2 July 2010 and Colonial's Company Bylaws, the annual remuneration of the Company's directors for their membership of the Board of Directors and its Committees shall consist of:

- (i) a pre-established fixed annual remuneration; and
- (ii) Attendance fees for the meetings of the Board of Directors and its committees.

The Directors, as such, do not take part in the incentive plans or welfare schemes. They shall be reimbursed only for reasonable and justified travel and accommodation expenses incurred in attending Board or Committee meetings, at the request of the Director.

The Remuneration Policy includes the aggregate maximum amount of the annual remuneration paid to Colonial's directors as a whole for their role on the Company's Board of Directors and its committees. In this regard, the aggregate maximum amount of annual remuneration paid to all the Company's directors as a whole in their capacity as such was set at €2,200,000, which may be increased by 10% for each new member of the Board of Directors when this entails an increase in the number of its members.

Notwithstanding the foregoing, as a result of the Chairman of the Board's change of status from executive to non-executive with effect from 30 April 2022 and the removal of the position of Independent Lead Director, it is envisaged that a change to the **maximum** annual remuneration for all

Directors as a whole for sitting on the Board of Directors of the Company and its committees will be submitted for approval at the next General Meeting of Shareholders (see section A.2 below). The Board of Directors of the Company therefore intends to submit to the next General Meeting of Shareholders of the Company for its approval the proposal to set the maximum amount of annual remuneration for all the Directors as a whole for sitting on the Board of Directors of the Company and its committees at **€2.5 million**, which may be increased by 10% for each new member of the Board of Directors when this entails an increase in the number of its members. It is thus envisaged to propose an increase of €300,000 to the General Meeting. This is significantly less than the remuneration envisaged for the non-executive Chairman, although the Board of Directors considers this increase to be sensible because the amount paid in 2021 was less than the maximum annual remuneration for all the Directors as a whole established by the General Meeting for sitting on the Board of Directors of the Company and its committees.

The Board of Directors is responsible for the **distribution of remuneration** following a proposal by the Appointments and Remuneration Committee. The allocation of fixed remuneration for each director takes into account the duties and responsibilities attributed to each of them, their membership of Board Committees and their dedication, as well as other objective circumstances that may be considered relevant, ensuring that it is competitive with that applied in other comparable companies in terms of capitalisation, size and international presence; all of the above in order to encourage the dedication of each director without compromising their independence of judgement.

The fixed remuneration and fees paid for sitting on, and attending meetings of, the Board of Directors and its committees, distributed as agreed by the Board of Directors for **financial year 2022**, are as follows:

		Member	Chairman	Other offices
<b>Board of Directors</b>	Fixed annual remuneration	€50,000	500,000 %	--
	Attendance fees per meeting	€5,000	€7,500	--
<b>Executive Committee</b>	Attendance fees per meeting	€3,000	--	--
<b>Appointments and Remuneration Committee</b>	Fixed annual remuneration	€25,000	€50,000	--
	Attendance fees per meeting	€3,000	€4,800	--
<b>Audit and Control Committee</b>	Fixed annual remuneration	€25,000	€50,000	--
	Attendance fees per meeting	€3,000	€4,800	--
<b>Sustainability Committee</b>	Attendance fees per meeting	€3,000	€4,800	--

Once he has acquired non-executive status (from 1 May 2022), the Chairman of the Board of Directors will only receive a fixed annual remuneration of €500,000, €50,000 for being a Board member (both sums pro rated in 2022 for the months during which he holds the position of non-executive Chairman), and Board meeting attendance fees of €7,500. The Board of Directors, at the proposal of the Appointments and Remuneration Committee, took the following factors into account in the establishment of this remuneration:

- The intrinsic value of the person in the position based on how well they know the Colonial Group

and the real estate sector in which it operates, where they have made a crucial contribution to key milestones, and their importance from an institutional point of view.

- The special responsibility entailed in the position.
- Their exclusive and additional dedication compared to the non-executive members of the Board of Directors.
- The recommendations of institutional investors and proxy advisors, as well as general corporate governance recommendations.
- Market practices in relevant European countries. The amounts of remuneration and remuneration practices for (non-executive) chairs of the boards of companies in the main stock market indices (Ibex-35 in Spain, CAC40 in France, DAX40 in Germany, SMI20 in Switzerland, and FTSE 100 in the United Kingdom) were analysed for this purpose.

The Independent Lead Director receives €75,000 in remuneration for the performance of their duties. However, as the Chairman will cease to have executive functions from 30 April 2022, the Board of Directors of the Company has resolved to dispense with the role of Independent Lead Director from that date, and the person in that role will stop being paid for his work as Independent Lead Director from that date (see section A.2 below).

Lastly, the fixed remuneration items indicated above are the only remuneration they receive for sitting on the Board of Directors of Colonial. In relation to this, there is no profit-sharing or bonus remuneration, or remuneration systems or plans incorporating variable remuneration.

All Directors are beneficiaries of the **collective civil liability insurance policy** taken out by Colonial. It covers liability for the acts and conduct of the members of the Board of Directors and executives of the Company, as a result of the performance of the activities inherent to their duties, as well as any losses caused by cybersecurity attacks or failures.

The cost of this insurance policy will not be included in the aggregate maximum amount of annual remuneration for all Directors as a whole.

The amount of the collective civil liability insurance policy for 2022 is expected to be €468,606.54.

## **A.2. Significant changes in the Remuneration Policy applicable during the year in progress**

In accordance with section A.1 above, as a result of the Chairman of the Board of Directors ceasing to have executive functions from 30 April 2022, it is envisaged that certain adjustments to the Remuneration Policy will be submitted to the next General Meeting of Shareholders of the Company for approval.

