

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER IDENTIFICATION

YEAR END DATE

2020

Tax ID No. A-86977790

Company name:

MERLIN PROPERTIES, SOCIMI, S.A.

Registered office:

PASEO DE LA CASTELLANA, 257, MADRID

**ANNUAL CORPORATE GOVERNANCE REPORT
FOR LISTED COMPANIES**

A. CAPITAL STRUCTURE

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
26/10/2016	469,770,750.00	469,770,750	469,770,750

Remarks

Please state whether there are different classes of shares with different associated rights:

Yes

No

Class	Number of shares	Par value	Number of votes	Associated rights

A.2 Provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BANCO SANTANDER, S.A.	19,00%	5,549%			24,549%
BLACKROCK INC.		3,143%		0,853%	3,996%
MANUEL LAO HERNANDEZ		6,271%			6,271%

Remarks
<p>The detailed information was extracted from the CNMV, which was obtained from the last notification that each entity was required to submit to the CNMV, in relation to what is stipulated in Royal Decree 1362/2007, of 19 October, and Circular 2/2007, of 19 December.</p> <p>The information of Banco Santander refers to the 2020 period, as communicated to the Company by this significant shareholder.</p>

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
BLACKROCK INC.	INVESTED MANAGERS Y DELEGATED INVESTMENT MANAGERS (UNDER CONTROL OF BLACKROCK)	3.143%	0.853%	3.996%
BANCO SANTANDER, S.A.	LURI 6, S.A.	4.8488%	-	4.8488%
	ALTAMIRA SANTANDER REAL ESTATE, S.A.	0.7011%	-	0.7011%
MANUEL LAO HERNANDEZ	NORTIA CAPITAL INVESTMENT, S.L.	6,271%	-	6,271%

Remarks

State the most significant shareholder structure changes during the year:

Most significant changes
The most significant change in the shareholder structure of MERLIN in the year was the entry of NORTIA CAPITAL INVESTMENT HOLDING, S.L. with a 6.271% stake (the controlling shareholder of which is MANUEL LAO HERNANDEZ).

A.3 In the following tables, list the members of the Board of Directors (hereinafter “directors”) with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of voting rights <u>than can be transmitted</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Juan María Aguirre Gonzalo	0,008%				0,008%		
Ismael Clemente Orrego	0,280%				0,280%		
Javier García-Carranza Benjumea	0,001%	0,017%			0,018%		
John Gómez-Hall	0,021%				0,021%		
George Donald Johnston III	0,010%				0,010%		
María Luisa Jordá Castro	0,003%				0,003%		
Emilio Novela Berlín	0,003%				0,003%		
Miguel Ollero Barrera	0,274%				0,274%		
Fernando Ortiz Vaamonde		0,021%			0,021%		
Ana Forner Beltrán	0.0004%				0.0004%		

Total percentage of voting rights held by the Board of Directors	0,640%
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Remarks

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of voting rights <u>than can be transmitted</u> through financial instruments
Javier García-Carranza Benjumea	ALDER PROPERTY, S.L.	0.017%	-	0.017%	-
Fernando Ortiz Vaamonde	ZENDA CAPITAL, S. L.	0,021%	-	0,021%	-

Remarks

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related party	Nature of relationship	Brief description

A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party	Nature of relationship	Brief description
BANCO SANTANDER, S.A.	Corporate	Banco Santander has a significant stake in the Company
NORTIA CAPITAL INVESTMENT HOLDING, S.L.	Corporate	Nortia Capital Investment Holding holds a significant stake in the Company

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors:

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Javier García-Carranza Benjumea	Banco Santander, S.A.	Banco Santander (Spain) Banco Santander México	Senior Executive Vice-President

Francisca Ortega Hernández-Agero	Banco Santander, S.A.	N/A	Head of the large clients department within the corporate holdings and restructurings division
Ignacio Gil-Casares Satrustegui	Banco Santander, S.A.	N/A	N/A
Ana Forner Beltrán	Nortia Capital Investment Holding, S.L.	Nortia Capital Investment Holding, S.L.	General Manager and Secretary to the Board

Remarks
The appointment of Ignacio Gil-Casares was brought forward by the significant shareholder Banco Santander, S.A., although there is no direct link between the director and the significant shareholder, or with any company of its Group.

A.7 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). so, describe these agreements and list the party shareholders:

Yes

No

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable
Banco Santander, S.A. and the Company	24.549%	See "Remarks"	

Remarks
Prior to that, Banco Santander, S.A., Banco Bilbao Vizcaya Argentaria, S.A. and Banco Popular Español, S.A. committed themselves to not transfer shares or voting rights of Merlin Properties, SOCIMI, S.A. for a six (6) months period from the date of registration of the spin-off of Metrovacesa, S.A., i.e. from 26 October 2016. The agreement was in force for 4 months in 2017. The agreement remains in force with regard to the sale of packages of shares in excess of 2% of the share capital, in order to include a process for the arranged transfer of the stake.

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes

No

Parties to the concerted action	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable

Remarks

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

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A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes

No

Name of individual or company

Remarks

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
4,836,503	-	1.0295%

Remarks

(*) Through:

Name or company name of the shares' direct owner	Number of direct shares
Total:	

Explain any significant changes during the year:

Explain significant changes
In 2020, MERLIN acquired 26,177 treasury shares, through a liquidity agreement with JB Capital in Euronext Lisboa and, in return, transferred 267,043 shares that mainly correspond to the delivery of shares to employees as part of the flexible remuneration plan and LTIP 17-19.

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

<p>The shareholders in the Annual General Meeting held the 10th April 2019 resolved to authorise the derivative acquisition of treasury shares by the Company or companies in its group, in compliance with the requirements and limitations established in current law at any given time, all under the following terms:</p> <ul style="list-style-type: none"> - Acquisition methods: acquisitions may be made directly by the Company or indirectly through companies in its group, and may be carried out, on one or more occasions, by purchase and sale, swap or any other legal transaction valid in Spanish Law. - Maximum number of shares to be acquired: the par value of the shares to be acquired, plus, when applicable, those already directly or indirectly held, will not exceed the maximum percentage legally permitted at any given time. - Maximum and minimum equivalent value: the acquisition price per share will be at least the par value and at most the share price on the stock exchange at the date of acquisition. - Term of the authorisation: this authorisation is granted for a period of five years. - Likewise, and for the purposes of the second paragraph of letter a) of section 146.1 of the Spanish Corporate Enterprises Act (<i>Ley de Sociedades de Capital</i>), it is expressly stated for the record that express authorisation is granted for the acquisition of the Company's shares by any of its subsidiaries, on the same terms referred to the above. - The authorisation also includes the acquisition of shares that, when applicable, must be handed over directly to employees or directors of the Company or companies in its group as a result of exercising the purchase options they hold or for the settlement and payment of share-based incentive plans of which they are beneficiaries. <p>This authorisation renders void the previous authorisation granted at the Annual General Meeting on May 7th 2018 to the extent not used.</p>

A.11 Estimated free float:

	%
Estimated free float	63.5145

Remarks

A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorization or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes

No

Description of the restrictions
<p>Although the Articles of Association do not regulate any restriction on the transfer of shares, Article 8 of the Articles of Association contains a so-called "ancillary provision" by virtue of which the following obligations arise for the Company's shareholders:</p> <p>Reporting obligations for significant shareholders</p> <p>According to Article 8 of the Company's Articles of Association, any shareholder (i) whose ownership interest in the Company's share capital is equal to or greater than 5%, or the percentage of ownership stipulated in section 9.2 of the Spanish REIT Act (<i>Ley de SOCIMIs</i>), or any regulations that may replace it, for the accrual by the Company of the special corporation tax (the Significant Shareholding); or (ii) that acquires shares that, together with those already held, represent a Significant Shareholding in the Company's share capital, must report these circumstances to the Board of Directors.</p> <p>The ownership stake equal to or greater than 5% of the share capital referred to in the previous paragraph will be understood to be (i) automatically modified if the percentage provided for in section 9.2 of the REIT Act, or any regulations that may replace it, changes and, therefore, (ii) replaced by the percentage provided for at any given time in the aforementioned regulations.</p> <p>Likewise, any shareholder who has reached this Significant Stake in the Company's share capital must notify the Board of Directors of any subsequent acquisition, regardless of the number of shares acquired.</p> <p>The same statement as the ones indicated in previous paragraphs must also be provided by any person that holds dividend rights over the Company's shares, including in any case those holding indirectly rights of the Company's shares through financial intermediaries that are formally entitled to act as shareholders by virtue of the share register but who act on behalf of the aforementioned holders.</p> <p>Together with the communication provided for in the previous paragraphs, the shareholder, or the holder of the dividend rights concerned, must provide the Secretary of the Company's Board of Directors with: (i) a tax residence certificate for the purposes of the corresponding personal income tax issued by the competent authorities of their country of residence. In those cases where the shareholder resides in a country with which Spain has signed a tax treaty to avoid double taxation, the tax residence certificate must meet the characteristics provided for in the corresponding tax treaty in order for its benefits to be applicable; and (ii) a certificate issued by a person with sufficient power of attorney accrediting the tax rate to which the dividend distributed by the Company is subject for the shareholder, together with a statement that the shareholder is the effective beneficiary of such dividend.</p> <p>The shareholder or holder of the dividend rights must deliver this certificate to the Company within ten calendar days following the date on which the Annual General Meeting or, as the case may be, the Board of Directors resolves to distribute any dividend or any similar amount (reserves, etc.).</p> <p>If the person required to give notice fails to comply with the reporting obligation indicated the previous paragraphs, the Board of Directors may assume that the dividend is exempt from taxation or that it is taxed at a lower rate than that indicated in section 9.2 of the REIT Act, or any regulations that may replace it.</p> <p>Alternatively, the Board of Directors may request, with a charge to the dividend corresponding to the</p>

shareholder, a legal report from a law firm of recognised reputation in the country where the shareholder resides in order to issue an opinion on whether the dividends distributed by the Company are subject to taxation.

The expenses incurred by the Company will be enforceable on the day prior to payment of the dividend.

Reporting obligations for shareholders subject to special regimes

Article 8 of the Articles of Association establishes that any shareholder who, as an investor, is subject in their home jurisdiction to any kind of special legal regime regarding pension funds or benefit plans, must notify the Board of Directors of this circumstance.

Likewise, any shareholder in the situation described in the previous paragraph must notify the Board of Directors of any subsequent acquisition or transfer, regardless of the number of shares acquired or transferred.

The same statement as those indicated in the previous paragraphs must also be provided by any person that holds dividend rights over the Company's shares, including in any case those indirectly holding the Company's shares through financial intermediaries that are formally entitled to act as shareholders by virtue of the share register but who act on behalf of the aforementioned holders.

The Company, by written notice (a *Request for Information*), may ask any shareholder or any other person with a known or apparent interest in the Company's shares, to provide written information that the Company may request and that is known by the shareholder or any other person, with regard to the beneficial ownership of the shares in question or the interest in these shares (accompanied, if the Company so requires, by a formal or notarial statement and/or by independent evidence), including (without prejudice to the general nature of the foregoing) any information that the Company considers necessary or advisable for the purpose of determining whether such shareholders or persons are likely to be in the situation described in the first paragraph of this subsection referring to the reporting obligations of shareholders subject to special regimes.

The Company may make a Request for Information at any time, and may send one or more Requests for Information to the same shareholder or any other person with regard to the same shares or interests in the same shares.

Without prejudice to the obligations regulated in Article 8.2 of the Articles of Association, the Company will oversee the acquisitions and transfers of shares that are made, and will take the appropriate measures to avoid any harm or loss that may arise for the Company itself or its shareholders as a result of applying current regulations on pension funds or benefit plans that may affect them in their respective jurisdictions.

The indemnity obligation provided for in Article 55 of the Articles of Association will also be considered an ancillary provision for the purposes of Article 8.

A.13 State whether the shareholders have resolved at a meeting to adopt measures to neutralize a take-over bid pursuant to the provisions of Act 6/2007.

Yes

No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

Explain the measures approved and the terms under which such limitations would cease to apply

A.14 State whether the company has issued shares that are not traded on a regulated EU market.

Yes

No

Where applicable, state the different types of shares and, for each category of share, the rights and obligations they entail.

State the different types of shares

B. GENERAL SHAREHOLDERS' MEETING

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail.

Yes

No

	% quorum different from that contained in Article 193 LSC for general matters	% quorum different from that contained in Article 194 LSC for special resolutions
Quorum required at 1st call		
Quorum required at 2nd call		

Description of the differences

B.2 State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes

No

Describe how it is different from that contained in the LSC.

	Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters	Other matters requiring a qualified majority
% established by the company for adoption of resolutions		50.01%

Describe the differences
The Articles of Association establish that the resolutions of the General Meeting will be passed, in general, with the favourable vote of the majority of the share capital (half plus one) attending the meeting in person or by proxy

B.3 State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

The procedure for amending the Articles of Association, as well as the rules applicable to the protection of shareholders' rights in amending the Articles of Association, is governed by the Corporate Enterprises Act ("*Ley de Sociedades de Capital*")

B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous two years:

Date of General Meeting	Attendance data				Total
	% physically	% represented by	% distance voting		
			Electronic	Other	
07/05/2018	0.840%	78.659%	0.00%	0.911%	80.410%
Of which, free float	0.36%	50.90%		0.911%	52.17%
10/04/2019	1.817%	75.646%	0.001%	0.909%	78.372%
Of which, free float	1.247%	48.669%	0.001%	0.909%	50.826%
17/06/2020	1,398%	74.255%	0.001%	0.547%	76.201%
Of which, free float	0.057%	41.182%	0.001%	0.547%	41.788%

Remarks

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason:

Yes

No

Points on agenda not approved	% votes against (*)

(*) If the non-approval of the point is for a reason other than the votes against, this will be explained in the text part and "N/A" will be placed in the "% votes against" column.

B.6 State whether the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes

No

Number of shares required to attend General Meetings	500
Number of shares required for distance voting	0

Remarks
To attend the meetings a number of shares equivalent to the lesser of: (i) five hundred (500) shares; or (ii) a number of shares representing one per thousand (1/1,000) of the share capital are required.

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

Yes

No

Explanation of the decisions that must be subject to the approval of the General Shareholders' Meeting, other than those established by law

B.8 State the address and way to access, on the company website, information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

Information on corporate governance and other information on the Company's general meetings can be found on the Company's website: http://www.merlinproperties.com/gobierno-corporativo
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C. COMPANY ADMINISTRATIVE STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	3
Number of directors set by the general meeting	14

Remarks

C.1.2 Please complete the following table on board members:

Name of director	Representative	Director category	Position on the board	Date first appointed to Board	Last re-election date	Method of selection to Board	Date of birth
Francisco Javier García-Carranza Benjumea	---	Proprietary	Chairman	15 September 2016	10 April 2019	Vote at Shareholders Meeting	08/12/1971
Ismael Clemente Orrego	----	Executive	Deputy Chairman and Chief Executive Officer	27 May 2014	17 June 2020	Vote at Shareholders Meeting	15/05/1970
Miguel Ollero Barrera	----	Executive	Executive director	27 May 2014	17 June 2020	Vote at Shareholders Meeting	14/11/1969
Emilio Novela Berlin	----	Independent	Director Coordinator	7 May 2018	17 June 2020	Vote at Shareholders Meeting	03/07/1951
Ana García Fau	----	Independent	Director	6 June 2014	17 June 2020	Vote at Shareholders Meeting	03/11/1968
George Donald Johnston III	----	Independent	Director	11 June 2014	17 June 2020	Vote at Shareholders Meeting	24/06/1955
Fernando Javier Ortiz Vaamonde	----	Independent	Director	6 June 2014	17 June 2020	Vote at Shareholders Meeting	19/04/1969
María Luisa Jordá Castro	----	Independent	Director	10 June 2014	17 June 2020	Vote at Shareholders Meeting	11/11/1963
John Gómez Hall	---	Independent	Director	31 August 2015	17 June 2020	Vote at Shareholders Meeting	08/02/1934
Juan María Aguirre Gonzalo	---	Independent	Director	15 September 2016	10 April 2019	Vote at Shareholders Meeting	05/12/1962
Pilar Cavero Mestre	---	Independent	Director	15 September 2016	10 April 2019	Vote at Shareholders Meeting	12/10/1959
Francisca Ortega Hernández-Agero	---	Proprietary	Director	15 September 2016	10 April 2019	Vote at Shareholders Meeting	26/12/1962

Ana Forner Beltrán	---	Proprietary	Director	17 June 2020	17 June 2020	Vote at Shareholders Meeting	26/07/1966
Ignacio Gil-Casares Satrustegui	---	Proprietary	Director	17 June 2020	17 June 2020	Vote at Shareholders Meeting	14/06/1948

Total number on the board	14
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State whether any directors, either through resignation or by decision of the Shareholders' Meeting, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialized committees of which he/she was a member	Indicate whether the director left before the end of the term
John Gómez Hall	Independent	17 June 2020	20 January 2021	---	Yes

Reason for leaving, where the director left before the end of the term and other remarks: information on whether the director sent a letter to the other board members and, in the case of non-executive directors who leave, explanation or opinion of the director who was removed by the Shareholders' Meeting
On 20 January 2021, MERLIN received notice from director John Gómez-Hall informing MERLIN's Board of Directors of his resignation strictly for personal reasons. This notice was analysed by the Appointments Committee and forwarded to the rest of the Board members.

