



SELECTION AND DIVERSITY POLICY INMOBILIARIA COLONIAL, SOCIMI, S.A.

I. INTRODUCTION

Pursuant to Article 5 of the Regulations of the Board of Directors, the Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A. (the “**Company**” or “**Colonial**”) has the non-transferable authority to determine the Company’s general policies and strategies, among other functions.

Therefore, the Board of Directors, at the suggestion of the Appointments and Remuneration Committee has drawn up Colonial’s Directors’ Selection and Diversity Policy (the “**Policy**”).

In the Director selection processes, the Company will observe all the duties and requirements arising from the applicable regulations at any given time and will adhere, as strictly as possible, to the recommendations and technical guidelines given on this matter by the supervising bodies.

The Company’s Board of Directors will always ensure that the selection procedures for the members of the Board of Directors always encourage diversity in age, gender, disability, education and work experience and are not implicitly biased in any way that may entail discrimination and, in particular, that they foster the selection of sufficient female Directors to have a balanced ratio of men and women on the Board of Directors, all of this in the Company’s best interest.

II. SCOPE

The Policy will apply to the appointment and re-election of candidates for the Company’s Board of Directors who are natural persons. In the event of candidates for Director who are legal entities, the provisions herein will also extend to the natural persons who represent such legal entities.

The Board of Directors will ensure compliance with the Policy during the Director selection processes for the appointment of co-opted members, as well as for the appointments proposed to the General Meeting of Shareholders for their approval. Furthermore, the Appointments and Remuneration Committee will bear in mind the Policy when preparing the relevant reports on the appointment of executive and proprietary Directors, as well as the proposals for the appointment of independent Directors.

Only to the extent permitted by the applicable regulations and with sufficient cause may the Company’s Board of Directors deviate from some of the criteria foreseen in this Policy.

III. PURPOSES OF THE SELECTION AND DIVERSITY POLICY

Colonial’s Policy is based on the principles of diversity and equality for the composition of its Board of Directors as part of its general aim to inject effectiveness and professionalism into the running of such Board and improve the quality of the corporate management. In this regard, the Company, in selecting and re-electing its candidates for Director, will aim to find the right balance in the Board of Directors in the Company’s best interest.

The selection of candidates will require a prior analysis of the Company’s needs and this will be conducted by the Board of Directors based on a report provided by the Appointments and Remuneration Committee. In such a process, the Board will recruit people who meet the required

qualifications and good professional and personal standing, as well as the skills needed, as listed in section V below. Upon recruiting such candidates, the Board will make sure that the selection processes foster diversity in age, gender, disability, education and work experience in the Board of Directors.

On the matter of diversity, one of the Policy targets, pursuant to the international standards and Recommendation 14 in the Spanish Good Governance Code for Listed Companies (the “GGC”), is to have a sufficient number of female Directors that will make up at least 30% of the total amount of members of the Board of Directors by 2020.

Likewise, the Policy also includes as a target that the appointment of Directors should meet the general criteria on the composition of the Board of Directors, in particular, having a balanced number of executive, proprietary and independent Directors, subject to the principles and recommendations listed in the GGC.

IV. SELECTION PROCESS

The Board of Directors will first analyse the Company’s and the Group’s needs, resorting to advisors when necessary, and, in any case, will base its analysis on the appointment proposed by the Appointments and Remuneration Committee or its report on the matter.

The candidate selection process will be free of discrimination and will be governed by the principle that each candidate is to be assessed for their merits and skills, always seeking the most suitable candidates.

In its analysis of the candidates proposed, the Appointments and Remuneration Committee, in line with the Board’s needs, will assess the following factors:

- a) the legal, statutory and regulatory rules that apply to the appointment, re-election and ratification of the Directors;
- b) the technical-professional skills of the candidates;
- c) compliance with the requirements and conditions set forth by law, recommendations, statutory or regulatory rules and national or international standards on the appointment, re-election and ratification of Directors under the category proposed (executive, proprietary or independent);
- d) the candidates’ experience in management, also taking into account the business activity, context and economic and geographic industry in which Colonial operates, as well as the category for which the candidate is proposed as Director;
- e) the level of engagement required to hold the position, also assessing the positions that the candidates have previously held in other companies;
- f) the possible existence of a conflict of interest, whether permanent or temporary;
- g) the relevance of any possible commercial, financial or professional relations held, at present or recently, directly or indirectly, by the candidates with the Company or other companies in the Group; and

- h) any possible legal or administrative actions in progress or awaiting a decision against the candidates, as well as criminal convictions or administrative penalties that legal bodies or competent authorities may have enforced.

With regard to candidates for independent Director, the Appointments and Remuneration Committee will thoroughly check that the candidates meet the legal requirements about independence, the recommendations on such requirements applicable to listed companies, the Company's internal rules (Company Bylaws and Regulations) and the national and international standards.