### **Cessation of the executive functions of the Chairman of the Board**

In April 2022, the Chairman of the Board of Directors will reach the maximum age for being Chairman of the Board of Directors under French law. As a result, from that date he will no longer be the Chairman of the Board of Directors of *Société Foncière Lyonnaise*. In relation to this, the Board of Directors of Colonial has resolved that the Chairman of the Board of Directors of Colonial is to cease carrying out his executive functions and continue as non-executive Chairman under the 'other external director' category from 30 April 2022.

As a result of ceasing to hold the position of executive Chairman, and as provided in his contract and the Remuneration Policy, the Chairman will receive €3 million by way of severance. This corresponds to two years' gross annual fixed and variable remuneration.

In addition, regarding the long-term incentive plan, the Chairman will be entitled to 40,660 shares in Colonial for the pro rata settlement of the long-term incentive plan in force, as provided in his contract and the Remuneration Policy. In particular, the Chairman will be entitled to receive the shares to which he would be entitled in the first cycle of the plan (2021-2023), prorated for the number of days in the period from 1 January 2021 (the cycle start date) to 30 April 2022 (the effective termination date). The said number of shares will be increased by 1,031; i.e. the number equivalent to the amount of the share dividends distributed by Colonial to its shareholders in the first cycle, based on the number of shares awarded to each beneficiary in the cycle. For such purposes, the benchmark value will be the weighted average of Colonial's stock on the dates of the dividend payouts in each of the years of the cycle.

In addition, the Chairman will receive around €534,787.22 for the settlement of the welfare scheme of which he has been a beneficiary since 2016.

Finally, the Chairman will receive no compensation for ceasing to be the Chairman of the Board of Directors of *Société Foncière Lyonnaise*. This is without prejudice to any potential settlements of the long-term incentive plans in force in which he may have participated while in the role of executive Chairman of that company.

Once the termination of his role as executive Chairman of Colonial becomes effective, it is envisaged that he will only receive, in his capacity as non-executive Chairman, €500,000 by way of fixed annual remuneration, in addition to €50,000 for being a Board member and Board meeting attendance fees of €7,500. In other words, he will receive no other remuneration from any companies in the Colonial Group. On the other hand, it is envisaged that the Company will continue to pay the Chairman, for the functions to be performed by him as non-executive Director, other remuneration in kind in the form of the use of a vehicle. However, the Chairman will not participate in any variable remuneration schemes and will stop being a beneficiary of the long-term incentive plans in force at any given time and under the social welfare scheme.

The remuneration to be received by the non-executive Chairman will be included in the total remuneration to be received by the directors of the Company in their capacity as directors. It is therefore envisaged that the proposal to change the maximum amount of annual remuneration for all the Directors as a whole for sitting on the Board of Directors of the Company and its committees will be submitted to the next General Meeting of Shareholders of the Company for its approval.

Furthermore, as the Chairman will no longer have executive functions from 30 April 2022, the Board of Directors of the Company has considered that the role of Independent Lead Director required by law for cases in which the Chairman of the Board of Directors is an executive Director is no longer necessary. The Board of Directors has therefore resolved to dispense with the role of Independent Lead Director from 30 April 2022. The person in that role will stop being paid for his work as Independent Lead Director from that date, and some of the duties involved in that role will be taken over by the non-executive Chairman.

### **A.3. Consideration of the shareholders' vote at the General Meeting on the Annual Remuneration Report for the previous year**

The annual report on the remuneration of the directors of Colonial for the year 2020 was approved at the Ordinary General Meeting of Shareholders of the Company by 76.76 % of the votes cast.

During 2021, the Appointments and Remuneration Committee analysed the reasons and arguments behind the votes against the Annual Report on Remuneration of Directors. Specifically, the main reasons relate to the design of the previous Long-Term Incentive Plan approved at the General Meeting of

Shareholders of 29 June 2017, which was extended for the last time for an additional term of 2 years by a resolution passed at the General Meeting of Shareholders of 30 June 2020. The said Plan, which had already come to an end at 2020 year-end, has been replaced by the Long-Term Incentive Plan approved at the General Meeting of Shareholders of 30 June 2019 with 98.39 % of votes in favour. This large majority shows that the new Long-Term Incentive Plan is in line with corporate governance recommendations and general and sector-specific market practices.

## **B. OVERVIEW OF THE APPLICATION OF THE REMUNERATION POLICY IN 2021.**

### **B.1.1. Process carried out to apply the policy and determine individual remuneration**

The Appointments and Remuneration Committee held nine meetings in 2021 and, as of the publication date of this Report, it has held three meetings since the end of 2021.

At the aforementioned meetings, the Appointments and Remuneration Committee discussed, among other matters, the following and agreed, where appropriate, to submit them to the Board of Directors for approval:

- Issued a favourable report and proposed to the Board of Directors approval of the Annual Report on Directors' Remuneration.
- Analysing and discussing, with WTW's advice, and finally proposing to the Board of Directors, a new remuneration policy for directors for the years 2021-2023.
- Analysing, discussing and amending the 2021 variable remuneration targets to assess the performance of the Management Committee.
- Proposing, based on the achievement of the indicators and certain milestones, the number of shares to be allocated to the beneficiaries of the share allocation plan approved at the General Meeting of Shareholders on 21 January 2014.
- Ensuring that the remuneration policy finally established by the Company was being observed and, in particular, tabled a proposal to the Board of Directors concerning variable compensation for the Chairman and CEO.
- Issuing a favourable report on the fixed and variable remuneration of the Company's management team as proposed by the CEO.
- Proposing to the Board of Directors, with WTW's advice, a new long-term incentive plan repealing the existing long-term incentive plan approved at the General Meeting of Shareholders of 21 January 2014, to be subsequently submitted for approval to the Ordinary General Meeting of Shareholders of the Company. As well as reporting favourably on the Regulations of the Company's Long-Term Incentive Plan for approval by the Board of Directors.
- Reporting favourably on the Chairman, the CEO, the Corporate General Manager and the management team's contracts.