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of director	Posting in organizational chart of the company	Profile
Ismael Clemente Orrego	Deputy Chairman and Chief Executive Officer	<u>Membership on committees:</u> N/A <u>Training:</u> Mr Clemente holds a degree in Law and Business Administration from ICADE (E-3), is a professor in the MRE programme at the IE Business School and a

		<p>member of the Spanish Council of the Urban Land Institute (ULI).</p> <p><u>Professional experience:</u></p> <p>Mr Ismael Clemente has more than 20 years of experience as a professional in the real estate sector. He worked at Arthur Andersen Legal and Tax Advisors (currently Garrigues), Bankers Trust and the Deutsche Bank Group, as Managing Director, having participated in transactions with a total volume of approximately EUR 5,000 million in all types of real estate assets. These included the sale and leaseback of the Tree portfolio, the largest real estate transaction in Europe in 2009.</p> <p>Since Merlin's IPO, he has led two of the largest transactions in the sector in Spain, the acquisition of Testa and the integration agreement with Metrovacesa, two transactions that have led Merlin Properties to become a leading real estate company in Spain.</p> <p><u>Current external appointments:</u></p> <p>N/A</p>
Miguel Ollero Barrera	Corporate General Manager and COO	<p><u>Membership on committees:</u></p> <p>N/A</p> <p><u>Training:</u></p> <p>Mr Ollero holds a degree in Law and Business Administration, with a specialisation in Finance, from ICADE (E-3).</p> <p><u>Professional experience:</u></p> <p>Mr Miguel Ollero has experience as a professional in the real estate sector since 2005. He worked at Arthur Andersen, FCC Construcción, Deutsche Bank M&A and RREEF, as Managing Director. At RREEF, he participated in transactions with an aggregate value of approximately EUR 4 billion, ranging from core to opportunity investments, and in the subsequent management of the assets acquired. He also played a key role in the structuring and formation of five investment vehicles for the Iberian Peninsula and Morocco, in cooperation with Deutsche Bank's Private Wealth Management division.</p> <p><u>Current external appointments:</u></p> <p>N/A</p>

Total number of executive directors	2
Percentage of Board	14.29%

EXTERNAL PROPIETARY DIRECTORS

Name or company name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
Francisco Javier García-Carranza Benjumea	Banco Santander, S.A.	<p><u>Membership on committees:</u></p> <p>He was a member of the Appointments and Remuneration Committee until 17 June 2020. At year end, he did not belong to any committee.</p> <p><u>Training:</u></p> <p>Mr García-Carranza holds a degree in Business Administration from University Carlos III of Madrid.</p> <p><u>Professional experience</u></p> <p>Mr Javier Garcia-Carranza Benjumea is currently the Group Senior Executive Vice-President of Banco Santander as the Global Head of its restructuring, industrial investments, special situations, portfolio sales and new businesses division.</p> <p>Prior to joining Banco Santander in February 2016, he worked at Morgan Stanley for 17 years in principal investments, investment banking and real estate advisory division, where he was the head of this business in Europe, North Africa and the Middle East (EMEA), based in London, as Co-Head of the Real Estate investment banking business. He has led Mergers and Acquisitions (M&A) in excess of USD 125 billion and equity and debt financing transactions in excess of USD 100 billion.</p> <p><u>Current external appointments</u></p> <p>He is also a member of the boards of directors of Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A (Sareb) (director and member of the Executive Committee), Metrovacesa, S.A. (director), Landco (director), Santander España (director), Santander México (director), Tres Mares Capital (director), Deva Capital (director) and Trustee of the Princess of Asturias Foundation.</p>
Francisca Ortega Hernández-Agero	Banco Santander, S.A.	<p><u>Membership on committees:</u></p> <p>Audit and Control Committee</p> <p><u>Training:</u></p> <p>Ms Francisca Ortega Hernández-Agero holds a degree in Economics and Business Administration from CUNEF and an MBA from IESE.</p>

		<p><u>Professional experience</u></p> <p>Ms Francisca Ortega Hernández-Agero began her professional career at Caja Naval de Crédito as Head of the Risk and Investment Department. In 1990 she took over the Finance Department of PBI Gestión Agencia de Valores, a subsidiary of Bearbull International, and was also responsible for the management of foreign company funds in Spain. In 1996, she joined Banco Central Hispano as Head of Corporate Banking Risks and later, at Banco Santander, she became the head of the acquisitions finance division and head of the structured finance management and control division She has been the head of the large commercial banking accounts department within the corporate holdings and restructuring division since 2009, incorporating, as of 2018, the management of Corporate Investment Banking customers in Spain and the coordination of international customers. Head of Global Credit Watch. Has been Board Member in Metrovacesa, S.A. and in Sareb, S.A.</p> <p><u>Current external appointments</u></p> <p>She is currently a director of PBI Gestión Agencia de Valores and a director of Deva Advisory Co.</p>
<p>Ignacio Gil-Casares Satrustegui</p>	<p>Banco Santander, S.A.</p>	<p><u>Membership on committees:</u></p> <p>Appointment Committee and Remuneration Committee</p> <p><u>Training:</u></p> <p>Mr Ignacio Gil-Casares Satrustegui studied Business Administration at Icade and Georgetown University.</p> <p><u>Professional experience:</u></p> <p>Mr Ignacio Gil-Casares Satrustegui has held various executive positions in his more than 40 years of professional career, highlighting his long career at Spencer Stuart, a leading North American firm in Executive Search, founding the firm's operations in Spain in 1978 where he remained President until 2017, and where he held the position of director for Continental Europe, and has been a member of the Global Board of Directors for eight years. He has worked with a variety of companies helping them identify, recruit and retain executives and directors in public and private firms, and has advised multiple boards of directors on governance, evaluation, compensation and the adoption of best practices. He was a member of the Spencer Stuart Board practice at a global level, and actively participated in the creation of the Board Index prepared annually by Spencer</p>

		<p>Stuart. He has been an investor in various start-ups in sectors such as biotechnology and consumer goods.</p> <p>Additionally, he has held executive positions and has belonged to boards of directors, management committees and advisory councils. At the beginning of his career he worked in the international department of Gil y Carvajal (now AON), and later held various positions in Spanish and North American industrial groups. He has been a member of the advisory board of Abante Asesores and has chaired the Board of Trustees of the Spanish chapter of Plan Internacional.</p> <p><u>Current external appointments:</u></p> <p>He is currently Chairman of the Advisory Board of ING Bank for Spain and Portugal, member of the Advisory Board of Spencer Stuart in Spain, director of Biolty Capital, and member of the advisory board of the Exit Foundation. He is also a member of the jury for the Manuel Olivencia award for good corporate governance.</p>
Ana Forner Beltrán	Nortia Capital Investment Holding, S.L.	<p><u>Membership on committees:</u></p> <p>Audit and Control Committee</p> <p><u>Training:</u></p> <p>Ms María Ana Forner Beltrán holds a degree in Business Administration and an MBA from ESADE, and a Certificate of Special Studies from the Harvard Extension School.</p> <p><u>Professional experience</u></p> <p>María Ana Forner Beltrán has held several executive positions in her more than 30 years of experience in the financial sector. She has experience in advising on financial matters, investments and capital markets.</p> <p>She began her professional career in 1989 at Bankinter. In 1993, she joined Banco Central Hispano and in 1999 joined Banco Santander as a result of the merger between the two banks. She served as Deputy General Manager at Banco Degroof. She then joined UBS Private Bank as head of large accounts in Catalonia. At Barclays, she was in charge of wealth management in Catalonia. At Citibank, she advised private customers in company acquisitions and investment transactions.</p> <p>Throughout her career, she has held various executive positions in the Corporate Banking, Investment Banking and Wealth Management divisions, participating in financing, investment and capital market transactions. She has been a member of the</p>

		<p>management and investment committees of various entities and has been a member of the board of directors of several investment firms.</p> <p>Since March 2019, she has been working at Nortia Capital Investment Holding as General Manager and Secretary to the Board.</p> <p><u>Current external appointments</u></p> <p>She is currently a director at Healthcare Activos, S.A. and a member of the Advisory Board of Foment de Treball.</p>
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Total number of proprietary directors	4
Percentage of Board	28.57%

Remarks

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of director	Profile
Ana García Fau	<p><u>Membership on committees:</u></p> <p>Audit and Control Committee.</p> <p><u>Training:</u></p> <p>She holds a degree in Law and Business Administration from Universidad Pontificia Comillas, ICADE, (E-3, specialisation in finance) and an MBA from the Massachusetts Institute of Technology (MIT Sloan School of Management).</p> <p><u>Professional experience:</u></p> <p>Over the last 20 years she worked at companies such as McKinsey & Co., Goldman Sachs, Telefonica Group and Yell Group. Throughout her professional career in the Telefónica Group, she held various executive positions at TPI Páginas Amarillas, as Chief Financial Officer and Managing Director of Corporate Development, and was also a Board member of several of its subsidiaries. At Hibu (formerly Yell) she was CEO for Spain, Latin America and the US Hispanic market, a member of its International Executive Committee, as well as General Manager of Corporate Development and Strategy at a global level, with responsibilities in digital business transformation.</p> <p><u>Current external appointments:</u></p> <p>Independent director of Eutelsat Communications, S.A., a French company listed on the Paris Stock Exchange, Euronext, which</p>

	<p>operates in the satellite communications sector. Chair of the Remuneration Committee.</p> <p>Independent director of Gestamp Automoción, S.A., a listed Spanish company, manufacturer of automotive parts. Member of the Audit Committee</p> <p>Independent director of Euskatel, S.A., a listed Spanish company operating in the telecommunications sector. Chair of the Audit Committee.</p>
<p>George Donald Johnston III</p>	<p><u>Membership on committees:</u></p> <p>Appointments Committee</p> <p><u>Training:</u></p> <p>Bachelor of Arts in Political Science from Middlebury College, Vermont (US), a Master of Arts in International Economics and Latin American Studies from Johns Hopkins University, Washington DC (US).</p> <p><u>Professional experience:</u></p> <p>Chief Executive Officer of the European M&A Group at Deutsche Bank from 1999 to 2005. Chairman of this same group from 2005 to 2010. Member of the European Management Committee and the Operations Committee of Deutsche Bank's Corporate Finance division.</p> <p>He was a Board member at Bankers Trust International and a member of the Management Committee. He joined Bankers Trust as the head of European M&A in 1992 and became co-head of the Investment Banking in Europe, while continuing to manage BT Wolfensohn.</p> <p>He worked at Salomon Brothers for 11 years where he was head of the investment banking division for Spain, Austria, Italy and Portugal.</p> <p><u>External appointments:</u></p> <p>Board member of Acerinox and Chairman of its Audit and Control Committee; and Board member of Banco Sabadell, Chairman of the Risk Committee and member of the Remuneration Committee.</p>

<p>Fernando Ortiz Vaamonde</p>	<p><u>Membership on committees:</u> Remuneration Committee.</p> <p><u>Training</u> Degree in Law and Business Administration from ICADE (E-3).</p> <p><u>Professional experience:</u> He is the promoter and Executive Chairman of ProA Capital de Inversiones S.G.E.I.C., one of the largest private equity firms in Spain with more than EUR 800 million under management. He was a partner at the N+1 group and a member of its Management Committee. He was the Investments Manager at BBVA and head of an investment vehicle specialising in investments in internet companies and new technology. Previously, he was the Corporate Finance Director at ING Barings. Fernando Ortiz began his professional career as a tax and legal advisor at Arthur Andersen Legal and Tax Advisors, now Garrigues.</p> <p><u>External appointments:</u> Among others and on behalf of the ProA funds, he is or has been director of the Vips Group, Ibermática, Avizor, Eugin, Moyca and SABA and Pastas Gallo.</p>
<p>María Luisa Jordá Castro</p>	<p><u>Membership on committees:</u> Audit and Control Committee. Chairman of the Remuneration Committee.</p> <p><u>Training:</u> Degree in Business Studies, Master in Business Administration from the IE Business School and from Centro Estudios Financieros (1985-1987), and Master in Digital Business from The Valley Business School (2016-2017). Business Angel Course at Deusto Business School Madrid (2018).</p> <p>Member of the Official Auditors' Register (ROAC) and Member of the Institute of Directors and Administrators (ICA).</p> <p><u>Professional experience:</u> She has held various executive positions over her 30-year professional career, serving on various management, investment and audit committees. She was the Chief Financial Officer at the Deoleo Group until February 2015, Director of Internal Audit at SOS Corporación Alimentaria (now Deoleo, S.A.), Director of Internal Audit and Corporate Governance at Metrovacesa, Director of Finance and Investments at Corporación Empresarial ONCE, Chief Financial Officer at Grupo Alimentos y Aceites S.A., and Chief</p>

	<p>Financial Officer at Testa (formerly Prima Inmobiliaria) and Grupo Ayco (formerly Inmobiliaria Alcázar).</p> <p>She was a Board member of Jazztel from November 2009 to March 2016 and a member of the Audit Committee. She was Chairman of the Audit Committee of Jazztel from October 2011 to July 2015.</p> <p>She was a Board member and member of the Audit and Control Committee of Tubos Reunidos, S.A. from May and June 2015, respectively, until September 2016.</p> <p>She was a member of the Governing Board and a member of the Audit Committee of the Institute of Directors and Administrators (ICA) from June 2013 to December 2016.</p> <p>She was a Board member of Banco Europeo de Finanzas (wholly-owned subsidiary of Unicaja), and Chairman of the Audit and Risk Committee from May 2018 to March 2019.</p> <p><u>Current external appointments:</u></p> <p>Board member of Orange España, S.A. since March 2016 and member of the Audit Committee.</p> <p>Independent director of the Bimbo Group in Mexico (listed company) and member of the Audit and Corporate Practices Committee since April 2016.</p> <p>Board member of Bankinter, and member of the Risk Committee and Chairman of the Audit and Regulatory Compliance Committee since March 2020.</p> <p>Member of the Technical Advisory Committee of the Institute of Internal Auditors of Spain since September 2017 and Chairman of the Committee since September 2019.</p>
<p>John Gómez Hall</p>	<p><u>Training:</u></p> <p>Degree in Architecture from Hammersmith College, affiliated with West London College. Member of the Royal Institute of British Architects and F.R.I.C.S.</p> <p><u>Professional experience:</u></p> <p>He has more than 50 years of experience in the Spanish real estate market, holding management positions in several of the leading real estate companies in Spain. Mr Gómez-Hall was Chief Executive Officer of Hines España, a subsidiary of Hines. Previously, Mr Gómez-Hall was the CEO and founder of Prima Inmobiliaria, listed since 1998. The company developed and acquired an asset portfolio of over 300,000 m2 of gross leasable surface area in different asset types, mainly offices. The company was acquired by Vallehermoso in 2001 and its name was changed to Testa Inmuebles en Renta, S.A.</p> <p><u>External appointments:</u></p> <p>He was a director of Servihabitat and advisor to TPG Capital.</p>

<p>Juan María Aguirre</p>	<p><u>Membership on committees:</u></p> <p>Chairman of the Audit and Control Committee</p> <p>Appointments Committee</p> <p><u>Training</u></p> <p>Degree in Economics and Business Administration from Universidad Pontificia de Comillas (ICADE), and Master in Financial Management from the IE Business School.</p> <p><u>Professional experience:</u></p> <p>Juan María Aguirre Gonzalo has a professional career that, to a large extent, has been linked to the field of finance, having held positions of responsibility in the Risk, Administration and Planning Department of Banco de Progreso, S.A. (1985/1988), and later as Chief Financial Officer of the financing and leasing entity of Mercedes-Benz (1989/1990).</p> <p>In 1990 he joined Torreal, S.A. as director and General Manager. During his time at Torreal, and until he left the company in 2005, he was head of financial and real estate investments in the Torreal Group and a Board member of Torreal investees.</p> <p>Since 2006, he has been a partner and General Manager of Quantica Asesores, S.A., which provides financial advice to family and institutional groups, and also a director of Testa Inmuebles en Renta, SOCIMI, S.A. and BBVA Elcano SCR.</p> <p><u>Current external appointments</u></p> <p>He is an independent director of SACYR, S.A., where he is also lead director, member of the Executive Committee and member of the Audit Committee.</p>
<p>Pilar Cavero Mestre</p>	<p><u>Membership on committees:</u></p> <p>Chairman of the Appointments Committee</p> <p>Remuneration Committee.</p> <p><u>Training:</u></p> <p>Law degree from Universidad Complutense de Madrid. Master in Industrial Relations and Master in Legal Practice from Escuela de Práctica Jurídica. Master's degree from IESE, specific executive development programme for partners of the firm. In 2007 she completed the leading professional service firms program at Harvard Business School. She holds a Professional Diploma for directors from IC-A. She has been a lecturer at IESE in the Course on Directors and Advisors since 2008.</p> <p><u>Professional experience:</u></p> <p>Pilar Cavero Mestre has had a long professional career as a lawyer. Between 1980 and 1986 she was a lawyer at Asociación de Cajas de Ahorros para Relaciones Laborales. From 1986 to 1990 she worked as a lawyer at the international law firm Fabregat y Bermejo, as a specialist in labour law, senior management, compensation and benefits, as well as corporate restructuring.</p>

	<p>In 1990, she joined Cuatrecasas Abogados as a founding partner and Director of its labour and employment division, and co-founding partner of Cuatrecasas Madrid. From 1999 to 2008 she was a Board member of Cuatrecasas and of the firm's various organisation and management committees throughout her professional career.</p> <p>She has been Vice-President of the Cuatrecasas Foundation since 2011, involved in training, culture and other activities aimed at strengthening the firm's reputation, representing the firm in all types of national and international institutions, in addition to her position as lead partner for strategic customers of the firm and deputy General Manager of Cuatrecasas Madrid.</p> <p>Since 2016 she has been distinguished with the life appointment honorary partner of the firm.</p> <p>She was a Board member of Testa in 2016 and of ABENGOA from 2017 to 2020 as an independent director and Chair of its Remuneration and Appointments Committee.</p> <p><u>Current external appointments:</u></p> <p>She has been a Board member of Real Club de Golf La Moraleja since 2012.</p>
Emilio Novela	<p><u>Position:</u></p> <p><u>Lead director and member (Chairman) of the Appointments Committee until 17 June 2020.</u></p> <p><u>Training:</u></p> <p>Degree in Industrial Engineer from Universidad Politécnica de Madrid.</p> <p><u>Previous professional experience:</u></p> <p>He has held various executive positions over his professional career of more than 40 years, serving on boards of directors, management committees and advisory boards. He has been Deputy General Manager of Banco del Comercio, Chief Financial Officer of Repsol, General Manager of Banco Central Hispano, Chairman of Banco BANIF, and Deputy Chairman and Chief Executive Officer of Vallehermoso, a Spanish listed real estate company, from 1999 to 2003.</p> <p>He was director of Banco Urquijo, Cortefiel, Spanair, Union Fenosa, Blackrock Asset Management, Openbank and Larios, among others.</p> <p><u>Current external appointments:</u></p> <p>Lead director of Talgo and Chairman of its Audit Committee, and Chairman of the ITEVELESA group.</p>

Total number of independent directors	8
Percentage of Board	57.14%

Remarks

Indique si algún consejero calificado como independiente percibe de la sociedad, o de su mismo grupo, cualquier cantidad o beneficio por un concepto distinto de la remuneración de consejero, o mantiene o ha mantenido, durante el último ejercicio, una relación de negocios con la sociedad o con cualquier sociedad de su grupo, ya sea en nombre propio o como accionista significativo, consejero o alto directivo de una entidad que mantenga o hubiera mantenido dicha relación.

No.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Relationship	Statement

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile

Total number of other external directors	
Total percentage of the Board	

Remarks

State any changes in status that has occurred during the period for each director:

Name or company name of director	Date of change	Previous status	Current status

Remarks

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	0	0	0	0	---	---	---	---
Proprietary	2	1	1	1	50%	50%	50%	50%
Independent	3	3	3	3	37.5%	37.5%	37.5%	37.5%
Other External	---	---	---	---	---	---	---	---
Total:	5	4	4	4	35.71%	33.33%	33.33%	33.33%

Remarks

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes No Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved.
<p>MERLIN has a Director Selection Policy, approved by the Board of Directors, in application of the General Corporate Governance Policy, which ensures that proposals for the appointment of Company directors are based not only on a prior analysis of the needs of the Board of Directors, but also on objective criteria that are free from any type of bias.</p> <p>In this regard, the Appointments Committee follows completely objective criteria for the selection of candidates to the Board of Directors, based on their professional qualities, regardless of gender, ensuring that the selection procedures for its members favour diversity of gender, experience, age and knowledge and are not affected by any implicit bias that may entail any kind of discrimination, giving priority to ensuring that the positions are held by honourable, suitable persons of recognised solvency, competence, experience, qualifications, training, availability and commitment to their duties and giving priority to the appropriate balance of the Board of Directors as a whole, so that it enriches the decision-making process and contributes multiple points of view to the discussion of the matters within its power.</p> <p>Proof of the diversity principles applied is the diverse nature of the the Company's Board</p>

members in terms of training, experience and age, and that the number of women on the Board exceeds the target set out in the Good Governance Code for Listed Companies for 2020 (women currently make up 35.71% of the Company's Board of Directors).
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- C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, and which makes it possible to achieve a balance between men and women. Also state whether these measures include encouraging the company to have a significant number of female senior managers:

Explanation of measures
In accordance with section 15.5 of the Board Regulation, the Board of Directors and the Appointments Committee, within the scope of their respective powers, will ensure that persons of renowned solvency, competence and experience are elected as candidates, and will exercise the utmost care when inviting persons to fill the position of independent director provided for in section 5 of the Board Regulations. The decisions taken have not be affected by any bias in the selection of female directors (or of male versus female directors), as women who met the required professional profile for participation on the board were proposed, when appropriate.