V. REQUIREMENTS TO BE MET BY THE CANDIDATES

The candidates for Director in the Company should meet the following requirements:

- a) **Qualifications and good professional and personal standing:** The candidates must be suitable and have a good professional reputation, skills, experience, qualifications and education and be committed to their role. They must also have an appropriate personal and professional background, having observed the law and good business practices and must necessarily always meet the legal requirements in force to be able to be a member of a board.

Specifically, the candidates must be professionals whose conduct and career are in line with the principles and ethical code set forth in the Company's different internal rules and with the Group's vision and values.

- b) **Capacity:** The candidates must not be subject to any cases of incompatibility, incapacity or ban by Law.

Furthermore, they must not be subject to an unbridgeable situation of structural and permanent conflict of interest with the Company or the Group's companies, nor be involved in circumstances for which the candidate's membership on the Board would be a threat to the Company's interests.

Should the candidate be a legal entity, all the above will also apply to the individual entity who represents it.

VI. IMPEDIMENTS TO BEING A CANDIDATE FOR DIRECTOR

Candidates may not be appointed as Directors under any of the following circumstances:

- a) being subject to a legal, statutory or regulatory case of incompatibility, restriction or ban on holding the position;
- b) not meeting the requirements set forth in section V above to be eligible as Director of the Board;
- c) be in a real or potential situation of conflict of interest with the Company that is permanent or structural;
- d) have been convicted by final judgement in a criminal case;
- e) natural persons or legal entities that hold the position of Director in more Spanish listed companies than allowed by the Company's Board Regulations;
- f) when, for whichever circumstance, appointing the candidate as Director would be a threat to or damage the Company's name, its business standing or its reputation in the market.

VII. FOSTERING DIVERSITY IN THE BOARD OF DIRECTORS AND ITS COMMITTEES

As mentioned above, when selecting the candidates proposed as the Company's Directors, the composition of the Board of Directors and its Committees must be taken into account in its entirety, based on their roles and, also, the characteristics of the Company and its Group.

Upon meeting the requirements on qualifications and good professional and personal standing as well as capacity, as defined in section V above, the candidate selection process must weigh up the choice of Directors for the Board of Directors to ensure a sufficient level of diversity in age, gender, disability, education and work experience. Such diversity should enable compliance with the legal requirements and good governance recommendations on the composition and suitability of the members of the Board of Directors and the different in-house Committees that supervise the Board of Directors (Audit and Control Committee and Appointments and Remuneration Committee), all this whilst ensuring that the composition will allow the decision-making and will contribute diverse angles to the discussions on the Board and Committee matters in the Company's best interest.

In this regard, the Company's Board of Directors will ensure that the process involved in selecting its members fosters diversity in their knowledge and experience, education, age, disability and gender, and is not implicitly biased in any way that could lead to discrimination and, especially, will help select female Directors.

Specifically, Colonial's Board of Directors, pursuant to the international standards and Recommendation 14 in the GGC, will promote its aim to form a Board of Directors with at least 30% of female members by 2020, and will also foster cultural diversity and the presence of members with international knowledge and experience.

The Board of Directors and the Appointments and Remuneration Committee will ensure that the selection process for members of the Board Committees will take into account, not only the Law and this Policy, but also the GGC and the recommendations made by the competent bodies on this matter.

The Company will inform its Shareholders about the criteria and diversity targets when electing or renewing the members of the Board of Directors and the Committees.

VIII. CHECKING COMPLIANCE WITH THE POLICY

Once a year, the Appointments and Remuneration Committee will check compliance with this Policy and will report its conclusions to the Board of Directors.

On the other hand, the Annual Corporate Governance Report will include, among other information, a description of the Policy in connection with the diversity, including its targets, measures adopted and how they have been enforced. In particular, it will contain the procedures applied to ensure that there is a sufficient number of female Directors on the Board of Directors in order to reach a balanced ratio of men and women, as well as the measures, if any, agreed by the Appointments and Remuneration Committee in relation to these matters.

IX. SUPPORT BY EXTERNAL ADVISORS

The Company may seek the support of external advisors to select its candidates for Director.

To select candidates for the Board of Directors, the Appointments and Remuneration Committee may hire the services of one or more external experts in recruiting and selecting candidates to strengthen the Company's efficiency, effectiveness and impartiality in its procedure to identify them. Likewise, the Appointments and Remuneration Committee may hire external advisors to check compliance with the Policy.

In identifying the candidates, the advisor should factor in the requirements set forth in this Policy.

X. KEY STAFF

The Company will ensure that the requirements set forth in sections V and VII in this Policy are taken into account in the selection process for the Company's senior management.

XI. TERM

This Policy will remain in force until the Company's Board of Directors approves any amendments thereto.

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February de 2019