Furthermore, and pursuant to the provisions of the Remuneration Policy, Colonial's Board of Directors decided on the distribution of the fixed remuneration applicable to directors in their capacity as such following a proposal by the Appointments and Remuneration Committee.

Executive directors do not receive any remuneration for their membership to the Board of Directors, nor do they receive any annual fixed amounts or attendance fees for meetings of the Board of Directors. In this regard, the Chairman and the CEO received the fixed remuneration stipulated in their contracts, the variable and extraordinary remuneration, and long-term incentives based on instruments determined by the Board of Directors at the Appointments and Remuneration Committee's proposal, taking into account certain quantitative and qualitative parameters identified below. To this end, the Company's Appointments and Remuneration Committee agreed to escalate to the Board of Directors of Colonial the ordinary variable remuneration for the Chairman and the CEO, as well as the extraordinary remuneration, following the approval by the Board of Directors of the specific amounts of such variable and extraordinary remuneration to be received by the Chairman and the CEO, set forth in sections B.3

and B.7 below and in the **Appendix** to this Report.

*External advisors' identity and roles:* In accordance with Colonial's internal rules, the Appointments and Remuneration Committee may request that the Board of Directors, in order to better perform its duties, engage legal, accounting, financial or other expert advisors at the Company's expense. In relation to this, in financial year 2021 the Appointments and Remuneration Committee was advised by WTW, an independent consultant specialising in Directors' remuneration, regarding the establishment and implementation of the Remuneration Policy and the long-term incentive plan consisting of the delivery of shares in Colonial approved at the Ordinary General Meeting of Shareholders of 30 June 2021 (see section A.2 above).

Finally, in the last quarter of 2021, the Appointments and Remuneration Committee was advised by Spencer Stuart in relation to the evaluation process of the Board of Directors and its committees, the Chairman of the Board of Directors and the CEO, the Lead Independent Lead Director and the Secretary of the Board for 2021.

### **B.1.2. Deviations from the established Remuneration Policy application procedure.**

There were no deviations from the established Remuneration Policy application procedure in financial year 2021.

### **B.1.3. Temporary exceptions to the Remuneration Policy**

The Remuneration Policy does not provide for any temporary exceptions to its application.

## **B.2. Actions taken by the Company to align the remuneration system with long-term objectives and to reduce exposure to excessive risks**

Executive Directors may receive an annual variable remuneration. For this purpose, the Company lays down criteria for maintaining a suitable balance between these components, with a remuneration scheme that provides a balanced and efficient ratio between fixed and variable components.

Thus, 100 % of the total fixed remuneration has been established as variable remuneration (annual target incentive) if the targets are achieved, with a possible annual maximum of 132.5 % of the amount of fixed remuneration in 2021, and there is no guaranteed variable remuneration.

The variable annual remuneration is usually linked to financial and value creation targets, with the possibility of including non-financial targets, for a weight not exceeding 30 % of the annual target incentive. In particular, in relation to financial year 2021, the Board of Directors established the following metrics to be taken into account when establishing the executive Directors' variable remuneration:

<b>Types of targets</b>	<b>Weight</b>	<b>Metrics</b>
<b>80% economic-financial and creation of shareholder value</b>	35%	Net rental income and adjusted earnings per share Depending on the budget for 2021
	30%	Net Asset Value (NAV) Depending on the business plan for 2021

Types of targets	Weight	Metrics
	15%	Loan to Value (LTV) Depending on the business plan for 2021
	10%	Boost in ESG, with emphasis on the environmental vector. Depending on the business plan for 2021
<b>20% Non-financial</b>	10%	Performance evaluation with a focus on issues such as innovation, organisation, risk management, and corporate reputation.

Furthermore, pursuant to the provisions of the Remuneration Policy, the executive Directors' contracts contain so-called "malus" and "clawback" clauses that enable Colonial to cancel or claim, in certain circumstances, a total or partial refund of the sums received by way of variable remuneration.

Lastly, in order to ensure that Colonial's remuneration system is in line with the Company's long-term objectives, values and interests, the long-term incentive plan approved by the General Meeting of Shareholders on 30 June 2021 (the "Plan") establishes a number of conditions that must be taken into account to determine the number of shares to be delivered to Colonial's executive Directors in their capacity as beneficiaries. These conditions are linked to Colonial's performance and are set out, together with the Plan's main characteristics, in section A of this Report.

In 2021, in relation to the total target remuneration (fixed remuneration, target variable annual remuneration and annualised target long-term incentive at the initial award price), the variable share component accounted for 1/3 in the Chairman's case and 50 % for the CEO.

The Company considers that it does not have any employees whose professional activities have a material impact on the Company's risk profile, and thus no specific measures have been adopted in this regard.

### **B.3 Compliance with the current policy by the remuneration accrued during the year, and its contribution to the Company's sustainable and long-term performance.**

- The Remuneration Policy establishes for 2021 a maximum annual remuneration of €2.2 million for all the directors as a whole in their capacity as such. The said Policy also stipulates that, in the event of an increase in the number of members of the Board of Directors, the maximum amount shall be increased by 10% for each new member of the Board of Directors that entails an increase in the number of members of the Board of Directors. In accordance with the above, the maximum amount of annual remuneration for all the directors as a whole in their capacity as such for 2021 was set at €2,200,000.