In the event that there are few or no female directors or senior managers in spite of any measures adopted, please explain the reasons that justify such a situation:

Explicación de los motivos

- C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the policy aimed at favoring an appropriate composition of the Board of Directors.

In each proposal or report on the appointment and re-election of Board members, the Appointments Committee has taken into consideration compliance with the policy for the selection of directors.
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- C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name or company name of shareholder	Reason

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes No

Name or company name of shareholder	Explanation

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name or company name of director or committee	Brief description
Ismael Clemente Orrego	Chief Executive Officer with the powers that may be legally delegated and joint attorney-in-fact.
Miguel Ollero Barrera	Joint attorney-in-fact

C.1.10 Identify any members of the Board who are also directors, representative of directors or officers in other companies in the group of which the listed company is a member:

Name or company name of director	Name of group member	Position	Does the director have executive powers?
Ismael Clemente Orrego	La Vital Centro Comercial y de Ocio, S.L.	Joint director	Yes
Ismael Clemente Orrego	Merlin Logística, S.L.U.	Joint director	Yes
Ismael Clemente Orrego	Merlin Oficinas, S.L.U.	Joint director	Yes
Ismael Clemente Orrego	Merlin Retail, S.L.U.	Joint director	Yes
Ismael Clemente Orrego	Metropark, S.A.U.	Joint director	Yes
Ismael Clemente Orrego	Parc Logistic de la Zona Franca, S.A.U.	Joint director	Yes
Ismael Clemente Orrego	Paseo Comercial Carlos III, S.A.	Director's representative	Yes
Ismael Clemente Orrego	Sadorma 2003, S.L.U.	Director's representative	Yes
Ismael Clemente Orrego	Sevisur Logística, S.A.U.	Joint director	Yes
Ismael Clemente Orrego	Tree Inversiones Inmobiliarias Socimi, S.A.U.	Joint director	Yes
Ismael Clemente Orrego	Varitelia Distribuciones, S.L.U.	Joint director	Yes
Ismael Clemente Orrego	Exhibitions Company, S.A.U.	Joint director	Yes
Ismael Clemente Orrego	Torre Fernao Magalhaes Investimentos Inmobiliarios, S.A.	Director	Yes
Ismael Clemente Orrego	Torre Arts Investimentos Inmobiliarios, S.A.	Director	Yes
Ismael Clemente Orrego	Forum Almada - Gestao de Centro Comercial, S.U. Lda.	Director	Yes
Ismael Clemente Orrego	Forum Almada II, S.A.	Director	Yes

Ismael Clemente Orrego	MP Monumental, S.A.	Director	Yes
Ismael Clemente Orrego	MP Torre A, S.A.	Director	Yes
Ismael Clemente Orrego	MPCVI Compra e Venda Imobiliária, S.A.	Director	Yes
Ismael Clemente Orrego	MPEP – Properties Escritórios Portugal, S.A.	Director	Yes
Ismael Clemente Orrego	Praça de Marques - Servicios Auxiliares, S.A.	Director	Yes
Ismael Clemente Orrego	Promosete – Investimentos Imobiliários, S.A.	Director	Yes
Ismael Clemente Orrego	Torre Dos Oceanus Investimentos Imobiliarios, S.A.	Director	Yes
Ismael Clemente Orrego	VFX Logística, S.A.	Director	Yes
Miguel Ollero Barrera	La Vital Centro Comercial y de Ocio, S.L.	Joint director	Yes
Miguel Ollero Barrera	Merlin Logística, S.L.U.	Joint director	Yes
Miguel Ollero Barrera	Merlin Oficinas, S.L.U.	Joint director	Yes
Miguel Ollero Barrera	Merlin Retail, S.L.U.	Joint director	Yes
Miguel Ollero Barrera	Metropark, S.A.U.	Joint director	Yes
Miguel Ollero Barrera	Parc Logistic de la Zona Franca, S.A.U.	Joint director	Yes
Miguel Ollero Barrera	Paseo Comercial Carlos III, S.A.	Director's representative	Yes
Miguel Ollero Barrera	Sevisur Logística, S.A.U.	Joint director	Yes
Miguel Ollero Barrera	Tree Inversiones Inmobiliarias Socimi, S.A.U.	Joint director	Yes
Miguel Ollero Barrera	Varitelia Distribuciones, S.L.U.	Joint director	Yes
Miguel Ollero Barrera	Exhibitions Company, S.A.U.	Joint director	Yes
Miguel Ollero Barrera	Torre Fernao Magalhaes Investimentos Inmobiliarios, S.A.	Director	Yes
Miguel Ollero Barrera	Torre Arts Investimentos Inmobiliarios, S.A.	Director	Yes
Miguel Ollero Barrera	Forum Almada - Gestao de Centro Comercial, S.U. Lda.	Director	Yes
Miguel Ollero Barrera	Forum Almada II, S.A.	Director	Yes
Miguel Ollero Barrera	MP Monumental, S.A.	Director	Yes
Miguel Ollero Barrera	MP Torre A, S.A.	Director	Yes
Miguel Ollero Barrera	MPCVI Compra e Venda Imobiliária, S.A.	Director	Yes
Miguel Ollero Barrera	MPEP – Properties Escritórios Portugal, S.A.	Director	Yes
Miguel Ollero Barrera	Praça de Marques - Servicios Auxiliares, S.A.	Director	Yes
Miguel Ollero Barrera	Promosete – Investimentos Imobiliários, S.A.	Director	Yes
Miguel Ollero Barrera	Torre Dos Oceanus Investimentos Imobiliarios, S.A.	Director	Yes
Miguel Ollero Barrera	VFX Logística, S.A.	Director	Yes

C.1.11 List any directors, or representatives of legal-person directors, of your company who are members of the board of directors, or representatives of legal-person directors, of other companies listed on regulated markets which are not group companies, and have communicated that status to the Company:

Name or company name of director	Name of group company	Position
Javier García-Carranza Benjumea	Metrovacesa, S.A.	Board member
	Banco Santander México, S.A.	Board member
George Donald Johnston III	Acerinox, S.A.	Independent director Chairman of the Audit and Control Committee
	Banco de Sabadell, S.A.	Independent director Chairman of the Risk Committee Member of the Remuneration Committee
María Luisa Jordá Castro	Grupo Bimbo, company listed on the Mexican Stock Exchange	Independent director Member of the Audit and Corporate Practices Committee
	Bankinter, S.A.	Independent director Member of the Risk Committee and Chairman of the Audit and Regulatory Compliance Committee
Ana García Fau	Eutelsat Communications, S.A.	Independent director Member of the Audit and Regulatory Compliance Committee
	Gestamp Automoción, S.A.	Independent director Member of the Audit Committee

	Euskatel, S.A.	Independent director Chairman of the Audit Committee
Juan María Aguirre Gonzalo	Sacyr, S.A.	Lead director Member of the Audit Committee Member of the Executive Committee
Emilio Novela Berlín	Talgo, S.A.	Lead director Chairman of the Audit Committee

Remarks

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes

No

Explanation of the rules and identification of the document where this is regulated
Article 15.7 of the Board Regulations establishes that the Company's directors may sit on a maximum of four (4) boards of other listed companies (other than MERLIN). Executive directors must have authorisation from the Board of Directors, following a report from the Appointments Committee, before sitting on the boards of any listed company.

C.1.13 State total remuneration received by the following Board of Directors:

Board remuneration in financial year (thousand euros)	3,149
Amount of vested pension interests for current members (thousand euros)	-
Amount of vested pension interests for former members (thousand euros)	-

Remarks

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name of individual or company	Position
David Brush	Chief Investment Officer
Fernando Lacadena	Chief Financial Officer
Javier Zarrabeitia	Manager
Luis Lázaro	Manager
Jon Ander Navarro	Internal Audit Manager

Number of women in senior management	0
Percentage of total members of senior management	0%

Total senior management remuneration (thousand euros)	1,891
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Remarks
Jesús Vicente left the Group in December 2020.

C.1.15 State whether the Board rules were amended during the year:

Yes

No

Description of amendment
<p>In 2020, the Board of Directors resolved to amend the Board Regulations on two occasions:</p> <p>(i) first, at the Board meeting held on 27 February 2020, to correct errors detected (i.e. incorrect cross-references) and to individually and clearly assign in the Regulations the functions that corresponded to and had been exercised in 2019 by the Remuneration and Appointments Committees,</p> <p>(ii) second, at the Board meeting held on 16 December 2020, in order to (a) bring the Regulations into line with the changes made as a result of the reform of the Good Governance Code for Listed Companies, approved by the board of the Spanish National Securities Market Commission on 26 June 2020; (b) reflect the fact that the Appointments Committee and the Remuneration Committee will now be governed by their own regulations; (c) include an improvement in the regulation of the functions of the non-executive chairman of the Board of Directors, bringing it into line with the standard set out in the corporate governance regulations of the main Ibex 35 companies; (d) systematic update and improve the regulation of the functions of the Board of Directors, in the framework of which the limits currently in force were reviewed and updated in accordance with the customary regulations of companies that form part of the Ibex 35.</p>

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

<u>Selection of directors</u>

The Board ensures that, in the composition of this body, external or non-executive directors represent a majority over executive directors and that these are the minimum necessary. Likewise, the Board ensures that member selection procedures favour diversity of gender, experience, and knowledge and are not affected by any implicit bias that may entail any kind of discrimination, and in particular, that they facilitate the selection of women directors. The Board and the Appointments Committee also ensure that persons of acknowledged solvency, competence and experience are elected, and its standards must be particularly stringent in relation to persons proposed as independent directors in accordance with section 5 of the Board Regulations.

Appointment of directors

The General Shareholders Meeting or, where appropriate, the Board of Directors itself, is entitled to appoint Board members, subject to the legal provisions in force and the Articles of Association.

Proposals to appoint directors submitted by the Board of Directors to the shareholders at the Annual General Meeting and the resolutions on appointments passed by the Board of Directors, under its legally attributed powers of co-option, must be accompanied by the corresponding proposal from the Appointments Committee, in the case of independent directors, and by a report in the case of the other directors.

Board members will be subject, to the extent applicable, to regulations on incompatibilities of personnel employed by public authorities and in the central government, and other regulations on incompatibilities.

The directors will discharge their duties for the period envisaged in the Articles of Association (six years) and may be re-elected one or more times for periods of equal length.

Directors appointed by co-option will hold their position until the date of the next General Meeting or until the period established by law for holding the General Meeting at which the financial statements for the previous year are to be approved has ended.

Re-election of directors

Prior to re-electing directors, the Appointments Committee, as part of its proposal or report, evaluates the needs of the Board of Directors, as well as compliance with the director selection policy. Accordingly, before proposing the re-election of directors at the General Meeting, the Board evaluates, without involvement from the directors in question, the quality of work and dedication to office of the proposed directors during the previous mandate.

Removal of directors

Directors will cease to hold office when the term for which they were appointed has expired, when the next General Meeting has been held or when the period established by law for holding the General Meeting at which the financial statements for the previous year are to be approved has ended, when the shareholders at the General Meeting so decide, using the powers conferred upon them by law or the Articles of Association, or when they resign.

The Board of Directors will not propose the removal of any independent directors before the period established in the Articles of Association for their appointment has elapsed, unless the Board considers there is just cause to do so, subject to a report by the Appointments Committee. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation gives rise to a change in the Company's capital structure, in order to meet the proportionality criterion. Likewise, just cause will be considered to exist when the director has infringed the duties inherent to their position or when they, due to a supervening cause, have become subject to any of the circumstances impeding the discharge of duties as an independent director, per the definition thereof that may be established in current regulations or, failing this, the good corporate governance recommendations applicable to the Company at any given time.

Directors must tender their resignation to the Board and, if the Board considers it appropriate, resign in those cases listed in section 18. 3 of the Board Regulations.

When directors vacate their positions before their tenure concludes, either as a result of their resignation or

for any other reason, they must explain their reasons in a letter submitted to all the Board members.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organization and to procedures applicable to its activities:

Description of amendment
The assessment of the Board of Directors was satisfactory, whereby the average rating of the directors is high, expressing their satisfaction with regard to the performance of the Board's responsibilities. However, although opportunities for improvement have been identified, it was not necessary to implement any relevant measures. With regard to the opportunities for improvement, an analysis was begun to assess the appropriateness and reasonableness of creating a Sustainability Committee independent from the other committees.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas
<p>In accordance with the recommendations of the Good Governance Code for Listed Companies, the Company periodically contracts an external consultant to evaluate the functioning and composition of the Board of Directors and its committees.</p> <p>Accordingly, the independent consultant Egon Zehnder provided advisory services to the Company in 2017. Subsequently, in 2018 and 2019, it was not considered necessary to contract an external consultant to re-assess the functioning of the Board and its committees, whereby the Company carried out a self-assessment process by means of a personal and individual questionnaire sent to all the directors, in which they were asked for their opinion in relation to the composition, competencies and functioning of the Board of Directors and its committees, and in relation to the Company's Chairman and the Chief Executive Officer.</p> <p>In addition, the various committees have been issuing the corresponding reports on their activities, as well as reports on the assessment of and compliance with their obligations in accordance with the Articles of Association, regulations and good corporate governance recommendations. The Appointments Committee also issues a specific report evaluating the Board of Directors (also on the basis of the questionnaires sent).</p> <p>An external advisor was once again hired for 2020, in this case KPMG. The process consisted of personal interviews with each of the Board members and the evaluation by means of questionnaires containing more than 100 questions relating to the recommendations of the Good Governance Code for Listed Companies, as well as the functions attributed to the Board and its committees by the Corporate Enterprises Act, the Articles of Association and the Board Regulations. Likewise, this evaluation also focused on the analysis of the corporate governance requirements of ESG analysts and on the comparison of the practices followed by other organisations that are considered to be best market practices.</p>

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

As described above, the Company hired Egon Zehnder in 2017 and KPMG in 2020 for the process of assessing the functioning of the Board and its committees, without there being any business relationships between these consultants and the Company or any Group company, except for the collaboration of KPMG with the Remuneration Committee on matters regarding compensation, which was analysed when they were hired and with regard to which it was concluded that there was no reason they could not be hired.

C.1.19 State the situations in which directors are required to resign.

In accordance with section 18.3 of the Board Regulations, directors must tender their resignation to the Board of Directors and resign if the latter considers it appropriate, in the following cases:

- (i) when they cease to hold the executive position with which, where applicable, their appointment as director is associated;
- (ii) when they become subject to any incompatibility or prohibition stated by law;
- (iii) when they have been seriously reprimanded by the Board of Directors for having breached any of their obligations as directors;
- (iv) when they are indicted for any purported offences or disciplinary proceedings are brought against them by the supervisory bodies for serious or gross misconduct;
- (v) when their remaining on the Board of Directors could jeopardise or put the Company's interests at risk or when the reasons for which they were appointed no longer exist;
- (vi) when they sit on more than four boards of directors of other listed companies (other than Merlin) (and, additionally, in the case of executive directors, if they sit on the board of directors of listed companies without the prior consent of the Company's Board of Directors);
- (vii) when there are significant changes in their employment situation or in the conditions relevant to their appointments as directors; and
- (viii) when, due to events attributable to the director, their remaining on the Board of Directors would, in the Board's opinion, cause serious harm to the Company's assets or reputation.

The above regulations are supplemented by the director selection, appointment and removal policy approved by the Board of Directors in February 2016, and updated on 29 January 2020.

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

Yes

No

If so, please describe any differences.

Description of differences

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes

No

Description of requirements

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes

No

Age limit

Chairman	
Chief Executive Officer	
Director	

Remarks

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes

No

Additional requirements and/or maximum number of term limits	
---	--

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for voting at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated, beyond those established by law. In the event, give a brief outline of these rules.

In accordance with Article 41 of the Articles of Association and, in particular, section 14 of the Board Regulations, the Directors must attend Board meetings and, when they are unable to attend in person, they must appoint another Board member as their proxy, in writing and specifically for each session, including the appropriate instructions and notifying the Chairman of the Board.

Non-executive directors may only appoint another non-executive director as their proxy. The proxy may be granted by post, electronic means or fax, provided that the identity of the director and the meaning of the instructions are assured.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	16
Number of Board meetings without the chairman in attendance	1

Remarks
The Board meetings held on May 19 th 2020, June 5 th 2020 and July 2 nd 2020, adopted resolutions by written procedures and without a session being held.

State the number of meetings held by the coordinating director with the other directors,

where there was neither attendance nor representation of any executive director:

Number of meetings	14
---------------------------	----

Remarks
In addition to these meetings, in 2020 the director that held the position of coordinator director, at any given time, maintained direct telephone contact with the independent directors.

State the number of meetings held in the year by the various committees of the board:

Number of meetings held by the Executive Committee	---
Number of meetings held by the Audit Committee	14
Number of Meetings held by the Appointments and Remuneration Committee	---
Number of meetings held by the Appointments Committee	11
Number of meetings held by the Remuneration Committee	11
Number of meetings held by the ____ Committee	---

Remarks
The Appointments Committee and the Remuneration Committee have also held one meeting each within the Board of Directors, on the 18 th of June 2020

C.1.26 State the number of meetings held by the Board of Directors during the and the attendance by its members.

Number of meetings in situ when at least 80% of directors attended	16
% of attendance over total votes during the year	97.17%
Number of meetings in situ or representations made with specific instructions of all directors	13
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	98.59%

Remarks

C.1.27 State whether the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes

No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position
Ismael Clemente Orrego	Chief Executive Officer
Miguel Ollero Barrera	Corporate General Manager and COO
Fernando Lacadena Azpeitia	Chief Financial Officer

Remarks
The process of certifying the separate and consolidated financial statements takes place every six months, i.e. prior to the authorisation for issue of the annual and half-yearly financial statements for each year.

C.1.28 Explain any measures established by the Board of Directors to ensure that the financial statements submitted by the Board to the General Shareholders' Meeting are prepared in compliance with accounting regulations.

The Audit and Control Committee, within the functions established in its own Regulations, is responsible for supervising the process of preparing and presenting mandatory financial information relating to the Company and presenting recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity, and supervising compliance with regulatory requirements, the accurate differentiation of the scope of consolidation and the correct application of accounting criteria.

In relation to the process of preparing and presenting mandatory financial information relating to the Company and its group, in 2020 and prior to its presentation to the Board of Directors, the Committee analysed and supervised the following information that the Board of Directors must provide to the market and send to the Spanish National Securities Market Commission (CNMV), by virtue of its status as a listed company, in order to ensure the accuracy, reliability, adequacy and clarity of the information:

- **The quarterly and half-yearly periodic financial information for 2020** of MERLIN and its consolidated group, verifying the accurate demarcation of the scope of consolidation, the uniformity of accounting criteria and the identification of accounting risks that could jeopardise the audit opinion on the 2020 financial statements.
- **The separate and consolidated annual financial statements and directors' reports for 2019** of MERLIN and its consolidated group, having analysed the process of preparing this information and the guarantees existing within the Company's Internal Control Model, as well as the accurate demarcation of the scope of consolidation and the correct application of the accounting principles used (IFRS and Spanish national chart of accounts).