In 2021, the total amount of remuneration for the directors of Colonial in their capacity as such was €1,649,325, which is €550,675 less than the limit established in the Remuneration Policy in force for 2021. In particular, the individual remuneration for each director in their capacity as such was:

- (i) a fixed annual amount; and
- (ii) Attendance fees for the meetings of the Board of Directors and its committees.

Executive Directors, for their part, did not receive any remuneration for their membership of the



Board of Directors or its committees. In this regard, the executive Directors received the amounts of remuneration to which they were entitled under their respective contracts with the Company, in accordance with the Remuneration Policy.

Specifically, at its meeting of 28 February 2022 the Board of Directors of Colonial decided, at the proposal of the Appointments and Remuneration Committee, the sums of the annual variable remuneration of executive Directors accrued in 2021. This was established taking into account the metrics set forth in section B.2. and the results achieved in the year. The following were taken into account in relation to the financial metrics:

- Earnings per share were higher than the target set at the start of the year.
- The total amount from the marketing of assets has been higher than the planned commercial effort budget and the 2019 result. In addition, new contracts have accounted for a very significant percentage of the commercial effort, making it possible to improve the portfolio's occupancy levels. This has enabled us to achieve a net rental income of €290.3 million, which is slightly above the target set at the start of the year.
- The NTA per share (former NAV) at the end of 2020 was €11.27/share. At the end of 2021, the NTA before adjusting for dividends reached €11.72/share. The value creation adjusted for dividends compared to the previous year's NTA adjusted for dividends is 4.1 %. This is above the target set at the start of 2021.
- Regarding the financial policy, the debt was actively managed for the whole Group in 2021. As a result of all the activities carried out, our Moody's rating improved from Baa2 (stable) to Baa2 (positive), and the S&P rating remained unchanged at BBB+. The LTV also performed very well. Something that is particularly worth noting in 2021 is the launch of the project for the conversion of all the Group's bonds into Green Bonds. As a result, compliance with the financial policy was slightly above the target set at the start of the year.

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, therefore resolved to set a weighted payment level, based on the degree of attainment of the financial and value creation targets, of 102.72 % of the target.

Regarding the non-financial targets, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, has considered the achievements of the year:

- The development of a new Decarbonisation Plan and Economic Value & Return Model.
- The award of an 'A' CPD Rating, which is an improvement on the previous rating of A-. This rating has only been awarded to one European office company.
- The improvement in the GRESB Standing Investments Rating, VIGEO, Sustainalytics and MSCI.
- Keeping our EPRA gold sBPR award for the sixth consecutive year.
- The launch of the project for the conversion of all the Group's bonds into Green Bonds.

Finally, the Board of Directors has considered the measures taken by the management team since the onset of the crisis caused by the global COVID-19 pandemic to strengthen the Group's position in a complex environment.

As a result, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, resolved to set a weighted payment level, based on the degree of attainment of the non-financial targets, of 100 % of the target.

- The Board of Directors has therefore decided that an ordinary variable remuneration of 122.57 %

of the target level and a fixed annual remuneration; i.e. €919,275 each, will be payable to each of the executive Directors. This variable remuneration will be paid to each executive Director as follows: (i) €750,000 in cash will be paid to executive Directors during 2022; and (ii) 21,912 shares will be delivered to executive Directors in 2023. The Board of Directors can apply a malus clause (cancellation) under certain circumstances (see section A.1.5). This number of shares has been calculated by taking the weighted average share price in the 30 trading sessions previous to the Board that approves the 2021 bonus payment (i.e. €7.725). The beneficiaries will be entitled to receive an amount equivalent in cash to the dividends generated on the deferred shares during the deferral period on the same date of delivery of the deferred shares.

#### B.4 Information on the result of the advisory vote of the General Meeting on the Annual Report on Remuneration for financial year 2020.

	NUMBER	% OF THE TOTAL
Votes cast	415,780,896	81.83%

<u>VOTES IN FAVOUR</u>		<u>VOTES AGAINST</u>		<u>ABSTENTIONS</u>		<u>BLANK VOTES</u>	
No. of votes	% of votes cast	No. of votes	% of votes cast	No. of votes	% of votes cast	No. of votes	% of votes cast
319,134,946	76.76%	96,631,200	23.24%	14,750	0.00%	0	0.00%

#### B.5 Determination of the fixed components accrued during the year by the directors in their capacity as such, their relative proportion for each director, and their variation compared to the previous year.

- There were no changes to the determination of the fixed components accrued by the directors of Colonial in their capacity as such for 2021 with respect to the previous year.
- In this regard, the distribution of the fixed remuneration applicable to Directors for their capacity as such was as follows:
  - (i) Directors are entitled to a fixed annual amount of €50,000.
  - (ii) The Independent Lead Director is entitled to an additional fixed amount of €75,000.
  - (iii) Directors are entitled to the sum of €5,000 as attendance fees for each meeting of the Board of Directors they attend.
  - (iv) Members of the Executive Committee are entitled to the sum of €3,000 as attendance fees for each meeting of the Executive Committee they attend.
  - (v) The Chairman of the Audit and Control Committee and the Chairman of the Appointments and Remuneration Committee are entitled to an additional fixed annual amount of €50,000 each.
  - (vi) All other members of the Audit and Control Committee and the Appointments and Remuneration Committee are entitled to an additional fixed annual amount of

€25,000 each.

- (vii) The Chairman of the Audit and Control Committee and the Chairman of the Appointments and Remuneration Committee are each entitled to €4,800 as attendance fees for each meeting of the Audit and Control Committee and the Appointments and Remuneration Committee they attend, respectively.
- (viii) The other members of the Audit and Control Committee and the Appointments and Remuneration Committee are entitled to an attendance fee of 3,000 euros for each meeting of the Audit and Control Committee and the Appointments and Remuneration Committee attended by each of them, respectively.
- (ix) In addition, and as a new development from the previous financial year, due to the recent creation of the Sustainability Committee, its Chairman is entitled to €4,800 by way of attendance fees for each Sustainability Committee meeting he attends, and the other members of the committee are entitled to €3,000 per meeting for the same reason.

#### **B.6 Determination of the accrued and vested salaries, during the year ended, of each director for executive functions, and their variation with respect to the previous year**

- The Remuneration Policy in force in 2021 sets a fixed annual remuneration of €750,000 respectively for the Chairman of the Board of Directors and the CEO. This amount constitutes remuneration for all the functions they discharge at Colonial both in their executive capacity and as members of the Company's Board of Directors and for attending its meetings.
- The fixed component of the salaries accrued by the Chairman and the CEO during financial year 2021 was different from the previous year, as Colonial decided, with the approval of the General Meeting of Shareholders, to increase it from €576,300 in the Chairman's case and €670,604 in the CEO's case to €750,000 each.

#### **B.7 Nature and main characteristics of the variable components of the remuneration systems.**

- Regarding the **short-term variable components**, in accordance with the Remuneration Policy for 2021, the Chairman's and CEO's contracts contain clauses under which they may each receive up to 140% of their fixed annual remuneration by way of annual variable remuneration. The Board of Directors agreed that variable remuneration should be subject to the fulfilment of certain parameters or objectives of a quantitative and qualitative nature, the former making up 80% of the variable remuneration and the qualitative objectives making up the remaining 20%.

Accordingly, for the year 2021, based on compliance with the quantitative and qualitative criteria outlined in section B.3, the Board of Directors decided, at the proposal of the Appointments and Remuneration Committee, that the variable remuneration to be received in 2021 by each of the executive Directors would be 122.57 % of their fixed remuneration, i.e. €919,275 each. This variable remuneration will be paid to each executive Director as follows: (i) €750,000 in cash will be paid to executive Directors during 2022; and (ii) 21,912 shares will be delivered to executive Directors in 2023. The Board of Directors can apply a malus clause (cancellation) under certain circumstances (see section A.1.5). This number of shares has been calculated by taking the weighted average share price in the 30 trading sessions previous to the Board that approves the 2021 bonus payment (i.e. €7.725). The beneficiaries will be entitled to receive an amount equivalent in cash to the dividends generated on the deferred shares during the deferral period on the same date of delivery of the deferred shares.

## **Extraordinary remuneration**

- Under Colonial's Remuneration Policy, the Board of Directors, upon the Appointments and Remuneration Committee's proposal, may agree to grant extraordinary remuneration to executive Directors for their involvement in extraordinary corporate operations, including acquisitions, investments, restructuring or other operations, mostly based on the relevance, complexity and singularity of the corporate operation that produces a considerable added value for shareholders and/or produces a financial benefit or a considerable asset increase that will strengthen Colonial's sustainability.

During 2021, Colonial made a takeover bid for the shares in SFL held by minority shareholders. This extraordinary relevant, complex and unique transaction has been a definite step forward in the group's structure simplification strategy, the improvement of its strategic positioning and its ability to generate savings and increase its profit.

The transaction has entailed, in particular:

- Access to over €1 billion worth of unique and incomparable prime assets in Paris for an acquisition price at a discount on their appraised value.
- The implied value of the offer of €88/share<sup>1</sup>, which is equivalent to a discount of 11 % on the Net Disposal Value per share, 14 % on the NTA per share and 21 % on the Net Reinstatement Value (NRV) per share.
- The structuring of a transaction leading to immediate growth in terms of earnings per share.
- The acceleration of the group's profit growth dynamic, with a potential increase in the group's dividends, which is higher than the amount established in the ordinary activity budget and is therefore not remunerated as ordinary variable remuneration.
- The renewal of the strategic partnership with Predica, with the resulting opportunities regarding asset rotation and potentially more efficient tax structures.
- The simplification of the group and the consolidation of a European platform, with better access to debt and equity capital markets and the ability to create synergies. The group's equity and liquidity have improved with an increase of over €300 million. Furthermore, the transaction received a positive rating from the rating agency Moody's, which improved our business profile.

The transaction has required complex management, focusing on the company's CEO and senior management team. The project has required action to be taken at three different levels:

- i) The negotiation of a new strategic agreement with the Predica group, resulting in a new strategic partnership between the two groups, with Predica ceasing to be a shareholder of SFL and becoming a shareholder of Colonial and the creation of four new joint ventures with a 51 % stake for SFL and a 49 % stake for Predica.
- ii) Securing the necessary support from regulatory bodies, independent experts and rating agencies.
- iii) The design, structuring and execution of a takeover bid in record time, with the unanimous support of the Board of Directors of SFL.

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<sup>1</sup> See the presentation "Alpha VI" of 3 June 2021, which is available at [www.inmocolonial.com](http://www.inmocolonial.com)

Therefore, based on the size of the transaction and compared to previous transactions carried out by the Group, and taking into account the estimated value of the tangible benefits for the business in relation to the factors set forth in the Remuneration Policy, an extraordinary variable remuneration equal to 50 % of the annual fixed remuneration (50 % of the upper limit stipulated in the Policy) is proposed.

- The executive Directors have not received any variable remuneration other than as stated in the preceding paragraphs for financial years 2020 and 2021.
- Non-executive Directors did not receive any short-term variable remuneration components in the year 2021.

### **Share delivery plan**

- In addition to the short-term variable remuneration, in 2021 both the Chairman and the CEO were beneficiaries of the share allocation plan approved by the General Meeting of Shareholders on 21 January 2014. The plan was extended for a further two years by the General Meeting of Shareholders on 29 June 2017, and again for a final time for a further two years at the General Meeting of 30 June 2020. The said plan is no longer in force following the approval of a new long-term incentive plan at the Ordinary General Meeting of Shareholders of 30 June 2021 (see section A.1.6 of this Report).