With regard to the **quarterly and half-yearly periodic financial information for 2020**, the Committee decided, at its meetings held on 12 May, 28 July and 10 November, to submit **favourable reports on the aforementioned periodic financial information** to MERLIN's Board of Directors, verifying at the July meeting that the limited review report on the half-yearly financial statements for 2020 contained a favourable and unqualified conclusion.

Accordingly, and in accordance with the **Auditor Procurement and Relations Framework Policy**, approved on 13 November 2017 and in accordance with that established in the 2020 Work Plan with the external auditor, drawn up on 11 December 2019, in 2020 the Committee established the appropriate relationships with the Auditor, Deloitte, S.L., with the aim of supervising the progress of the audit work,

being aware of its significant findings, supervising its fees and work assignments, and ensuring that the opinion on the financial statements and the main contents of the auditor's report, as well as the special report, were drafted clearly and accurately.

Therefore, and with **regard to the performance of their work**, in 2020 the Company's external auditors (Deloitte, S.L.) appeared before the Committee **on four occasions**, each time having the opportunity to present their conclusions without the presence of the management team, at the Committee meetings on (i) 19 February, (ii) 25 February 2020, (iii) 28 July 2020, and (iv) 15 December 2020. In addition, the external auditors appeared on one additional occasion in compliance with the Committee's **2020 Training Plan**.

In 2020, the Committee was informed of and supervised the progress of the external audit work, including the planning, the scope of the tests performed, the work schedule, their fees, the risks identified in the audit, the judgements on the applicability of accounting criteria and principles, the opinion on the accounting treatment of significant corporate transactions and the conclusions of the different work reflected in the reports submitted to the Committee during the year.

In this regard, at the Committee meeting held on **25 February 2020**, the representatives of the auditor, Deloitte, S.L., presented the main conclusions of the work performed in relation to the audit of the **separate and consolidated annual financial statements of MERLIN and its consolidated group for 2019**, presenting the draft audit opinion and additional report on the separate and consolidated annual financial statements at 31 December 2019, with a favourable and unqualified opinion.

In addition, at the meeting held on **28 July 2020**, the main conclusions of the work performed in relation to the **limited review of the half-yearly interim financial statements of MERLIN** and its consolidated group for the **first half of 2020** were presented, with a favourable and unqualified conclusion, detailing the main significant events of the period, as well as the main audit risks.

Subsequently, at the meeting held on **15 December 2020**, the auditor presented the work carried out in the **preliminary review as at 30 September 2020** with a view to the review of the financial statements for 2020, and the key audit matters detected in the course of their work.

Lastly, at the Committee meeting held on **23 February 2021**, the representatives of the auditor, Deloitte, S.L., presented the main conclusions of the work performed in relation to the audit of the **separate and consolidated annual financial statements of MERLIN and its consolidated group for 2020**, presenting the draft audit opinion on the separate and consolidated annual financial statements at 31 December 2020, in the same terms that are submitted to a vote at the General Shareholders Meeting and that are accompanied by an auditor's report from Deloitte, S.L. **with a favourable and unqualified opinion**.

It should be noted that historically the auditor's reports on the separate and consolidated annual financial statements prepared by the Board of Directors have been issued without any qualifications, as can be seen in the information on MERLIN Properties on the website of the Spanish National Securities Market Commission (www.cnmv.es), and on the corporate website (www.merlinproperties.com).

C.1.29 Is the secretary of the Board also a director?

Yes

No

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

Name or company name of the secretary	Representative
Mónica Martín de Vidales Godino	

Remarks

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, and, where appropriate, its financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

A) PROCEDURES TO PRESERVE AUDITOR INDEPENDENCE

The Company's Corporate Governance System ensures that the necessary relationships are established between the Audit and Compliance Committee and the auditor so that the latter receives timely information from the Committee on matters that may pose a threat to its independence.

MERLIN has a **Auditor Procurement and Framework Relations Policy**, approved by the Audit and Control Committee on 13 November 2017, which establishes the guiding principles and regulates the process for the selection, appointment, reappointment and separation of the auditor of the separate and consolidated financial statements, the procedure for contracting other services in addition to the audit of the financial statements, as well as the procedures for assessing the independence and criteria for the annual assessment of the auditor.

With regard to auditor independence, this Policy establishes that:

- The Audit and Control Committee will ensure that the Company's auditors are independent and that this independence is manifest in relations between the two companies. To this end, the Audit and Control Committee will authorise, prior to its formalisation, any contract that the Company intends to enter into with the auditor (or member of its network) for the provision of non-audit services to the Company or to any companies of its Group, in order to be able to analyse individually and globally any threats to the auditor's independence that may arise from such contracts.
- The Audit and Control Committee will also immediately report any procurement of any audit and non-audit services from any firms that conduct audits in the Group companies, with sufficient detail to allow for a comprehensive and effective analysis of the impact that the procurement of such services could entail in terms of independence from an individual and joint perspective.
- In accordance with current applicable law, the Audit and Control Committee considers that there would be a clear threat to auditor independence when the fees accrued for the provision of audit and non-audit services that the Company and any other Group company expect to pay to the auditor or audit firm, or to a member of its network, represent more than fifteen percent (15%) of the total annual income of the auditor or audit firm and the aforementioned network in each of the last three consecutive years.
- In addition, the total fees received for non-audit services may not exceed seventy percent (70%) of the average fees paid in the last three years for audit work provided to the Company and the other Group companies.
- The Audit and Control Committee must receive, on an annual basis, written confirmation from the Company's auditor of its independence with regard to the Company or entities directly or indirectly connected thereto, as well as a detailed breakdown of any non-audit services provided by the auditor or by persons or entities related to the auditor in accordance with current audit regulations.
- The Audit and Control Committee will issue, on an annual basis and prior to issuing the auditor's report, a report expressing an opinion on auditor independence. This report, which must be made available at the General Shareholders Meeting, must contain an assessment of the potential impact on auditor independence of each and every one of the additional services, other than the statutory audit, referred to in the previous paragraph, individually and as a whole.
- The Audit and Control Committee will refrain from proposing to the Board of Directors, which in

turn will refrain from submitting the proposal at the General Shareholders Meeting, the appointment as auditor to the Company of any audit firm if it has evidence that the firm is affected by a lack of independence, prohibition, or incompatibility, pursuant to current audit regulations.

- In order to assess auditor independence, the Audit and Control Committee will take into consideration the following aspects:
 - o The current law in force at any given time regarding the independence of auditors.
 - o Receive information on the inclusion of professionals from any of the Group's audit firms to any Group companies.
 - o Request explanations from the auditor regarding the internal quality control system in place in terms of independence, as well as information on the internal rotation practices of the audit partner and their staff.
 - o Discuss with the auditor any circumstance that may threaten its independence and assess the effectiveness of the safeguards adopted, and understand and assess all relationships between the Company and its related entities and the auditor and its network, involving the provision of non-audit services or any other type of relationship.
 - o Ensure that the auditor's remuneration does not compromise the quality of their work or independence.
 - o Analyse any changes that may be made to the total remuneration of the auditor.
 - o Gather relevant internal information from the Company regarding auditor independence, from the finance department, the internal audit department or other assurance functions, as well as information that may be provided by the auditor.

The Audit and Control Committee receives, on an annual basis, written confirmation from the Company's auditor of its independence with regard to the Company or entities directly or indirectly connected thereto, as well as a detailed breakdown of any non-audit services provided by the auditor or by persons or entities related to the auditor in accordance with current audit regulations.

In this regard, the Company's auditor submitted its **statement of independence with regard to the audit of the financial statements for 2019** to the Committee on **25 February 2020**. This communication contained a detailed breakdown of the fees for audit services and audit-related services, as well as any other additional services of any kind provided to MERLIN Properties SOCIMI, S.A. and the companies in its Consolidated Group in 2019.

On this same date, the Auditor submitted to the Audit and Control Committee the Additional Report to the Audit Committee in which the auditor confirmed that it had complied with the applicable independence requirements in accordance with that established in current law.

Likewise, in order to guarantee the independence of the external auditor, the Audit and Control Committee has supervised compliance by both the Company and the external auditor with current regulations on the provision of non-audit services. In this regard, the Committee analysed, among other aspects:

- Compliance with the ***Auditor Procurement and Relations Framework Policy***, whereby the Audit and Control Committee has pre-authorized the contracting of all non-audit services.
- The express statement of the auditor confirming its independence, with a detailed breakdown of the services rendered and fees accrued.
- Express confirmation from the auditor of the establishment of internal procedures aimed at identifying and assessing threats that may arise from circumstances related to audited entities and, where applicable, the application of safeguard measures.
- Individual analysis of the services provided to MERLIN Properties SOCIMI S.A. and the companies in its Consolidated Group.

During the course of the 2019 audit, the Committee did not identify any situations that could have posed a threat to the auditor's independence and, therefore, the Committee concluded its analysis of the auditor's independence by stating that the auditor has acted in accordance with the independence rules that apply pursuant to current audit regulations.

In this regard, **on 25 February 2020, the Audit and Control Committee submitted its Annual Report on Auditor Independence to the Board of Directors**. This report is available to any interested party on the corporate website.

<http://www.merlinproperties.com/gobierno-corporativo/informes-anauales/>

B) PROCEDURES TO PRESERVE THE INDEPENDENCE OF FINANCIAL ANALYSTS, INVESTMENT BANKS AND RATING AGENCIES

On 26 February 2016, the Company's Board of Directors approved the **Policy for Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors** in which, in addition to complying with the transparency and reporting obligations stipulated by law and the Company's corporate governance system, it recognises that one of its main objectives is to act transparently towards shareholders, investors and other stakeholders, as well as towards proxy advisors.

The guiding principles underlying the Company's relationship with financial analysts, investment banks and rating agencies are as follows:

- a) transparency, truthfulness and immediacy in the dissemination of information, so that all shareholders, investors and other stakeholders receive the information that is both legally and voluntarily published by the Company, in a clear and accessible manner as soon as possible;
- b) parity, applying identical treatment to all shareholders, investors and other stakeholders with regard to the information to be supplied, eliminating any type of bias that might lead to differentiation among them, without prejudice to the possibility that the Company may opt for different communication channels, depending on each of the target groups;
- c) adequacy and completeness, in the sense of providing all information that is adequate and allows shareholders, investors and other stakeholders to exercise their rights with the Company and the Group with full knowledge of the situation;
- d) recurrence and regularity, in the sense of publishing information with a minimum frequency (without prejudice to any other information that may be voluntarily published by the Group), allowing shareholders, investors and other stakeholders to have at least a basic recurring knowledge of the Group's activity.
- e) accessibility, making available to shareholders, investors and other stakeholders effective means of communication that allow them access to the actions or proposals in relation to the Company's management and activities, taking advantage of the benefits offered by new technologies;
- f) collaboration with shareholders so that the practices on reporting and relations with markets are transparent, efficient and in accordance with corporate interest and encourage shareholder involvement in the Company;
- h) compliance with the provisions of the law, corporate governance system, and cooperation and transparency vis-à-vis the competent authorities, regulatory bodies and governments.

The Company has a specific investor relations department (the "Investor Relations Department") that protects the independence of financial analysts by treating them fairly, objectively and in a non-discriminatory manner. This department is responsible for coordinating, analysing and managing relations and contacts with shareholders, investors and other stakeholders, as well as continuously and individually (although in no case in a discriminatory manner) responding to enquiries from analysts and institutional

investors.

In order to implement the aforementioned general principles, and always in strict compliance with regulations relating to the securities markets, the Company will publish the corresponding information through the following main communication channels:

- Communications of significant events to the Spanish National Securities Market Commission.
- The Company's recurring channel of communication with shareholders, investors and other stakeholders is its corporate website (www.merlinproperties.com).
- The Board, through some of its directors and in collaboration with any senior management it considers appropriate, may organise informative briefings on the running of the Company and its Group for shareholders that are part of the most important financial centres.

In implementing the principle of collaboration with shareholders, the Board will encourage the informed participation of the shareholders at the General Meetings and will adopt any measures considered advisable to facilitate the exercise of their functions pursuant to the law and the Articles of Association.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes

No

Outgoing auditor	Incoming auditor

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes

No

Explanation of disagreements

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the percentage of such amount over the fees invoiced for audit services to the company and/or Group:

Yes

No

	Society	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	132	6	138

Amount invoiced for non-audit services/Amount for audit work (in %)	27.83%	5.11%	23.32%
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Remarks
<p>The fees received for non-audit work relate mainly to:</p> <ul style="list-style-type: none"> - Comfort letters issued in relation to the bond programme - Agreed procedures for compliance with financial covenants - Review of Section F (ICFR) of the Annual Corporate Governance Report (ACGR) - Agreed procedures related to remuneration programmes - Agreed procedures for sustainable KPIs of the syndicated loan

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes

No

Explanation of reasons and direct link to the related document made available to the shareholders with the call notice

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	7	7

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	100%	100%

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes

No

Provide details of the procedures
<p>Pursuant to section 21 of the Board Regulations, in order to receive support in the performance of their duties, non-executive directors may request the engagement, at the Company's expense, of legal, accounting or financial advisors or other experts.</p> <p>The engagement must necessarily be related to specific problems of certain importance and complexity that the directors are faced with in discharging their duties.</p> <p>The request to engage these services must be reported to the Chairman of the Company, and may, however, be rejected by the Board of Directors, if it shows:</p> <ul style="list-style-type: none"> a. it is not necessary for the proper performance of the tasks entrusted to the non-executive directors. b. the cost thereof is not reasonable in view of the importance of the problem and the assets and income of the Company; c. the technical assistance sought can be adequately provided by the Company's own experts and specialists; d. it represents a risk to the confidentiality of the information that needs to be handled. <p>To date, the Board of Directors has not rejected any request by the Company to engage legal, accounting or financial advisors or other experts at the Company's expense when their participation has been requested.</p>

C.1.36 State whether the company has established rules whereby directors must report and, if applicable, resign, where situations involving them arise, whether or not related to their actions at the company itself, which may damage the company's standing and reputation. If so, provide details:

Yes

No

Explain the rules
<p>Pursuant to section 31.3 of the Board Regulations, directors must inform the Company of any circumstances that affect them and may harm the Company's name or reputation, with particular mention of any criminal charges brought against them and the progress of any subsequent trial. In relation to the foregoing, on 27 February 2018 the Board of Directors approved a procedure for directors who are subject to oral proceedings to inform the Board of such circumstance so that it may act accordingly. The Board of Directors may, after examining the situation presented by the director, require the director to resign and the director must abide by this decision.</p> <p>Furthermore, in accordance with section 18.3 of the Board Regulations, directors must tender their resignation to the Board and resign if the latter considers it appropriate, in the following cases (among others): (a) when they cease to hold the executive position with which, where applicable, their appointment as director is associated; (b) when they become subject to any incompatibility or prohibition provided for by law; (c) when they have been seriously reprimanded by the Board for having breached any of their obligations as directors; (d) when they are indicted for any purported offences or disciplinary proceedings are brought against them by the supervisory bodies for serious or gross misconduct; (e) when their remaining on the Board could jeopardise or put the Company's interests at risk or when the reasons for which they were appointed no longer exist. In particular, in the case of non-executive proprietary directors, when the shareholder they represent sells in full or significantly reduces their shareholding. If such shareholders reduce their ownership interest, thereby losing some of their entitlement to non-executive proprietary directors, the latter's number should be reduced accordingly; (f) when they sit on more than four boards of directors of other listed companies; (g) when there are significant changes in their employment situation or in the conditions relevant to their appointments as directors; (h) when, due to events attributable to the</p>

director, their remaining on the Board would, in the Board's opinion, cause serious harm to the Company's assets or reputation.

C.1.37 State, unless special circumstances have arisen and have been placed on record in the minutes, whether the Board has been informed, or has otherwise become aware, of any situation involving a director, whether or not related to his/her action at the company itself, which may damage the company's standing or reputation:

Yes

No

Name of director	Nature of the situation	Remarks

In the preceding case, state whether the Board of Directors has examined the case. If so, explain (giving reasons) whether, having regard to the specific circumstances, any measure has been taken to open an internal investigation, to ask the director to resign or to propose his/her removal. Also state whether the decision of the Board was based on a report by the appointments committee.

Yes

No

Decision/Action taken	Explanation

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

In the event of a change of control:

- The lock-up period will not apply to shares granted under the 2016 Management Stock Plan.
- Executive directors may voluntarily terminate their relationship with the Company within three months of the occurrence of such an event and will receive the compensation described in subsection C.1.39.
- LTIP (long-term incentive for the 2017-2019 period) rights are paid early.
- The Management Team's deferred annual bonus will be fully vested and payable within 10 business days following the date of the change of control.

For these purposes, a change of control will be considered to exist when either of the following two situations occurs:

- a) A new shareholder directly or indirectly acquires more than 30% of the Company's share capital.
- b) A new shareholder is able to appoint the majority of members of the managing body.

The Company also has various financing arrangements, which regulate the consequences in the event of a change of control in the Company:

- a) Term loan: If as a consequence of a change of control the rating is downgraded to non-investment grade within the following 90 days and if so requested by the majority of the lenders (66.66% of total debt), the debt will be repaid.
- b) Bonds: In addition, if the rating of the debt is downgraded, the bondholders have a put option.

- c) Tree financing: the debt would have to be repaid if approved by the majority of lenders (66.66% total debt).

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Type of beneficiary	Description of agreement
<p>Executive directors (Ismael Clemente Orrego and Miguel Ollero Barrera) and senior executives</p>	<p>The contracts in force with the executive directors include severance if their relationship with the Company is terminated as a result of:</p> <ul style="list-style-type: none"> (i) the removal or termination of their position as executive director without cause. Cause will be considered to exist when such removal or termination is due to (a) a serious breach or failure to comply with the duties and obligations that correspond thereto by law, or (b) any action or omission that causes serious damage to the Company, and provided that, in both cases, the concurrence of such cause has been declared by a competent court. (ii) a resignation or voluntary departure due to a substantial change in the working conditions of the executive director that is notoriously detrimental to their professional training, a detriment to their dignity, or is decided in serious breach of good faith on the part of the Company. Conversely, the approval of future policies that are economically less favourable, that do not provide for variable remuneration similar to the Executive STIP or LTIP, or future decisions by the Company not to approve long-term incentive plans similar to the LTIP will not be considered a substantial change for these purposes. (iii) a resignation or voluntary departure due to a change of control (where a change of control is understood in accordance with the regulations governing takeover bids), provided that the termination occurs within three months following the change of control.

Executive directors would be entitled to receive compensation, provided that the payment does not compromise the Company's solvency:

- (i) in cases (i) and (ii), an amount equal to the result of multiplying by two the fixed remuneration and the Executive STIP granted to the executive director during the last twelve (12) months prior to termination; and
- (ii) in case (iii), an amount equal to the sum of the fixed remuneration and the Executive STIP granted to the executive director during the last twelve (12) months prior to termination.

Of the aforementioned amounts, an amount equivalent to six (6) monthly payments of fixed remuneration will be paid as remuneration for the post-contractual non-competition agreement.

The payment of the severance for termination of the contract, where appropriate, will be withheld until the Company has been able to verify that the director has met the performance criteria established in the different elements of the remuneration package, as the time horizon of these elements is different and, therefore, this period will be assessed and determined when the severance to be received is established.

Once this calculation has been performed and it has been verified that the targets for the Executive STIP have been adequately achieved, the Company will pay, together with the resulting STIP, the severance to which the executive director is entitled.

The only senior executive has negotiated severance payments if their relationship with the Company is terminated as a result of:

- (i) unilateral termination at the Company's request, unless such termination is based on a serious and culpable breach by the executive pursuant to section 11.2 of Royal Decree 1382/1985.
- (ii) a resignation or voluntary departure due to a substantial change in the working conditions of the executive director that is notoriously detrimental to their professional training, a detriment to their dignity, or is decided in serious breach of good faith on the part of the Company. Conversely, the approval of future policies that are economically less favourable, that do not provide for variable remuneration similar to the STIP for executives or LTIP, or future decisions by the Company not to approve long-term incentive plans similar to the LTIP will not be considered a substantial change for these purposes.
- (iii) a resignation or voluntary departure due to a change of control (where a change of control is understood in accordance with the regulations governing takeover bids), provided that the

	<p>termination occurs within three months following the change of control.</p> <p>The executive will be entitled to receive compensation, provided that the payment does not compromise the Company's solvency, equal to the amount of compensation applicable to an employee with an ordinary employment relationship, depending on the termination event in question.</p> <p>If the employment relationship with the Company is terminated at the request of the executive as a result of a change of control (where a change of control is understood in accordance with the regulations governing takeover bids), provided that the termination occurs within three months following the change of control, the executive is entitled to a severance payment equal to that corresponding to the wrongful dismissal of an employee with an ordinary employment relationship.</p> <p>In any case, the maximum severance will be as follows:</p> <ul style="list-style-type: none"> (i) In cases (i) and (ii), an amount equal to the result of multiplying by 1.5 the fixed remuneration and the STIP granted to the executive during the last twelve months prior to termination. (ii) In case (iii), an amount equal to 50% of the sum of the fixed remuneration and the STIP granted to the executive during the last twelve months prior to termination. <p>The severance paid, if any, will include and absorb the compensation that may correspond thereto by law, so that both severance payments will not be cumulative.</p> <p>With the rest of the management team, other than the executive directors and the aforementioned senior executive, the regime for termination of their relationships is subject to the provisions of the Workers' Statute and other applicable regulations.</p>
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State whether, outside the cases envisaged by law, these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this.

	Board of Directors	General Shareholders' Meeting
Body authorizing the clauses	X	

	YES	NO
Is the General Shareholders' Meeting notified of these clauses?	X	

Remarks
The General Meeting is informed of these clauses through the Annual Corporate Governance Report.

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

AUDIT COMMITTEE

Name	Post	Category
Juan María Aguirre Gonzalo	Chairman	Independent
María Luisa Jordá Castro	Member	Independent
Ana García Fau	Member	Independent
Francisca Ortega Hernández-Agero	Member	Proprietary
Ana Forner Beltrán	Member	Proprietary

% of proprietary directors	40%
% of independent directors	60%
% of other external directors	0%

Remarks
In 2020, Ana Forner Beltrán, representing Nortia Capital Investment Holding, S.L., a shareholder that acquired an interest in MERLIN's share capital in 2020, joined the Audit and Control Committee.

Explain the functions attributed to this committee and any additional responsibilities provided for by law, and describe the rules and procedures it follows for its organization and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised, in practice, each of the functions attributed to it by law, in the Articles of Association or in other corporate resolutions.

In addition to that established by current law, the Committee is governed by the Articles of Association, the Board Regulations of the Company and, more specifically, the **Audit and Control Committee Regulations**, the last amendment to which was approved by the Board of Directors on **16 December 2020** following a proposal by the Audit and Control Committee itself.

These Committee Regulations incorporate all the aspects included in the recommendations of **Technical Guide 3/2017** of the Spanish National Securities Market Commission (CNMV) on Audit Committees of Public Interest Entities, as well as the **good governance recommendations approved by the CNMV in June 2020**.

All MERLIN's internal regulations (Articles of Association, Board Regulations and Audit and Control Committee Regulations) are available to any interested party on the corporate website (<http://www.merlinproperties.com/gobierno-corporativo/normativa-de-gobierno-corporativo/>).

With regard to its composition, and in accordance with sections 12 and 13 of the Audit and Control Committee Regulations, the Committee will be composed of a minimum of three (3) and a maximum of five (5) members, **all of whom will be non-executive directors with the majority being independent**; these members will be appointed by the Board of Directors, at the proposal of the Appointments and Remuneration Committee. In the proposal and appointment of its members, the Committee endeavours to seek diversity in its composition, in particular with regard to gender, professional experience, competencies and sector knowledge.

The Committee members, as Board members, must have the experience and knowledge in management,

economic, financial and business areas necessary for a good director. In addition, the Committee as a whole must have the relevant technical knowledge in relation to the sector of activity to which the Company belongs; and at least one of the Committee members must also be appointed taking into account their knowledge and experience in accounting, auditing or both.

In addition to the above, in the proposal and appointment of the members and positions of the Audit and Control Committee, the Appointments Committee and the Board of Directors will ensure that the Chairman of the Committee has the knowledge, skills and experience appropriate to the functions that they are called upon to perform in accounting, auditing or risk management matters; the members of the Committee as a whole have financial and internal control skills; and at least one of the Committee members has IT experience, among other reasons, in order to facilitate efficient supervision of internal control and risk management systems, which generally use complex computer software, and to be able to adequately assess new emerging risks, such as cybersecurity.

The Chairman of the Audit and Control Committee, a position that in all cases will be held by an independent director, will be appointed from among its members and must be replaced every four (4) years, whereby they may be re-elected once a period of one (1) year has elapsed from the end of their tenure, without prejudice to their continuity or re-election as a Committee member.

The Audit and Control Committee, in accordance with section 17 of its Regulations, and prior to the beginning of each year, will approve an annual work plan that includes the specific objectives in relation to each of the functions entrusted thereto, the organisation of information and the agenda of the meetings or other channels of regular communication with the Company's executives, the head of the internal audit department and the external auditor, and the training considered appropriate in order for the Committee to correctly perform its functions.

In this regard, the Committee has carried out its functions during the year in accordance with the *Work schedule for 2020*, approved by the Committee in December 2019, and it approved the *Work schedule for 2021* at its meeting held on 15 December 2020.

In any case, the Committee will be called and meet at least on a quarterly basis to review the periodic financial information that, in accordance with current regulations, the Board of Directors must submit to the stock exchange authorities, as well as the information that the Board of Directors has to approve and include as part of its annual public documents.

These meetings will be attended by the Internal Audit Manager and, when any review report is issued, by the external auditor. At least part of these meetings will take place without the presence of Company management, so that the specific matters arising from the reviews performed can be discussed exclusively with them.

The Committee may also request collaboration and engage external and advisory services, and gather any information or documents available at the Company relating to the matters that are within the Committee's area of authority and that it considers necessary to perform its duties.

The functions of the Committee are detailed in sections 5 to 10 of the specific Audit and Control Committee Regulations. The main competencies of the Committee are as follows:

- a. Approve the policy that determines the procedure for the selection and contracting of and relations with the external auditor, as well as any circumstances that could affect its independence and the instruments to provide these relations with due transparency.
- b. Propose to the Board of Directors, for submission at the General Shareholders Meeting, the proposal for the selection, appointment, re-election and replacement of the external auditor, as well as the terms of their engagement and, where applicable, their revocation or non-renewal.

- c. Receive, on an annual basis, the statement from the external auditor of its independence, as well as information on any type of additional services provided and the related fees received by the auditor or by persons or entities related to the auditor, pursuant to that provided in current audit regulations.
- d. Issue an annual report, prior to the issuance of the auditor's report, expressing an opinion on whether the independence of the external auditor has been compromised.
- e. Review with the external auditor the main incidents detected during the audit, compare them with management's opinion, verifying that they have been resolved and, if not, understand why not, and follow up on the recommendations of the external auditor.
- f. Analyse with the external auditor any significant weaknesses in the internal control system detected in the course of the audit and submit recommendations or proposals to the Board of Directors and the corresponding period for follow-up.
- g. Give prior authorisation for non-audit services that the external auditor (or the auditing firm to which it belongs) or the persons or entities related thereto (in accordance with current audit regulations) are to provide to Group companies, under the terms envisaged by law.
- h. Supervise the correct application of generally accepted accounting principles and applicable international financial reporting standards and supervise the process of preparing and presenting the Company's financial statements and the periodic financial information that, in accordance with current law, the Company must provide to the markets and their supervisory bodies, as well as the process of preparing and publishing this information, reporting to the Board of Directors prior to its approval and submitting recommendations or proposals aimed at safeguarding its integrity.
- i. Review the clarity and integrity of all financial and related non-financial information published by the entity, such as financial statements, directors' reports, risk management and control reports and annual corporate governance reports, ensuring that the half-yearly financial reports and quarterly management statements are drawn up under the same accounting policies as the annual financial reports and, for such purpose, consider whether the auditor should conduct a limited review of the half-yearly financial reports.
- j. Supervise the content of the auditor's reports and, where appropriate, of the limited review reports on interim financial statements and other mandatory reports of the external auditor, prior to their issue, in order to avoid qualifications.
- k. Ensure, with the collaboration of the internal audit department, that the financial information published on the Company's website is constantly updated and coincides with that prepared by the Company's directors and published, where appropriate, on the CNMV website when required to do so.
- l. Approve the direction and work plans of the internal audit department and receive regular information on its activities. In supervising the work plan, the Committee must verify that the main financial and non-financial risk areas of the business have been taken into consideration in the plan, and that its responsibilities are clearly identified and defined for the purpose of adequate coordination with any other assurance functions, such as the risk management and control, management control, regulatory compliance and external audit units.
- m. Supervise all matters relating to the different types of risk faced by the Company, including financial or economic risks, contingent liabilities, other off-balance sheet risks, as well as operational, environmental, technological, legal, social, political and reputational risks.

- n. Set the risk levels that the Company considers acceptable, which is an executive function of the Board of Directors. Assess, at least on an annual basis, the list of the most significant financial and non-financial risks and the level of tolerance established for each risk based on the information provided by management, the head of the internal audit department and, where applicable, the risk management and control unit.
- o. Review the Company's internal control and risk management systems and, in particular, ensure that the system of internal control over financial reporting (ICFR) is correctly designed, so that the main risks are appropriately identified, managed and disclosed.
- p. Approve the internal audit plan for the ICFR assessment, and any changes thereto, and receive periodic information on the results of its work, as well as the action plan to correct any deficiencies identified.
- q. Hold, at least on an annual basis, a meeting with the heads of the business units where they explain the business trends and the associated risks, and strengthen the idea that the heads of the business units are directly responsible for effectively managing the risks and that there must be a manager assigned to each risk identified.
- r. Report to the shareholders at the General Meeting regarding issues raised in relation to matters for which the Committee is responsible and, in particular, regarding the results of the external audit, explaining how it has contributed to the integrity of the financial information and the function that the Committee has carried out in that process.
- s. Supervise the process of engaging external real estate asset appraisers, ensuring the application of the rotation policy and the identification of possible conflicts of interest and threats to independence that may call into question their suitability.
- t. Review the methodology applied by external real estate appraisers and the significant assumptions used to ensure they are in line with international accounting standards (IAS).
- u. Understand and assess the results of the work carried out by the external auditor in relation to the appraisals of the Company's assets.
- v. Report to the Board of Directors on the creation or acquisition of holdings in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens, the economic conditions and accounting impact and, where appropriate, the exchange ratio of the structural and corporate changes that the Company plans to carry out and transactions with related parties.
- w. Review the annual activities plan of the Criminal Compliance Body, as well as the half-yearly report on its activities to be subsequently submitted to the Board of Directors. Receive information from the Criminal Compliance Body in relation to any relevant issues regarding regulatory compliance and the prevention and correction of illegal or fraudulent conduct.
- x. Review, through the Internal Control Body, the Company's internal policies and procedures to verify their effectiveness regarding anti-money laundering and countering the financing of terrorism and to identify possible policies or procedures that are more effective in promoting the highest ethical standards, to be submitted to the Board of Directors.

The Committee performs its functions with complete independence and full operational autonomy, being directed by its Chairman, who is responsible for calling meetings, proposing the agenda of the matters to be discussed and requesting the attendance of any director, executive or employee of the

Company or the external auditor or any other external party that may be necessary for the performance of its functions.

In 2020, the Committee met on fourteen (14) occasions (in particular, on 9 January, 28 January, 19 February, 25 February, 24 March, 20 April, 12 May, 15 June, 22 July, 28 July, 14 September, 6 October, 10 November and 15 December) The meetings in January and February were held in person at the Company's registered office and from March onwards by videoconference due to the safety measures adopted by MERLIN as a result of the health crisis caused by the COVID-19 pandemic.

In addition to its members, the Audit and Control Committee meetings were attended by the Company's employees and executives, such as the Executive Director and Corporate General Manager, the Chief Financial Officer, the Manager of Legal Affairs, the Head of the Tax Department, the Internal Audit Manager, the Logistics Business Manager, the Loom Business Manager, the Coordinator of Asset Valuations and the Systems Manager, to discuss the items on the agenda for which they had been summoned.

Likewise, the external auditor attended four Committee meetings to report on the 2019 audit, the limited review of the first half of 2020, the preliminary work for the 2020 audit, and the update of the accounting and tax regulations, as part of the Committee's training plan.

As general information, at its meetings in 2020 and in exercising the functions attributed thereto, the Committee has:

- i. Submitted to the Board of Directors various reports in relation to the presentation of the separate and consolidated financial statements for the year ended 31 December 2019, as well as the quarterly and half-yearly financial information and directors' reports required (in 2020) of the Company, as a listed company, in accordance with applicable regulations;
- ii. Reported to the Board of Directors on the external audit carried out in relation to the year ended 31 December 2019, as well as the limited and preliminary reviews carried out by the external auditor in relation to the financial information for the first half of the year and the preliminary closing information required of the Company in 2020.
- iii. Presented to the Board of Directors all the work entrusted to the external auditor (Deloitte) during the current year and their prior analysis of the engagement in terms of independence and compatibility in accordance with the Spanish Audit Law (*Ley de Auditoría*).
- iv. Supervised the process of engaging external real estate asset appraisers carried out in 2020, ensuring the application of the rotation policy and the identification of possible conflicts of interest and threats to independence that may call into question their suitability.
- v. Reviewed that the methodology and the significant assumptions applied by external real estate appraisers, were in line with international accounting standards (IAS).
- vi. Understand and assess the results of the work carried out by the external auditor in relation to the appraisals of the Company's assets.
- vii. Recorded the related party transactions, informed the Board of Directors for its approval, as the case may be.
- viii. Took note of and reported favourably to the Board of Directors on any accounting and tax aspects of corporate transactions.

ix.	Updated the 2020 Risk Map in accordance with the COSO-ERM 2017 methodology, with special emphasis on the risks heightened by COVID-19 and the monitoring of the main business risks on a regular basis through the appearance of the heads of the business units together with their explanation of the business trends and associated risks.
x.	Analysed the risks affecting the Company in terms of technological and cybersecurity risks, overseeing the IT Department's action plans in this area.
xi.	Reviewed the tax policies followed during the year, before preparing the financial statements and filing corporation tax returns, in compliance with MERLIN's Tax Policy.
xii.	Supervised the execution of the internal audit work within the framework of the internal control systems and in accordance with the 2020 Annual Activities Plan approved at the meeting held on 11 December 2019, monitoring compliance by the Company's management with its recommendations.
xiii.	Reviewed the activities of the different control bodies established in the Company for the supervision and management of criminal risks (Criminal Control Body) and in matters regarding anti-money laundering and countering the financing of terrorism (Internal Control Body).
xiv.	Supervised the functioning of the ICFR system and, in turn, reviewed the internal audit reports on this system, reviewing the ICFR Manual and the Group's Accounting Policies Manual.
xv.	Verified the performance of the work carried out by Company management with regard to data protection regulations, ensuring that the control systems that minimise the risk of vulnerability of the rights of those that use the Company's assets are implemented at all times.
xvi.	Fostered a comprehensive improvement to the Company's Corporate Governance System, by reviewing the existing model with the new requirements on non-financial information, even though it is not applicable to the Company. The Committee is also analysing the New Good Governance Code, approved by the CNMV in June 2020, with a view to moving towards improving MERLIN's Governance System to comply with the amendments and new recommendations issued by the CNMV.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

	Juan María Aguirre Gonzalo María Luisa Jordá Castro Ana García Fau Francisca Ortega Hernández-Agero Ana Forner Beltrán
Name of directors with experience	
Date of appointment of the chairperson	7 May 2018

Remarks

APPOINTMENTS COMMITTEE

Name	Post	Category
Pilar Cavero Maestre	Chairman	Independent
George Donald Johnston III	Member	Independent
Ignacio Gil-Casares Satrústegui	Member	Proprietary
Juan María Aguirre Gonzalo	Member	Independent

% of proprietary directors	25%
% of independent directors	75%
% of other external directors	0%

Remarks
<p>Despite dividing the Appointments Committee and the Remuneration Committee into two separate committees since 2019, the regulations on their functions in the Board Regulations were listed together, with the delegation of their functions by reference.</p> <p>In 2020, the Board of Directors amended the Board Regulations in order to individually and clearly assign in the Regulations those functions that correspond to and have been exercised by each Committee, approving, in turn, Regulations for each of these Committees on 16 December 2020.</p> <p>Accordingly, in 2020 the composition of the Appointments Committee was changed, with Emilio Novela Berlín and Javier García-Carranza Benjumea leaving the Committee and Ignacio Gil-Casares Satrústegui and Juan María Aguirre Gonzalo joining the Committee.</p>

Explain the functions attributed to this committee and any additional responsibilities provided for by law, and describe the procedures and rules it follows for its organization and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised, in practice, each of the functions attributed to it by law, in the Articles of Association or in other corporate resolutions.

The organisation and competence of MERLIN's Appointments Committee was regulated in section 41 of the Board Regulations and Article 45 of the Company's Articles of Association.

At its meeting held on 9 December 2020, the Committee approved the new regulations, separate from the Board Regulations, the Audit and Control Committee Regulations and the Remuneration Committee Regulations, which were approved by the Board of Directors on 16 December 2020.

Given that, throughout its activity in 2020, the Committee has operated under section 41 of the Board Regulations and Article 45 of the Articles of Association, the following main aspects in relation to the Committee with reference to those regulations are summarised below:

The Appointments Committee:

- i. will be formed by non-executive directors, in the number determined by the Board, with a minimum of three (3) and a maximum of five (5), and the **majority of its members must be independent**;
- ii. will appoint a Chairman from among its members, who will be an independent director;
- iii. will also appoint a Secretary and may appoint a Deputy Secretary, neither of whom need to be Committee members or directors;
- iv. the renewal, re-election and removal of directors who are Committee members will be governed by the resolutions of the Board;

With regard to its **functioning**, the Appointments Committee:

- i. is convened by its Chairman, either on his own initiative or at the request of the Chairman of the Board or any of its members;
- ii. it will ordinarily meet at least once a year, and when called by its Chairman, which must call a meeting whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever considered necessary to properly perform its functions.
- iii. it will be considered to be validly convened when attended by the majority of its members in person or by proxy; and
- iv. its resolutions are passed by a majority of members attending in person or by proxy, with the Chairman having the casting vote.