The most relevant aspects of the plan are:

- Description: Delivery of ordinary Colonial shares to beneficiaries depending on the annual achievement of certain indicators and on the beneficiaries being executive Directors or having a commercial or employment relationship with the Company or its group at the dates of delivery of the shares.
- Beneficiaries: The Chairman, the CEO and the members of the company's Management Committee at any given time, including senior officers.
- Determination of the number of shares: The Chairman of the Board and the CEO, based on the fulfilment of certain requirements, are entitled to receive each year a maximum of 48,837 and 126,977 shares respectively. However, the number of shares to be received by each of them could be increased by a maximum of 25%, depending on whether certain conditions are met.
- Conditioning factors: The number of shares to be allocated to beneficiaries will be subject to the achievement of certain conditions set out therein and tied to the Company's performance. In this regard, on 13 May 2014, the Board of Directors determined the following as conditioning factors:
  - If the NCF is between 95% and 105% with respect to the provisions of the latest business plan, 100% of the number of shares envisaged will accrue.
  - If the NCF exceeds the provisions of the business plan by more than 5%, the maximum number of shares that could be received in that year will increase by 1.5% for each percentage point increase in the net cash flow ("NCF") above 105%, up to a new maximum number of shares equivalent to 125% of the number of shares envisaged.
  - If the NCF is lower than provided in the business plan by up to 25%, the maximum number of shares that could be received in that year will decrease by 1.5% for each

percentage point decrease in the NCF below 95%.

- If the NCF is lower than the provisions of the business plan by more than 25%, no portion of the number of shares envisaged will accrue.

Likewise, the number of shares to be delivered based on the stipulated calculations will be reduced by 25% every year if the Net Asset Value of Colonial's shares does not grow by 4% per annum over the term of the plan. The annual NAV target will be calculated by increasing the data from the previous year by 4%. The NCF and the NAV will be applied on a "per share" basis.

- (v) Term and delivery: The plan will be in force until 2023. The Board of Directors, following a report by the ARC, will approve the annual settlement and determine the number of shares that correspond to each of the beneficiaries based on achievement of the previous year's indicators. The shares will be delivered between 15 and 30 April of each year and may not be sold or transferred until 3 years have elapsed since delivery, except to cater for the taxes arising from accrual thereof.
- Delivery of the shares will include a final adjustment, such that the equivalent monetary value of the share delivered does not exceed 150% of the average share price in November 2013.
- In any case, should a resolution be adopted with a material negative impact on Colonial's shares or that may result in a different number of outstanding shares, the Board of Directors will perform the necessary adjustments to maintain the equivalence of the benefits under the plan.
- The plan will be settled early in the event of a substantial liquidity event as defined in the resolution of the General Meeting of 21 January 2014.
- If the Chairman or CEO are unfairly dismissed during the term of the plan, the General Meeting does not extend their mandate or they are dismissed from their positions without just cause, they will be entitled to an early settlement of the plan, and the shares pending settlement will be delivered. Beneficiaries will lose their right to delivery of shares and rights to the shares granted in the event of justified dismissal, termination for cause or if he resigns of his own initiative, and in case of breach of contract in respect of confidentiality, non-solicitation of services or competition. In addition, the Company's external auditor has issued a report on the procedure agreed for the settlement of the plan.
- In this regard, due to exceeding the targets and terms and conditions of the plan by more than 100% in 2021, as well as not exceeding the price per share limit, as executive Directors and beneficiaries of the plan, in April 2021 the Chairman received 36,628 shares, and the CEO received 95,233 shares, corresponding to the settlement of the plan for financial year 2020.

#### **B.8 Reduction or clawback claims on certain accrued variable components**

- In 2021, there were no cases of reduction or clawback claims on any variable components of the remuneration of Colonial's executive Directors, as there was no cause for such claims.

#### **B.9 Main characteristics of long-term savings systems**

- Colonial's executive Directors are beneficiaries of a defined-contribution welfare scheme covering the contingencies of retirement, disability and death for a sum of 15% of their fixed remuneration in each case.
- The executive Directors' welfare scheme recognises the vesting of financial rights should the

professional relationship be terminated prior to the occurrence of the eventualities covered, unless such termination occurs with just cause. Furthermore, these long-term savings schemes are compatible with any termination benefits that may be applicable.

#### **B.10 Severance payment or other compensation due to early termination**

In 2021, no severance payments or other types of compensation due to the early termination of Colonial's Directors accrued or was received.

#### **B.11 Material changes to executive Directors' contracts**

- In financial year 2021, Colonial's executive Directors concluded two new contracts with Colonial to adapt to the Remuneration Policy approved at the General Meeting of Shareholders of 30 June 2021. The main significant amendments made can be found in Section A.1.6 of this Report.

#### **B.12 Remuneration in kind**

- Colonial has taken out a collective civil liability insurance policy that covers liability for the acts and conduct of the members of the Board of Directors (executives and non-executives) and directors of the Company, as a result of the performance of the activities inherent to their duties, as well as any losses caused in cybersecurity attacks or failures. The cost of this insurance policy is not included in the maximum amount of annual remuneration for all Directors in their capacity as such. In 2021, the amount of the collective civil liability insurance policy was €468,606.54.
- In addition, the Company pays the executive Directors other remunerations in kind, mainly under social welfare and healthcare schemes that are usual in the industry, such as the use of a company vehicle, life insurance, family health insurance, and disability and accident insurance. In 2021, the amount of this cash remuneration was established as €60,700.