The **main tasks** of the Committee are

- a. assess the competencies, knowledge and experience required for Board members;
- b. submit to the Board any proposals for the appointment, re-election or removal of independent directors;
- c. report in relation to:
 - i. proposals for the appointment of non-independent directors;
 - ii. the appointment of the Chairman, Deputy Chairmen, Secretary and Deputy Secretary of the Board of Directors;
 - iii. proposals for the appointment of members of the Audit and Control Committee;
 - iv. the performance of the Chairman's duties;
 - v. proposals for the appointment and removal of members of the management team and the basic terms and conditions of their contracts; and
 - vi. prior to its approval, the Company's annual corporate governance report;
- d. examine or organise the succession of the Chairman and/or the Chief Executive Officer;
- e. report on the proposals for the appointment and removal of members of the management team and the basic terms and conditions of their contracts;
- f. establish a representation target for the less well-represented gender;
- g. report to the Board of Directors on gender diversity issues;
- h. ensure that, when new vacancies are filled or when new directors are appointed, the selection procedures are not affected by any implicit bias that may entail any kind of discrimination and, in particular, that do not hinder the appointment of female directors;

- i. coordinate non-financial and diversity reporting processes in accordance with applicable regulations and international benchmarks.
- j. establish and supervise the mechanism that allows employees to report, confidentially and, if considered appropriate, anonymously, any irregularities of particular significance that they notice within the company, especially those of a financial and accounting nature, and supervise compliance with and the updating of internal codes of conduct and corporate governance rules;
- k. establish and supervise an annual programme for the evaluation and continuous review of the qualifications, training and, where appropriate, independence, and ensure the conditions of repute, suitability, solvency, competence, availability and commitment to their duties, necessary for the exercise of the office of director, are maintained;
- l. know, promote, guide and supervise the Company's actions in matters of corporate social responsibility and sustainability.

In 2020, the Committee met on ten occasions (in particular on 20 February, 4 March, 18 March, 7 April, 7 May, 28 July, 15 September, 7 October, 11 November and 9 December) and held (i) a written meeting without a session, namely on 29 January 2020, and (ii) a meeting with the Board of Directors on 18 June 2020.

Within the framework of its meetings, the Committee held a meeting:

- on 11 November 2020, where the executive directors were invited as guests to present the organisational chart and issues relating to the succession plan for certain key positions; and
- on 9 December 2020, where a representative of KPMG, the entity selected to carry out the external assessment process of the Board, its committees and positions, was invited as a guest to make an initial presentation of the work carried out to date.

At its meetings in 2020, the most significant activities undertaken by the Committee, within the framework of its competencies, were as follows:

- (i) Recurrent activities, consisting of the following

Facilitate the assessment of the performance of the Board, its committees and its positions in 2019;

Review the composition of the Board and assess whether its composition, number of members and profiles are appropriate, taking into account the circumstances prevailing at any given time;

Propose the re-election of Emilio Novela as a new independent director and his appointment as lead director;

Report on the proposed appointments of Ignacio Gil Casares and Ana Forner as proprietary directors and committee members;

Report on the proposed re-election of the executive directors, as well as those of Marisa Jordá, Ana García Fau, Emilio Novela, Donald Johnston, Fernando Ortiz and John Gómez Hall.

Review the Annual Corporate Governance Report and report on aspects within its competence;

Approve the Committee's Activities Report for 2019; and

Collaborate with the external advisor contracted for this purpose to issue the assessment of the functioning of this Committee.

- (ii) Report on the proposed content of the following Company policies: stakeholder relations policy, director selection, appointment and removal policy, general corporate governance

policy; whistleblowing channel communication protocol, and amendments to the corporate social responsibility policy.

Following the corporate governance recommendations with regard to the performance of an assessment by an independent consultant every 3 years and given that the last external assessment was carried out in 2017 by Egon Zehnder, the Committee began the process of selecting a consultant for 2020; after analysing the proposals requested and received from the candidates, KPMG was selected for this purpose. In this regard, the Committee collaborated with and supported KPMG in the assessment process, which will be submitted to the Board of Directors on 28 January 2021.

In addition, in 2020 the Committee has worked on drafting its own regulations, which are separate from the Board Regulations or those of other committees, following the good governance recommendations and the suggestions of Technical Guide 1/2019 published by the Spanish National Securities Market Commission (CNMV) on Appointments and Remuneration Committees.

Also this year, the CNMV approved the reform of the Good Governance Code for Listed Companies in force since 2015, as notified on 26 June 2020, and, therefore, the Committee decided to review the Company's Articles of Association, regulations and other policies, in order to analyse the amendments necessary to bring them into line with the new recommendations, preparing the report and the appropriate drafting proposals.

Develop the directors training plan and propose an agenda and a schedule of possible sessions for 2021.

Finally, although with the aim of continuing with the analysis in 2021, the review of the Company's organisational chart and the succession plan for key positions was resumed.

REMUNERATION COMMITTEE

Name	Position	Category
María Luisa Jordá Castro	Chairman	Independent
Fernando Ortiz Vaamonde	Member	Independent
Pilar Cavero Mestre	Member	Independent
Ignacio Gil-Casares Satrustegui	Member	Proprietary

% of proprietary directors	25%
% of independent directors	75%
% of other external directors	0%

Remarks
<p>Despite dividing the Appointments Committee and the Remuneration Committee into two separate committees since 2019, the regulations on their functions in the Board Regulations were listed together, with the delegation of their functions by reference.</p> <p>In 2020, the Board of Directors amended the Board Regulations in order to individually and clearly assign in the Regulations those functions that correspond to and have been exercised by each Committee, approving, in turn, Regulations for each of the Committees on 16 December 2020.</p> <p>Accordingly, in 2020 the composition of the Remuneration Committee was changed, with George Donald Johnston III and Javier García-Carranza Benjumea leaving the Committee and Ignacio Gil-Casares Satrustegui and María Luisa Jordá Castro joining the Committee. Likewise, Fernando Ortiz ended his term as Chairman of the Committee and María Luisa Jordá Castro took over the position.</p>

Explain the functions attributed to this committee and any additional responsibilities provided for by law, and describe the procedures and rules it follows for its organization and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised, in practice, each of the functions attributed to it by law, in the Articles of Association or in other corporate resolutions.

The organisation and competence of MERLIN's Remuneration Committee was regulated in section 41 of the Board Regulations and Article 45 of the Company's Articles of Association.

At its meeting held on 11 December 2020, the Committee approved the new regulations, separate from the Board Regulations, the Audit and Control Committee Regulations and the Appointments Committee Regulations, which were approved by the Board of Directors on 16 December 2020.

Given that, throughout its activity in 2020, the Committee has operated under section 41 of the Board Regulations and Article 45 of the Articles of Association, the following main aspects in relation to the Committee with reference to those regulations are summarised below:

The Remuneration Committee:

- i. will be formed by non-executive directors, in the number determined by the Board, with a minimum of three (3) and a maximum of five (5), and the **majority of its members must be independent directors**;
- ii. will appoint a Chairman from among its members, who will be an independent director;
- iii. will also appoint a Secretary and may appoint a Deputy Secretary, neither of whom need to be Committee members or directors; if no such appointments are made, those of the Board of Directors will act as such;
- iv. the renewal, re-election and removal of directors who are Committee members will be governed by the resolutions of the Board.

With regard to its **functioning**, the Remuneration Committee:

- i. is convened by its Chairman, either on his own initiative or at the request of the Chairman of the Board or any of its members;
- ii. it will ordinarily meet at least once a year, and when called by its Chairman, which must call a meeting whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever considered necessary to properly perform its functions.
- iii. it will be considered to be validly convened when attended by the majority of its members in person or by proxy;
- iv. its resolutions are passed by a majority of members attending in person or by proxy, with the Chairman having the casting vote.

The **main tasks** assigned to the Committee are as follows:

- a. Propose to the Board of Directors the remuneration policy for directors and general managers or those who perform senior management functions, as well as the individual remuneration of executive directors and the other terms and conditions of their contracts, and ensure that they are being observed;
- b. analyse, develop and regularly review the remuneration programmes, assessing their suitability and performance, and proposing any amendments or updates;
- c. oversee compliance with the remuneration policy set by the Company; and
- d. assist the Board in preparing the report on the directors remuneration policy.

In 2020, the Committee met on eleven occasions (on 15 January, 4 February, which was adjourned and then continued on 6 February, 19 February, 26 February, 16 March, 2 April, 29 July, 29 September, 22 October, 29 October and 11 December), and also held one meeting with the Board of Directors on 18 June 2020.

Within the framework of these meetings:

- The Company's executive directors attended the Remuneration Committee meetings held on 6 February 2020 (the continuation of the meeting of 4 February) and 29 October 2020.
- Various individuals from KPMG, as a contracted advisor to the Committee, attended the meetings as invited guests. In particular, representatives of KPMG attended the meetings of 15 January, 22 October and 29 October.

At its meetings **in 2020, the most significant activities** undertaken by the Committee, within the framework of its competencies, were as follows:

- a. Recurrent activities, consisting of the following
 - i. Report the amount of fixed (as well as proposed changes) and variable (STIP) salaries applicable to the management team, including executive directors;

- ii. Report on the review of compliance with the targets for the LTIP during the 2017-2019 vesting period, as well as the proposed distribution among the beneficiaries of the portion of the LTIP that became payable upon the authorisation for issue of the financial statements for the year ended 31 December 2019;
 - iii. Prepare the self-assessment of the Committee in 2019;
 - iv. Review and inform on the Annual Directors Remuneration Report;
 - v. Review the Annual Corporate Governance Report and report on aspects within its competence;
 - vi. Approve the Committee's Activities Report for 2019; and
 - vii. Collaborate with the external advisor contracted for this purpose to issue the assessment of the functioning of this Committee.
- b. The Committee's main activity, with the support of KPMG as an advisor contracted for this purpose, was the drafting of the Board Remuneration Policy for the 2020-2022 period, which has meant a very significant change with regard to the previous Policy, with the aim of bringing it into line with best practices and good governance recommendations. In particular, within the framework of the new Remuneration Policy, the Committee, with the support of KPMG, has worked on selecting and determining the criteria, parameters and weighting of the targets to be achieved for the vesting of the variable short-term incentive.
- c. In 2020 the Committee has worked on drafting its own regulations, which are separate from the Board Regulations or those of other committees, following the good governance recommendations and the suggestions of Technical Guide 1/2019 published by the Spanish National Securities Market Commission (CNMV) on Appointments and Remuneration Committees.
- d. Also this year, the CNMV approved the reform of the Good Governance Code for Listed Companies in force since 2015, as notified on 26 June 2020, with one of the aspects of the reform being the clarification of issues relating to the remuneration of directors. The Committee has taken this reform into account in its remuneration proposals for the year.
- e. Finally, and on an exceptional basis due to the pandemic caused by COVID-19, the Remuneration Committee:
- Reported on the decision not to implement a long-term incentive that would include 2020, given the uncertainty surrounding the year; and
 - fostered, supported and reported favourably on the decisions that have been implemented, which consisted of waiving entitlement to variable remuneration for executive directors and the management team, as well as the partial reduction of the remuneration of the Board in 2020.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors			
	Year t Number %	Year t-1 Number %	Year t-2 Number %	Year t-3 Number %
Audit committee	4-80%	3-75%	3-75%	3-75%
Appointments and remuneration committee	-	-	-	1-25%
Appointments committee	1-25%	1-25%	1-25%	
Remuneration committee	2-50%	1-25%	1-25%	

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

All MERLIN's internal regulations (Articles of Association, Board Regulations and Audit and Control Committee Regulations) are available to any interested party on the corporate website (<http://www.merlinproperties.com/gobierno-corporativo/normativa-de-gobierno-corporativo/>)

At the meeting held on 16 December 2020, the Board of Directors approved the Remuneration Committee Regulations and the Appointments Committee Regulations, as well as certain amendments to the Audit and Control Committee Regulations and to its own Board Regulations.

In accordance with section 529 *nonies* of the consolidated text of the Corporate Enterprises Act, as well as Recommendation 6 of the Good Governance Code for Listed Companies, section 79 of Technical Guide 3/2017 of the Spanish National Securities Market Commission and that established in section 25.2) of the Audit and Control Committee Regulations, the **Activities Report of the Audit and Control Committee for 2020** is available to investors, shareholders and any other interested parties on the corporate website (<http://www.merlinproperties.com/gobierno-corporativo/informes-anales/>) from when the Annual General Meeting is called.

Furthermore, and in accordance with section 529 *nonies* of the consolidated text of the Corporate Enterprises Act, as well as Recommendation 6 of the Good Governance Code for Listed Companies, and section 79 of Technical Guide 3/2017 of the Spanish National Securities Market Commission, the Activities Report of the Appointments Committee for 2020 and the Activities Report of the Remuneration Committee for 2020 are available to investors, shareholders and any other interested parties on the corporate website(<http://www.merlinproperties.com/corporate-governance/annual-reports/>) from when the Annual General Meeting is called.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure and competent bodies for approval of related-party and intragroup transactions.

MERLIN has a *Procedure for related party transactions* approved by the Audit and Control Committee on 13 November 2017, which regulates the approval and reporting of related party transactions, without prejudice to that established in sections 35 and 40.6.y) of the Board Regulations on transactions with directors and significant shareholders and on responsibility of the Audit and Control Committee to supervise compliance with regulations on related party transactions, respectively.

This procedure establishes a process for analysing and approving related party transactions in order to ensure compliance with current regulations on related party transactions, as well as the completeness, reliability, relevance, timeliness and adequate documentary support of the information included in the statements of related party transactions.

In this regard, the procedure establishes that:

- Any transaction performed by the Company or the companies forming part of its Group with directors, executives, or with shareholders who have attained the legal threshold for significant shareholdings at any given time or who have proposed or made the appointment of any of the Company's directors, or with the respective related persons, will be subject to authorisation by the Board of Directors, following a report from the Audit and Control Committee.
- As an exception to the above, authorisation for related party transactions must necessarily be agreed by the shareholders at the General Meeting in the cases established by law and, in particular, when the value of the transaction exceeds ten percent of the Company's assets.
- If the execution of a related party transaction gives rise to a conflict of interest, as applicable, for the director that carries out this transaction, or that is related to the person who carries it out, the provisions of section 28 of the Board Regulations will apply.
- The Board of Directors, through the Audit and Control Committee, will ensure that related party transactions are carried out on an arm's length basis and respect the principle of equal treatment of all shareholders who are in the same position. In the case of transactions to be carried out by Group companies, the scope of the authorisation of the Board of Directors referred to in the previous paragraphs will be limited to the verification of compliance with the aforementioned points.
- In the case of related party transactions in the ordinary course of the Company's business and that are of a habitual or recurring nature, prior authorisation of the transactions and their terms of execution by the Board of Directors will be sufficient, following a report from the Audit and Control Committee, and taking into account that established below.
- When the related party transaction involves the successive performance of different transactions, where the second and subsequent transactions are mere acts of executing the first transaction, that indicated in this procedure will only apply to the first transaction to be performed.
- Authorisation will not be required for related party transactions that simultaneously meet the following three conditions: they are performed under contracts with standard terms and conditions applied on an across-the-board basis to a large number of customers; they are performed at market rates, generally set by the

person supplying the goods or services; and their amount does not exceed one per cent of the Group's consolidated annual income.

- The Audit and Control Committee must issue a favourable report to the Board of Directors prior to carrying out any related party transactions. Therefore, new related party transactions must be analysed prior to their execution and, depending on the circumstances of each case and the urgency of the transaction, a meeting of the Audit and Control Committee for such approval may be held, whether an ordinary or extraordinary meeting held in person, or in writing and without a session (e.g. e-mail, telephone session, and other similar means).
- The Company will report on related party transactions in the annual and half-yearly financial report and in the annual corporate governance report, in the cases and to the extent provided by law. Likewise, the Company will include information in the notes to the financial statements on the transactions of the Company or Group companies with the directors and with those acting on their behalf, when they are outside the ordinary course of the Company's business or are not carried out on an arm's length basis.
- Directors and executives must report in writing, within the first week of January and July, on transactions carried out by them and their related parties. In this regard, the Secretary of the Board of Directors sends a request for information to the directors every six months. Accordingly, the Legal Affairs Department does the same for the executives.
- The communication must include the following content: nature of the transaction; date on which the transaction originated; payment terms and conditions; identity of the person who carried out the transaction and relationship, if any, with the director; amount of the transaction; and other aspects, such as prices, guarantees given and received, as well as any other aspect of the transaction that allows it to be adequately assessed, including, in particular, information that verifies whether it was carried out on an arm's length basis and with respect for the principle of equal treatment.
- A communication template is made available to directors and significant shareholders, which requests, among other things, information on related party transactions, and another template is adapted for executives.
- There are separate records of related party transactions for directors (Secretary of the Board of Directors) and executives (Legal Affairs), which include both the transactions reported by them and those known internally by MERLIN, which will be made known to directors and executives prior to their publication.
- The information contained in these records will be made available to the Audit and Control Committee by the Internal Audit Department.