#### **B.13 Other**

- In 2021, no supplementary remuneration was accrued as consideration for services provided by Colonial's Directors other than those inherent to their posts.
- Neither was there any remuneration accrued arising from the approval of advances, credits or guarantees in favour of Colonial's directors, as no remuneration was granted to the Directors for these items.
- Furthermore, in 2021, no remuneration was accrued for payments (as consideration for Colonial's Directors' services) by the Company to a third entity where one of the Directors provided services.
- As for any other remuneration item, regardless of its nature or the group company paying it, especially when it is considered a related-party transaction or its issue distorts the true and fair view of the total remuneration accrued by the Director, no remuneration of this type was accrued in 2021 other than that specified in section C.1. b) i) of the **Appendix** hereto containing the "Details of the individual remuneration of each Director".

**C. DETAILS OF THE INDIVIDUAL REMUNERATION OF EACH DIRECTOR.**

Name	Type	Accrual period 2021
JUAN JOSÉ BRUGERA CLAVERO	Executive	From 01/01/2021 to 31/12/2021
PEDRO VIÑOLAS SERRA	Executive	From 01/01/2021 to 31/12/2021
SHEIKH ALI JASSIM M. J. AL THANI	Proprietary	From 01/01/2021 to 31/12/2021
ADNANE MOUSANNIF	Proprietary	From 01/01/2021 to 31/12/2021
CARLOS FERNÁNDEZ GONZÁLEZ	Proprietary	From 01/01/2021 to 31/12/2021
JAVIER LÓPEZ CASADO	Proprietary	From 01/01/2021 to 31/12/2021
JUAN CARLOS GARCÍA CAÑIZARES	Proprietary	From 01/01/2021 to 31/12/2021
SILVIA MÓNICA ALONSO-CASTRILLO ALLAIN	Independent	From 01/01/2021 to 31/12/2021
ANA PERALTA MORENO	Independent	From 01/01/2021 to 31/12/2021
ANA BOLADO VALLE	Independent	From 01/01/2021 to 31/12/2021
LUIS MALUQUER TREPAT	Independent	From 01/01/2021 to 31/12/2021



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**C.1. Please fill in the following tables with the individual remuneration of each director (including remuneration for the discharge of executive functions) accrued during the year.**

**a) Remuneration from the reporting company:**

**i) Remuneration accrued in cash (thousands of euros):**

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Compensation	Other items	Total 2021	Total 2020
Juan José Brugera Clavero				605	1,125				1,730	1,037
Pedro Viñolas Serra				686	1,125				1,811	1,208
Sheikh Ali Jassim M.J.Al-Thani	50	60							110	115
Juan Carlos García Cañizares	50	77	25						152	167
Adnane Moussannif	50	102	25						177	167
Carlos Fernández González	50	60							110	110
Javier Lopez Casado	50	93	25						168	167
Luís Maluquer Trepal	125	135	50						310	260
Silvia Alonso-Castrillo Allain	50	106	25						181	140
Ana Cristina Peralta Moreno	50	120	50						220	187
Ana Lucrecia Bolado Valle	50	118	53						221	190

ii) Table showing movements in share-based remuneration systems and gross profit of shares or consolidated financial instruments

Name	Name of Plan	Financial instruments at the beginning of 2021		Financial instruments granted in 2021		Financial instruments consolidated in the year				Instruments matured and not exercised	Financial instruments at the end of 2021	
		No of instruments	No of equivalent shares	No of instruments	No of equivalent shares	No of instruments	No of equivalent / consolidated shares	Price of consolidated shares	Gross Profit from shares or consolidated financial instruments (thousands of euros)	No of instruments	No of instruments	No of equivalent shares
Juan José Brugera Clavero	2014 share option plan	48,837	48,837			36,628	36,628	8.25	302	12,209		
Juan José Brugera Clavero	1st Cycle 2021 - 2023			137,698	137,698			0.00			137,698	137,698
Juan José Brugera Clavero	Deferred annual variable for 2021			21,912	21,912			0.00			21,912	21,912
Pedro Viñolas Serra	2014 share option plan	126,977	126,977			95,233	95,233	8.25	786	31,744		
Pedro Viñolas Serra	1st Cycle 2021 - 2023			275,398	275,398			0.00			275,398	275,398
Pedro Viñolas Serra	Deferred annual variable for 2021			21,912	21,912			0.00			21,912	21,912

iii) Long-term savings systems:

Name	Remuneration for the consolidation of rights to savings schemes
JUAN JOSÉ BRUGERA CLAVERO	112
PEDRO VIÑOLAS SERRA	112

Name	Contribution during the year by the company (thousands of €)				Amount of accumulated funds (thousands of €)			
	Savings schemes with consolidated economic rights		Savings schemes with non-consolidated economic rights		2021		2020	
	2021	2020	2021	2020	Schemes with consolidated economic rights	Schemes with non-consolidated economic rights	Schemes with consolidated economic rights	Schemes with non-consolidated economic rights
	JUAN JOSÉ BRUGERA CLAVERO	112	79			497		385
PEDRO VIÑOLAS SERRA	112	105			625		513	

**iv) Detail of other items**

Name	Item	Amount of compensation
JUAN JOSÉ BRUGERA CLAVERO	In-kind payment	8
PEDRO VIÑOLAS SERRA	In-kind payment	53

**b) Remuneration paid to the listed company's directors for membership of its subsidiaries' management bodies:**

**i) Remuneration accrued in cash (thousands of €):**

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Compensation	Other items	Total 2021	Total 2020
JUAN JOSÉ BRUGERA CLAVERO	133	12							145	217
PEDRO VIÑOLAS SERRA	20	34	10						64	61
SHEIKH ALI JASSIM M.J. AL THANI	20	21							41	44
LUIS MALUQUER TREPAT	20	24							44	47

ii) Table showing the movements in share-based remuneration systems and gross profit of shares or consolidated financial instruments

Name	Name of Plan	Financial instruments at the beginning of 2021		Financial instruments granted in 2021		Financial instruments consolidated in the year				Instruments matured and not exercised	Financial instruments at the end of 2021	
		No of instruments	No of equivalent shares	No of instruments	No of equivalent shares	No of instruments	No of equivalent/consolidated shares	Price of consolidated shares	Gross Profit from shares or consolidated financial instruments (thousands of euros)	No of instruments	No of instruments	No of equivalent shares
JUAN JOSÉ BRUGERA CLAVERO	Plan no. 5 Board meeting of 11/02/2021			6,000	6,000			0.00			6,000	6,000
JUAN JOSÉ BRUGERA CLAVERO	Plan no. 5 Board meeting of 06/02/2020	6,000	6,000					0.00			6,000	6,000
JUAN JOSÉ BRUGERA CLAVERO	Plan no. 5 Board meeting of 15/02/2019	6,000	6,000					0.00			6,000	6,000
JUAN JOSÉ BRUGERA CLAVERO	Plan no. 5 Board meeting of 20/04/2018	6,000	6,000			6,000	6,000	62.00	372			

iii) Long-term savings systems

Name	Remuneration for the consolidation of rights to savings schemes
No data	

Name	Contribution during the year by the company (thousands of €)				Amount of accumulated funds (thousands of €)			
	Savings schemes with consolidated economic rights		Savings schemes with non-consolidated economic rights		2021		2020	
	2021	2020	2021	2020	Schemes with consolidated economic rights	Schemes with non-consolidated economic rights	Schemes with consolidated economic rights	Schemes with non-consolidated economic rights
	No data							

iv) Detail of other items

Name	Item	Amount of compensation
No data		

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**c) Summary of remuneration (thousands of €):**

The summary should include the amounts relating to all compensation items included in this report that have accrued to the director, in thousands of euros.

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Name	Accrued compensation at the Company					Accrued remuneration at Group companies					Total 2021 company + group
	Total remuneration in cash	Gross Profit from the shares or consolidated financial instruments	Remuneration in saving systems	Other items of remuneration	Total 2021 company	Total remuneration in cash	Gross Profit from the shares or consolidated financial instruments	Remuneration in saving systems	Other items of remuneration	Total 2021 group	
Mr Juan José Brugera Clavero	1,730	302	112	8	2,152	145	372			517	2,669
Mr Pedro Viñolas Serra	1,811	786	112	53	2,762	64				64	2,826
Mr Sheikh Ali Jassim M. J. Al-Thani	110				110	41				41	151
Mr Juan Carlos García Cañizares	152				152						152
Mr Adnane Mousannif	177				177						177
Mr Carlos Fernández González	110				110						110
Mr Javier Lopez Casado	168				168						168
Mr Luis Maluquer Trepal	310				310	44				44	354



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MS Silvia Mónica Alonso- Castrillo Allain	181				181						181
MS Ana Peralta Moreno	220				220						220
MS Ana Bolado Valle	221				221						221
<b>TOTAL</b>	<b>5,190</b>	<b>1,088</b>	<b>224</b>	<b>61</b>	<b>6,563</b>	<b>294</b>	<b>372</b>			<b>666</b>	<b>7,229</b>

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**C.2. Please state the changes over the last five years in amount and percentage variation in the remuneration accrued by each of the listed company's directors who were directors during the year, in the company's consolidated results and in the average remuneration of the employees of the company and its subsidiaries who are not directors of the listed company, on a full-time equivalent basis.**

	Total amounts accrued and % annual variation								
	2021	% variation 2021/2020	2020	% variation 2020/2019	2019	% variation 2019/2018	2018	% variation 2018/2017	2017
<b>Executive Directors</b>									
Mr Juan José Brugera Clavero	2,669	31.67 %	2,027	-6.93 %	2,178	-9.66 %	2,411	-19.09 %	2,980
Mr Pedro Viñolas Serra	2,826	17.26 %	2,410	-21.34 %	3,064	-8.73 %	3,357	-9.27 %	3,700
<b>External Directors</b>									
Mr Sheikh Ali Jassim M.J.Al-Thani	151	-5.03 %	159	33.61 %	119	-6.30 %	127	-19.11 %	157
Mr Juan Carlos García Cañizares	152	-8.98 %	167	32.54 %	126	5.00 %	120	-6.98 %	129
Mr Adnane Moussannif	177	5.99 %	167	22.79 %	136	-21.39 %	173	23.57 %	140
Mr Carlos Fernández González	110	0.00%	110	26.44 %	87	-2.25 %	89	3.49 %	86
Mr Javier Lopez Casado	168	0.60 %	167	51.82 %	110	103.70 %	54		
Mr Luis Maluquer Trepas	354	15.31 %	307	37.67 %	223	0.45 %	222	-3.90 %	231
Ms Silvia Alonso-Castrillo Allain	181	29.29 %	140	70.73 %	82				
Ms Ana Cristina Peralta Moreno	220	17.65 %	187	192.19 %	64				
Ms Ana Lucrecia Bolado Valle	221	16.32 %	190	175.36 %	69				
<b>Consolidated results of the company</b>	563,374	769.31 %	64,807	-93.61 %	1,014,782	44.08 %	704,339	-33.38 %	1,057,292
<b>Average employee remuneration</b>	114	22.58 %	93	5.68 %	88	-11.11 %	99	1.02 %	98

**C. OTHER SIGNIFICANT INFORMATION**

This Annual Remuneration Report was approved by Colonial’s Board of Directors at its meeting of 28 February 2022, with no abstentions or votes against.

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