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name or group company or entity name	Nature of the relationship	Type of transaction	Amount (thousand euros)
Other lines of financing				
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Current financing	Financing agreements (loans)	134,712.95
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Current financing	Financing agreements (loans)	65,806.45
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Outstanding balance derivatives	Obligations acquired	158,000.00
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Outstanding balance derivatives	Obligations acquired	122,178.56
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Outstanding balance derivatives	Obligations acquired	65,806.45
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Outstanding balance derivatives	Obligations acquired	62,945.59
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Outstanding balance derivatives	Obligations acquired	55,540.23
Guarantees and other sureties				
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Guarantees received	Guarantees and sureties received	5,445.90
Banco Santander, S.A.	Pº Comer. Carlos III	Guarantees and sureties received	Guarantees and sureties received	1,515.68
Banco Santander, S.A.	Merlin Properties, SOCIMI	Guarantees and sureties received	Guarantees and sureties received	94.77
Repayment of debt, and finance income and costs				
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Repayment of financing	Repayment or cancellation of loans and leases (lessee)	4,556.61
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Fees and interest	Finance costs	1,317.83
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Fees and interest	Finance costs	880.79
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Fees and interest	Finance costs	793.13
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Fees and interest	Finance costs	332.56
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Fees and interest	Finance costs	466.14
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Fees and interest	Finance costs	777.17
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Fees and interest	Finance costs	128.15
Banco Santander, S.A.	Subsidiaries	Fees and interest	Finance costs	27.69
Operating income				

Name of significant shareholder	Name or group company or entity name	Nature of the relationship	Type of transaction	Amount (thousand euros)
Banco Santander, S.A.	Merlin Properties, SOCIMI	Property rental (lessor)	Leases (lessor)	830.47
Banco Santander, S.A.	Torre Dos Oceanos	Property rental (lessor)	Leases (lessor)	49.90
Operating expenses				
Banco Santander, S.A.	Merlin Properties, SOCIMI	Services received (General Shareholders Meeting services)	Services received	60.00
Banco Santander, S.A.	Merlin Properties, SOCIMI	Services received	Services received	37.50
Cash				
Banco Santander, S.A.	Portugal subsidiaries	Cash balances	Current account balances and deposits	32,971.80
Banco Santander, S.A.	Subsidiaries	Cash balances	Current account balances and deposits	24,388.40
Banco Santander, S.A.	Merlin Properties, SOCIMI	Cash balances	Current account balances and deposits	18,140.00
Banco Santander, S.A.	Pº Comer. Carlos III	Cash balances	Current account balances and deposits	12.88

Remarks

D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name or company name of director or manager	Name of the company or entity within its group	Relationship	Type of transaction	Amount (thousand euros)
Executive directors: Ismael Clemente Orrego and Miguel Ollero Barrera	Magic Real Estate, S.L.	These are directors and shareholders of the Company	Leases (lessor)	5.2

Remarks

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
G36 Development, S.L.	Loan to associates accounted for using the equity method, engaging in the management of flexible office space. Interest rate of 1% accrued annually (EUR 6.2 thousand accrued at 31 December 2020).	625.0

Remarks

D.5 Describe the significant transactions between the company or entities of the group and other related parties that have not been reported in the previous sections:

Name of connected person	Brief description of the transaction	Amount (thousand euros)

Remarks

D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

A) CONFLICTS OF INTEREST BETWEEN THE COMPANY AND/OR ITS GROUP OR DIRECTORS
<p>In accordance with section 28 of the Board Regulations, in order to avoid conflicts of interest, directors are required to abstain from:</p> <ul style="list-style-type: none"> - performing transactions with the Company, except for ordinary transactions, carried out under standard terms and conditions for customers and considered insignificant, whereby such transactions are considered to be those whose information is not necessary to present a true and fair view of the Company's assets and liabilities, financial position and results; - using the Company's name or relying on their status as director to unduly influence the performance of private transactions;

- making use of the Company's assets, including its confidential information, for private use;
- taking advantage of the Company's business opportunities;
- obtaining advantages or remuneration from third parties, other than the Company and its Group, associated with the performance of their duties, unless these are merely courtesies; and
- carrying out activities as independent professionals or as employees that involve effective competition, whether present or potential, with the Company or that in any other way put them in permanent conflict with the Company's interests.

These provisions will also apply if the beneficiary of the prohibited actions or activities is a person related to the director.

In any case, the directors must notify the other directors and, where appropriate, the Board of Directors of any direct or indirect conflict of interest that they or persons related to them may have with the interests of the Company. For these purposes, persons related to the directors and those determined by the current law applicable at any given time will be considered to be related persons.

B) CONFLICTS OF INTEREST BETWEEN THE COMPANY AND ITS EXECUTIVES OR EMPLOYEES

In accordance with its Articles of Association, the Company aims to ensure that its conduct and that of the people related to it comply and are compliance with the current law, its corporate governance system and with generally accepted principles of ethical and social responsibility.

The principles and guidelines for conduct contained in the Code of Conduct are applicable to all Group professionals, regardless of their hierarchical or functional level. For the purposes of the Code of Conduct, Group professionals are considered to be executives and employees, as well as those other persons whose activity is expressly subject to the Code of Conduct.

In relation to possible conflicts of interest, the Group's professionals must observe the following general guiding principles:

- a) Independence: to act at all times with professionalism, with loyalty to the Group and its shareholders, and independently of their own interests or those of third parties. Consequently, they will refrain in all cases from giving priority to their own interests at the expense of those of the Group.
- b) Abstention: to abstain from taking part in or influencing decisions that may affect Group companies with which they have a conflict of interest, from participating in meetings in which such decisions are raised and from accessing confidential information that affects this conflict of interest.
- c) Communication: to report any conflicts of interest in which they are involved. For this purpose, the existence or possible existence of a conflict of interest must be reported in writing to their immediate superior and the Appointments and Remuneration Committee.

Under no circumstances may transactions or activities be carried out within the Group that involve or may involve a conflict of interest, unless prior written authorisation is given by the Appointments and Remuneration Committee. The professional should refrain from taking any action in this regard until they have obtained the corresponding answer to their query.

C) CONFLICTS OF INTEREST BETWEEN THE COMPANY AND SIGNIFICANT SHAREHOLDERS

Conflicts of interest between the Company and significant shareholders are regulated in accordance with section 35 of the Board Regulations, and in the Procedure for Related Party Transactions referred to in point D.1 above.

D.7 State whether the company is controlled by another entity, within the meaning of article 42 of the Commercial Code, listed or not, and has, directly or through its subsidiaries, business relationships with said entity or any of its subsidiaries (other than those of the listed company) or pursues activities related to those of any of them.

Yes

No

State whether it has reported publicly and precisely on the respective areas of activity and possible business relationships between, on one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.

Yes

No

State the respective areas of activity and possible business relationships between, on one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries, and identify where these aspects have been publicly reported

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Identify measures taken to resolve potential conflicts of interest between the other controlling company of the listed subsidiary and other group companies:

Measures taken to resolve potential conflicts of interest

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E. RISK MANAGEMENT AND CONTROL SYSTEMS

- E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

On 26 February 2016, the Company's Board of Directors approved the ***Risk Management and Control Policy***, which establishes the basic principles for controlling and managing the risks faced by MERLIN and its group of subsidiaries. The ***Risk Management and Control Policy*** was approved by the Board of Directors in February 2016, and subsequently revised in April 2018 and finally, in its current wording, in April 2019.

This policy establishes the general guiding principles, rooted in the perception that risk management is an ongoing process based on the identification and assessment of the Company's potential risks according to its strategic and business objectives, the determination of action plans and controls for critical risks, the supervision of the effectiveness of the controls designed and the evolution of residual risk to be reported to the Company's governing bodies.

The MERLIN Group's Risk Management System is based on the principles, key elements and methodology established in the COSO Framework ("Committee of Sponsoring Organisations of the Treadway Commission"), and aims to minimise the volatility of results (profitability) and, therefore, maximise the Group's economic value, incorporating risk and uncertainty into the decision-making process to provide reasonable assurance of achieving the strategic objectives established, providing shareholders, other stakeholders and the market in general with an adequate level of guarantees to ensure that the value generated is protected.

Based on a comprehensive view of risk management, MERLIN has adopted a methodological approach based on the **Enterprise Risk Management Framework - Integrating with Strategy and Performance (COSO 2017)**, which emphasises the importance of enterprise risk management in strategic planning and incorporates it throughout the organisation, since risk influences strategy and performance in all areas, departments and functions.

The Risk Management System is based on a model that identifies the Company's key risk events, assesses them in terms of their impact and probability of occurrence, taking into account the controls in place, and monitors and reports their performance on a regular basis.

MERLIN's risk management is a process driven by the Board of Directors and senior management, and each and every member of the organisation is responsible for it within their own purview.

Risk management is supervised by the Audit and Control Committee and allows Management to effectively manage uncertainty and its associated risks, thereby improving the ability to generate value.

The Risk Management System is based on the control environment of the organisation, which influences the risk awareness of all employees, and forms the basis for the other components of corporate risk management.

Subsequently, risk analysis involves the identification and assessment of factors that may adversely affect the achievement of business objectives (risks and uncertainties), with the

aim of reducing or mitigating these risks, providing responses and establishing the relevant control activities.

Finally, the supervision of corporate risk management is carried out through continuous monitoring activities and/or specific actions designed for this purpose, within the Annual Internal Audit Plan, approved by the Audit and Control Committee.

This system is supplemented by a series of policies and procedures implemented in the Company and that are constantly being reviewed and updated in accordance with the changes in the organisation, processes, resources or regulations.

A central element of the Risk Management System is the Risk Map, which was drawn up for the first time in 2015, and is updated every six months by the Audit and Control Committee and approved by the Board of Directors. It reflects and assesses the risks that could potentially impact its ability to meet its objectives. To determine the key risks, the impact on the organisation and the probability of their occurrence were taken into account, thus establishing a standard risk profile to be managed for the most significant risks.

The Committee (with the support of the Internal Audit Department) supervises the model, based on the application of risk management methodology by supervising the identification and assessment of the risks (probability and impact) that affect the objectives of each of the areas. Through the development of the Annual Audit Plan, the Committee evaluates and concludes on the sufficiency and effectiveness of the controls implemented by the Company, and, where appropriate, issues recommendations.

In 2020, the Committee continued the work undertaken in the previous year with the:

- (i) Updating of the **Risk Map** for subsequent presentation to the Board of Directors. **In 2020 and due to the special situation caused by the COVID-19 pandemic, the Risk Map was updated on three occasions**, on 28 January, 20 April and 14 September 2020.
- (ii) **Annual review of the Risk Management and Control Policy**, analysing compliance with the policy, its viability and whether or not it should be updated.
- (iii) **During the the state of emergency**, the Committee monitored on a monthly basis the analysis of the risks arising from the health crisis, as well as legislative developments and their potential impact on MERLIN, in both Spain and Portugal.
- (iv) **Analysis of the Spanish economic and real estate climate and identification of early key risk indicators (KRIs).**
- (v) **Half-yearly monitoring of the main key risk indicators (KPIs)**, as well as the different actions established for their mitigation.
- (vi) **Analysis of Monte-Carlo simulations and sensitivities** of the various risk factors and their impact on the Group's financial statements.
- (vii) **Analysis of the risks affecting the Company in terms of technological and cybersecurity risks**, overseeing the IT Department's action plans in this area.

- | | |
|--------|--|
| (viii) | Review of tax risks, compliance with the tax policy and compliance with the REIT Regime. |
| (ix) | Likewise, and with regard to the risks of the Company's lines of business , the Committee's work plan for 2020 has taken into account informative sessions for managers of the organisation who have presented to the Committee members the most relevant aspects of their areas of action, such as the risks associated with the Logistics Division and the Loom (flexible office space) Division. |

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

<p>A) BOARD OF DIRECTORS</p> <p>Article 4 “General Function of the Board” of the Board Regulations establishes those functions reserved for MERLIN’s Board of Directors by law or under the Articles of Association, which includes the approval of the risk management and control policy and the monitoring of the information and control systems on a regular basis.</p> <p>Set the risk levels that the Company considers acceptable, which is an executive function of the Board of Directors.</p> <p>Aware of the importance of this matter, the Board of Directors establishes, through the Risk Management Policy, the basic mechanisms and principles to appropriately manage the key risks it faces, in order to:</p> <ul style="list-style-type: none"> - favour the fulfilment of the proposed business objectives; - prevent losses arising from risks materialising; - preserve the image and reputation of the Company and its brand; and - have continuity in the analysis and detection of possible threats and new risks in order to analyse their impact and probability of occurrence. <p>To implement risk management and control, the Board of Directors is assisted by the Audit and Control Committee, which supervises and reports on the adequacy and effectiveness of the risk management and control system, including tax risks.</p> <p>B) AUDIT COMMITTEE</p> <p>The Audit and Control Committee supports the Board in supervising the risk management system and is the body responsible for reviewing the effectiveness of the risk management and internal control system during the year.</p> <p>In this regard, and in accordance with the functions established in its own Regulations, the Audit and Control Committee is responsible for supervising the effectiveness of the Company’s internal control, internal audit and risk management systems, as well as discussing any significant weaknesses detected in the internal control system. The Audit and Control Committee will therefore carry out, among others, the following basic functions:</p>
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- Supervise all matters relating to the different types of risk faced by the Company, including financial, economic or tax risks, contingent liabilities, other off-balance sheet risks, as well as operational, environmental, technological, legal, social, political and reputational risks.
- Assess, at least on an annual basis, the list of the most significant financial and non-financial risks based on the information provided by management, the head of the internal audit department and, where applicable, the risk management and control unit.
- Hold, at least on an annual basis, a meeting with the heads of the business units where they explain the business trends and the associated risks, and strengthen the idea that the heads of the business units are directly responsible for effectively managing the risks and that there must be a manager assigned to each risk identified.
- Approve the internal audit plan for the ICFR assessment, and any changes thereto, and receive periodic information on the results of its work, as well as the action plan to correct any deficiencies identified.
- Periodically review the Risk Management and Control Policy and propose any changes and updates to the Board of Directors.
- Regularly review the Company's internal control and risk management systems and, in particular, ensure that the system of internal control over financial reporting (ICFR) is correctly designed, so that the main risks are appropriately identified, managed and disclosed.
- Monitor the effectiveness of the Company's internal control, internal audit and risk management systems, including tax risks, and discuss with the external auditors any significant weaknesses in the internal control system identified during the course of the audit.
- Ensure the independence and effectiveness of the internal audit function, checking its adequacy and integrity, and supporting the Audit Committee in its work of supervising the internal control system.
- Actively develop the implementation of a risk map and the corresponding processes inherent to it, as well as a system of internal control over financial reporting (ICFR).
- Supervise MERLIN's Risk Map, ensuring that MERLIN's risk exposure is consistent with the strategic positioning required at all times for approval by the Board of Directors.
- Approve the budget allocated to the risk management function and the internal audit function.

The Audit and Control Committee carries out these supervisory functions through the approval and monitoring of the action and/or contingency plans agreed within the work plans implemented by Internal Audit, analysing the reports carried out by the head of Internal Audit in relation to the key processes (risks, internal control, ICFR, etc.), thus verifying the adequacy, effectiveness and integrity of the Risk Management System implemented by Company Management.

C) SENIOR MANAGEMENT

In order to ensure that the risk management system operates in a sustainable manner over time, those responsible for managing the model, as well as a person responsible for monitoring and supervising it, have been identified in each of the Group's companies and business divisions.

Accordingly, the **Operating Committee** (OpCo) is responsible for daily risk management, which includes the identification, assessment and mitigation of risks, as well as the design and implementation of action plans and assessment of the internal control system, ensuring its operational effectiveness.

MERLIN considers that the entire company should be actively involved in risk management, with MERLIN's Management being responsible for leading, implementing, transmitting and managing the strategy and resources that make up the Risk Management System, and assumes the fundamental commitment of ensuring an adequate level of independence, based on the following principles:

- Consider risk to be any threat that an event, action or omission may prevent MERLIN from achieving its objectives, successfully executing its strategies, or correctly carrying out its operations, or the loss of opportunities.
- Establish the mechanisms for adequate risk management, taking into consideration risk identification, assessment, response, follow-up and reporting.
- Promote and implement the strategy, culture, resources and processes that make up integrated risk management, which will be reviewed on a regular basis to ensure it is in line with MERLIN's situation and its environment.
- Allocate the responsibility of identifying, analysing, assessing, evaluating and supervising the Risk Management System among the different levels of the organisation.
- Encourage the establishment and implementation of guidelines, limits and mechanisms that ensure risk management is being carried out in accordance with the risk appetite accepted by the Company.
- Promote, foster and disseminate the Risk Management System through training and communication, ensuring the dissemination of this policy, together with the implementing documentation.

D) RISK MANAGEMENT DEPARTMENT

The risk management function is carried out by the Internal Audit Department, an independent function that reports functionally to the Audit and Control Committee and administratively to General Management.

Within the framework of risk management, the Internal Audit Department coordinates the information received from the various people directly responsible for risk management and reports to the Audit and Control Committee. In this regard, the Internal Audit Department has, among others, the following functions:

- Supervise the risk identification process, ensuring that the main risks are identified and keep the risk catalogue and the Risk Map up to date.
- Review compliance with the risk levels considered acceptable by the Company.
- Supervise compliance with the measures in place to mitigate the impact of identified risks, should they occur.
- Assess the information systems and operation of the controls used to manage risks.
- Report to the Audit and Control Committee on a regular basis regarding the evolution of the risks identified, the analyses carried out on their potential impact on the Company's objectives and on compliance with the measures identified to mitigate these risks, proposing recommendations to improve the system and the Group's level of internal control.

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

MERLIN is exposed to a variety of risks inherent to the various segments of the real estate business in which it operates and in the leasing and/or development activities it carries on in each of these segments, as well as in the geographical areas in which it is established and in the evolution of external factors, both political and economic.

In this regard, the Board of Directors considers Risk Management to be an instrument that contributes to achieving greater efficiency and effectiveness in its operations and that ensures the achievement of the strategic objectives established in the long-term commitments acquired with the markets and shareholders, as well as the short-term objectives established annually through the annual budget.

In accordance with COSO ERM 2017 and for the effective management of MERLIN's business risks, the process of identifying and assessing risks has taken into account the development of MERLIN's strategy (Mission/Vision) with the objectives communicated to capital markets and investors.

Based on the analysis of MERLIN's vision, values and strategy, the various components are analysed according to the grouping of the different strategic objectives included in these

elements, i.e. the benchmark REIT, creation of long-term value, generation of sustainable and growing dividends, values of transparency, ethics and responsibility.

In 2020, MERLIN's Risk Map was updated to expressly include a new category of ESG (Environmental, Social and Governance) Risks, replacing the previous category of stakeholder risks, to highlight the importance of this type of risk in the Company's management and administration in its commitment to sustainability, social responsibility and governance in accordance with the highest standards of corporate governance.

In this regard, MERLIN's Risk Map has a total of 29 key risks, from the perspective of the different strategic components, as shown below:

- **Business risks:** these affect the strategic objectives of long-term value creation and the generation of a sustainable and growing dividend, and are mainly achieved through the Group's various assets, grouped into the different business segments (offices, shopping centres, logistics and others):
 - 1.- Asset occupancy (vacancy, sale, renewals)
 - 2.- Fluctuation in the level of income
 - 3.- Income concentration in top 10
 - 4.- Loss of value of the properties
 - 5.- Inefficiency in investments/capex
 - 6.- Political risk in Spain
 - 7.- Changes in consumption pattern

- **Resource risks:** these affect the strategic objectives of generating a sustainable and growing dividend and the values of transparency, ethics and responsibility, and are achieved mainly through the Group's various internal and external resources (human, technological and financial):
 - 8.- Personal dependency / remuneration
 - 9.- Occupational risk prevention
 - 10.- Business continuity plan
 - 11.- Cybersecurity breaches
 - 12.- Technological innovation
 - 13.- Company credit rating
 - 14.- Volume of short-term payables
 - 15.- Interest rate of the debt
 - 16.- Insurance and underinsurance
 - 17.- Compliance with covenants
 - 18.- Investments/divestments

- **ESG (Environmental, Social and Governance) risks:** these affect the strategic objectives of sustainability, leadership and benchmarking (being the benchmark REIT) and the values of transparency, ethics and responsibility, and are achieved mainly through the various actions and policies carried out by the Group to ensure the sustainability of its assets, as well as the actions aimed at its various

stakeholders (customers, suppliers, society, investors and shareholders, and regulatory bodies):

- 19.- Physical impact on assets (health & climate)
- 20.- Energy transition costs
- 21.- Reputation / preference (sustainability)
- 22.- Reporting versus sustainable standards
- 23.- Country macroeconomic conditions
- 24.- Tenant satisfaction
- 25.- Shareholder return (dividends)
- 26.- REIT regime
- 27.- Fraud / unethical behaviour
- 28.- Regulatory changes
- 29.- Over-regulation

MERLIN's Risk Management System assesses all risks in terms of impact and probability, obtaining a residual risk indicator for the current year, identifies those KPIs to be reported, as well as KRIs (forward-looking indicators), and assigns those responsible for reporting and implementing or developing the mitigating measures identified for each of the risks.

E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

Setting the risk tolerance level is an executive function of the Board of Directors that cannot be delegated. MERLIN prioritises the risks identified according to their importance and places them on a Risk Map, which in turn determines the proximity of importance to a predetermined tolerance threshold.

MERLIN envisages the risk appetite as the level of risk that the Company is willing to assume or reject based on its objectives, taking into account the expectations of its stakeholders, and risk tolerance as the determination of fluctuations in the level of risk considered to be normal in accordance with its risk appetite.

To identify the key risks, a global tolerance threshold has been considered based on the impact of the risk on the organisation and the probability of occurrence, establishing a standard risk profile to be managed for the most significant risks.

It is important to highlight the existence of risks with “zero tolerance”, in other words risks where the response strategy is “avoidance”, which implies not continuing with the activity that causes the risk or changing the way in which it is carried out.

This type of risk includes all risks related to compliance with the terms and conditions of the **REIT Regime**, with any other legal or regulatory breaches, with the terms and conditions of financing arrangements and the distribution of dividends, risks related to any

type of fraud (by the Company-s executives and employees, customers or suppliers), and those related to anti-money laundering and countering the financing of terrorism.

In this regard, in 2018 the Board of Directors approved the **Tax Strategy, Tax Policy, and Tax Function Regulations**, which establish a series of guiding principles, including strict compliance with tax obligations and payment of taxes that are legally enforceable, not to use artificial structures or structures that make no economic or business sense in order to reduce the tax burden of the Company or its shareholders, and the commitment not to operate in territories classified as tax havens for the main purpose of reducing the tax burden of the Company or its shareholders.

In 2019 the Board of Directors also approved a **significant reform of MERLIN's Corporate Governance System** through a series of policies that express the Company's desire to strictly comply with the highest standards of ethical and legal behaviour.

These policies include the **Policy on Corruption and Fraud**, which is based on the principle of zero tolerance for unlawful or criminal acts and, therefore, does not allow any of its employees, regardless of their hierarchical or functional level, to become involved or participate in any transaction or business within its business activity that involves a criminal or fraudulent act or goes against the principles set out in its Code of Ethics; and the **Public Authority Relations Policy**, which aims to establish the basic principles governing the Group, and the rules of conduct for MERLIN Group employees in their interactions with public authorities to impose preventive and proactive action in the fight against corruption and bribery in all areas of its business activity.

In 2020 the Board of Directors completed the reform of MERLIN's Corporate Governance System initiated in 2019, with the approval of the stakeholder relations policy, director selection, appointment and removal policy, general corporate governance policy; whistleblowing channel communication protocol, and amendments to the corporate social responsibility policy.

With regard to risks relating to corruption and fraud and MERLIN's Criminal Compliance Management System, it is worth noting that it obtained quality certification in 2019, which was subsequently renewed in 2020, in accordance with the UNE 19601 standard, the Spanish national standard for best practices in management systems to prevent crime, reduce risk and promote an ethical business culture that complies with the law, thus contributing to generating confidence.

The UNE 19601 standard establishes the requirements for criminal compliance management systems with the goal of going beyond compliance with the law and helping companies and organisations prevent crimes from being committed and reduce criminal risk and, thus, promote a culture of ethics and compliance. Likewise, Circular 1/2016 of the Public Prosecution Service values certification as a very significant element to be considered, if necessary, when assessing the effectiveness of criminal prevention models and in exonerating legal entities from criminal liability.

The certification accredits that MERLIN's Crime Prevention and Detection Model meets the standard's requirements and is also effective in its commitment to ongoing improvement to incorporate the highest standards of compliance.

Among other aspects, MERLIN's Crime Prevention and Detection Model includes a map of risks or criminal offences to which the Group is exposed due to its activity and identifies, documents and executes more than 90 controls linked to such offences, demonstrating that the organisation has put in place the mechanisms and controls within its reach in the area of criminal compliance.

MERLIN has therefore become one of the first real estate companies among the Ixex 35 to obtain this certificate, a certificate that helps to generate confidence among its stakeholders and recognises MERLIN's effort to prioritise and adopt the best national and international practices in compliance, corporate governance, social responsibility and business ethics.

E.5 State what risks, including tax risk, have materialized during the year.

The outbreak of the health crisis caused by the spread of COVID-19 is the most significant event in terms of risk that the Company had to face in 2020.

Since the publication of Royal Decree 463/2020, of 14 March, declaring the state of emergency to manage the health crisis caused by COVID-19, Merlin has implemented a series of early commercial actions aimed at facilitating compliance with the terms of the obligations assumed by tenants in its portfolio that have been affected by a government order to close or suspend their activity and who are up to date with their obligations. More detail on these commercial actions, referred to as "Commercial Policy" and "Supplementary Commercial Measures", is included in subsection E.6 (b) below.

Furthermore, tenants affected by government orders to close their establishments or suspend their activity have also been able to benefit, to the extent that they fit within the subjective scope of the rule, from state, regional and municipal measures with regard to labour and tax matters and access to financing, among others, that the various governments have launched to alleviate the effects of the health crisis caused by the spread of COVID-19, thus facilitating the preservation of the balance in their reciprocal benefits, in the context of relations with their suppliers.

Accordingly, the regulatory framework derived from Royal Decree Law 15/2020, of 21 April, and Royal Decree Law 35/2020, of 22 December, contributed to reducing the uncertainty regarding the effect of the health crisis on the various lease agreements, as it contains a real distribution of risk.

Although Merlin has been closely monitoring the development of the health crisis since its beginning and maintaining a proactive attitude to help its tenants affected by a government order to close or suspend their activity to comply with their contracts, the start of the vaccination campaigns as of the end of December 2020 is expected to help to reduce the time horizon of uncertainty that currently exists.

MERLIN considers that the COVID-19 health emergency and its effects on the Group's activities primarily affect the following aspects:

Uncertainty in the measurement of fair value of investment property

The COVID-19 pandemic has impacted global financial markets. Activity in the real estate market is being affected in many sectors. Therefore, reports by independent third-party experts place less weight on prior evidence from the market as a reference to establish their appraisals. In this regard and as at 31 December 2020, the appraisals carried out by CBRE

Valuation Advisory, S.A. and Jones Lang LaSalle, S.A. (responsible for 79.1% of the Group's appraisals), although they point out that the pandemic and the measures taken to deal with COVID-19 continue to affect the economy and the real estate market globally, highlight that, at the date of their appraisal, the real estate markets have already started to work again, with a sufficient volume of transactions and other market evidence on which to base their opinion of value. In the case of appraisals carried out by the independent external third party Savills Consultores Inmobiliarios, S.A. (which, at 31 December 2020, valued 20.9% of the Group's GAV), these are issued on the basis of "material valuation uncertainty" under VPS 3 and VPGA 10 of the RICS Global Valuation Standards and, therefore, recommend that the appraisal be kept under regular review.

The appraisal methods have not been modified, although they were influenced, among other things, by the following aspects arising from the effects of COVID-19.

- Closure of activities in shopping centres.
- Loss of customers and reductions in traffic.
- The positive impact on logistics distributors.
- The risk of losing major contracts.
- Payments of rent for commercial spaces.
- Increased discount rates and exit capitalisation rates due to future uncertainty.

Liquidity and credit risk

The appearance of the health crisis and the impact on the economy had a significant impact on the general financial position of companies, which can be divided into the specific liquidity risk of the companies or groups and the liquidity risk of customers (credit risk).

Occupational risk prevention

Although Royal Decree 6/2020 stipulated that temporary incapacity resulting from COVID-19 infection or preventive isolation was regarded as an accident at work in terms of benefits: "*In order to protect public health, those periods of isolation or infection of workers caused by COVID-19 will be considered, on an exceptional basis, a situation regarded as an accident at work, exclusively for the temporary disability benefits of the social security system*", the final provision one of Royal Decree 13/2020, on agricultural employment, adds the following sentence to the previous provision: "*unless it is proven that the infection of the disease was contracted exclusively as a result of carrying out the work under the terms indicated in section 156 of the consolidated text of the General Social Security Act (Ley General de la Seguridad Social), approved by Royal Legislative Decree 8/2015, of 30 October, in which case it will be classified as an accident at work*".

These rules, together with the context of the COVID-19 health crisis itself, point to the potential liability (including criminal liability) of the employer, in the event of a possible serious breach of its obligation to adopt the health and safety measures necessary for the protection of workers.

Personal data protection

Another risk that has increased significantly as a result of the COVID-19 health crisis concerns the processing of personal data, either (i) related to the processing of workers'

health data (cases of infection) or (ii) related to the processing of their biometric data (temperature control).

Other risks

In addition to the aforementioned risks, in 2020 and as a result of the health and economic crisis caused by COVID-19, the Audit and Control Committee has paid special attention to the substantial increase in the intensity of other risks during the year, such as:

- 1.- Asset occupancy (vacancy, sale, renewal)
- 2.- Fluctuation in the level of income
- 4.- Loss of value of the properties
- 7.- Changes in consumption pattern
- 11.- Cybersecurity breaches
- 19.- Physical impact on assets (health & climate)
- 23.- Country macroeconomic conditions
- 25.- Shareholder return (dividends)
- 28.- Regulatory changes

MERLIN has implemented effective mitigation measures for all these risks, as well as individualised response plans, as detailed below.

- E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise

MERLIN understands that it is as important to identify the risks in its integrated Risk Management System as it is to determine risk management measures and ensure that these measures are effective.

The Company therefore continuously monitors risks, ensuring the feasibility, effectiveness, efficiency and sufficiency of the responses established for these risks.

In this regard, and given the exceptional nature of 2020, MERLIN implemented a specific response plan for the various risks exacerbated by the health and economic crisis caused by COVID-19.

COVID-19 response plan

a) Measures to strengthen MERLIN's capital structure

- **Capex investments.** MERLIN reviewed its investment plans to prioritise investments in assets with high levels of pre-rental.
- **Reduced overhead costs.** At its meeting held on 8 April 2020, the Board of Directors decided to reduce its remuneration by 25%, and the Chief Executive Officer, the Corporate General Manager and the management team decided to waive their entitlement to all variable remuneration for 2020. In addition, given the situation, it was agreed not to implement a long-term incentive plan.

- **Drawdown of additional financing.** On 20 March 2020, the Group drew down on its corporate line of credit, which was fully available, for a sum of EUR 700 million. This drawdown, which was repaid in full in July 2020, formed part of the objective of strengthening the financial position in an environment of uncertainty following the onset of the pandemic. In relation to these actions, after June, financing in the form of EUR 500 million in bonds was issued with a maturity of 7 years, with the aim of repaying various bonds and loans maturing in 2022, 2023 and 2025.
- **Dividends.** On 8 July 2020, the 2019 dividend was paid out after it was passed at the General Shareholders Meeting held on 17 June 2020, for a sum of EUR 68,518 thousand. However, even though a refund of the share premium was passed for a maximum of EUR 0.173 per share payable in cash, its execution was delegated to the Board of Directors, which decided not to pay out the dividend given the impact of COVID-19 on the performance of its business.

b) Measures to mitigate tenant credit risk

- **Commercial policy:** After the outbreak of the pandemic, the Group implemented a commercial policy that offered 100% rent credits to commercial tenants whose activities were shut down by the government due to the state of emergency and that were up to date on their contractual obligations. This policy was in force during the shutdown mandated due to the state of emergency and involved a 100% rent credit for tenants that continued to pay common expenses and waived their right to any future actions against MERLIN in relation to COVID-19.
- **Supplementary commercial measures:** In addition, the Group approved supplementary commercial measures that were implemented from June to 31 December 2020. These measures were aimed at the majority of commercial tenants in the Group's asset portfolio that have been affected by the order to close their establishments, a significant operative restriction, or suspension of their activity to facilitate compliance with their obligations under the various lease agreements on their terms for the remainder of 2020. The measures consisted of the application of a decreasing partial rent credit from June to December 2020.

c) Measures to mitigate the risk of infection on its assets

Since the start of the COVID-19 pandemic, MERLIN has launched various initiatives in its assets, which have been categorised into the main lines of recommendations from the competent authorities: (i) social distancing measures; (ii) hygiene and cleaning measures; and (iii) organisational measures. The objective of these measures is to minimise the risk of infection with COVID-19, preserving the health and safety of those who enter the buildings, taking into consideration the evolution of the spread of the virus, and the latest provisions adopted by the various governments, in addition to the various recommendations and ministerial orders of the Ministry of Health and the Ministry of Industry, Commerce and Tourism. At any rate, since the situation of the pandemic is highly dynamic, the measures taken will be adjusted whenever necessary to respond to the rapidly changing circumstances related to COVID-19 and the recommendations from the competent authorities. Based on this situation, the Group has acquired gloves, masks, sanitiser gels and protective screens and adopted other measures for sensitive areas (stairs, lifts and restrooms).

The protocols for action and prevention in offices and shopping centres have been subject to **external certification by AENOR**, which has certified the implementation and development of the protection measures, as established in

the various plans communicated to tenants and customers, for each multi-tenant office asset and for each of the shopping centres.

d) Measures to mitigate the risk of infection for its employees

MERLIN, through the contracted Health Surveillance Service, implemented a Contingency Plan for COVID-19 in April 2020, with the aim of adapting and updating its preventive planning, taking into consideration the risk of a pandemic (general or specific) for each job category and documenting the measures for its prevention, and implementing an action protocol in cases of infection or suspected infection by a worker. Subsequently, on 10 May 2020, all MERLIN employees were notified of the plan to return to the offices of the Company's various work centres, which included:

Organisational measures: with key dates for staggering the return to the offices, gradually reducing the number of employees working from home, taking into account the personal circumstances of each worker, as well as the protection of those most vulnerable.

Social distancing measures: in the organisation of work stations, a flexible timetable for arrivals and departures, use of meeting rooms, use of common areas, mobility within the office, restriction of visits and business trips.

Protection measures: distribution of PPE (FFP2 masks) to all workers, installation of hydroalcoholic hand gel, information signs, a room for taking employees' temperature as they enter the office.

Action protocol in the event of a suspected infection: temperature measurement before going to work and reporting any suspected infection to Human Resources.

- **PCR, serological and antigen tests** weekly voluntary detection tests are carried out on the entire workforce to detect any incident and to isolate and quarantine the affected employees.

Lastly, and in compliance with Ministerial Order SND 388/2020 which requires that staff must be informed and trained in the risk of COVID infection, as well as in the use of PPE, MERLIN has made available to all workers, through the occupational risk prevention service, an on-line training platform with a course of approximately 3 hours, which covers all the necessary topics for further training in all matters related to COVID-19 (virus typology, routes of infection, protection and hygiene measures, use of personal protective equipment, etc.). This training was determined to be mandatory for all MERLIN staff and they were required to pass a test that had to be taken prior to returning to work at the office.

Furthermore, despite the circumstances surrounding the year, MERLIN maintained the response plans already established for the other risks identified in the Corporate Risk Map, as detailed below.

Recurring response plan

MERLIN set up its response plans through policies, procedures and controls that are adjusted based on the different risks that affect or may affect the Company. In this regard, the Group has defined and identified a series of different types of controls, has designated the person responsible for each control and assesses on a regular basis the risk and its residual component after carrying out and documenting the control. In addition, specific

improvement plans have been established for operational, strategic, compliance and reporting risks that are considered to be significant.

The Audit and Control Committee is committed to the risk management and control process, approving policies, procedures and control structures it considers necessary. The Company's General Management, as well as the Finance Department and the Company's other business divisions analyse at their regular meetings the situation and evolution of the main risks affecting the Group, taking corrective measures when considered necessary.

The following is a summary of the main mitigation measures implemented in the management of the risks considered to be significant:

- **Business risks:**

- **Monitoring external factors** of the real economy with an impact on the value of the assets, i.e. factors that affect demand (rent renegotiations, unexpected tenant departures, potential future supply, etc.), and factors that affect the return and valuation of assets (interest rates, real estate market yields).
- **Independent asset valuation** every six months, rotation plan for appraisers, review of appraisals by the external auditor, and internal verification of the appraisal: monitoring of the discount rates applied in the appraisal and of the investment alternatives.
- **Ongoing monitoring of business indicators** (occupancy, rent, vacancies, like for like, release spread, etc.) of the contracts for each tenant / operator, the concentration of gross rents for the largest tenants, the credit risk of the main tenants and the design of contingency plans for the potential departure of each major tenant.
- **Implementation of an internal marketing team** that provides service to all business segments in the processes of attracting, marketing and renewing asset contracts.
- **Investment plan (Value Creation Plan 2019-2022)** that will enable the quality of a certain number of properties to be repositioned within the Flagship, Landmark, Best II and Best III plans, which will contribute to increasing gross rents and maximising the return on the existing portfolio.

- **Resource risks:**

- **Long-term remuneration incentive plan:** with a view to retaining key personnel, the Company has variable remuneration plans and is designing and implementing succession plans by main business area.
- **Strategic innovation plan** that encompasses various initiatives launched for the digitalisation of internal processes and interaction with tenants, the development of new business models such as the leasing of flexible office space, and various initiatives linked to energy efficiency and the digitalisation and sensorisation of assets.
- **Strict financial policy**, by continuously monitoring the debt markets (mortgage, corporate banking, bonds), monitoring the gearing ratio, maturities and average cost of debt, maintaining lines of credit open and reports from the external auditor on compliance with covenants.
- **Investment procedures and control structures:** documentation of the operation of the financial models, implementation of modification and

integrity controls in all models and internal audits to check the return on investments.

- **Implementation of an IT Security Plan:** establishment of a General Controls Manual on Information Systems, annual plan for improvements to information systems, cybersecurity awareness exercises, monitoring of incidents and regular reporting to the Audit Committee.

- **ESG (Environmental, Social and Governance) risks:**

- **Sustainable certification of assets:** monitoring the objective of having almost all of its assets LEAD and BREEM certified, as well as maintaining accessibility certifications in centres.
- **Energy efficiency:** monitoring numerous initiatives linked to efficiency, including the photovoltaic project in logistics.
- **Sustainability index reporting:** monitoring and review of the information reported to the various sustainability indexes (GRESB, CDC), analysing the scores obtained and establishing action plans for continuous improvement.
- **Implementation of general controls** (Strategy and Tax Policy), as well as tax department regulations and a protocol for reviewing compliance with Spanish Law 16/2012.
- **Ongoing monitoring of compliance with REIT requirements:** quarterly calculation of compliance with the income and asset test, review of criteria and calculation by an external expert, regular reporting to the Audit Committee and the Board of Directors, audit of calculations by the auditor every six months and on an annual basis, simulation exercises with future plans and annual budgets.
- **Monitoring of the control bodies:** regular reporting to the Audit and Control Committee on the plans and activities of the Criminal Compliance Body, as well as the Internal Control Body with regard to anti-money laundering and countering the financing of terrorism.
- **Supervision of the System of Internal Control over Financial Reporting (ICFR):** model of responsibilities based on the three lines of defence model, documentation of all processes involved in the preparation of financial information, risk and control matrices, regular supervision of the model by the Audit and Control Committee.
- **Monitoring of the political and regulatory environment:** regular reporting of new sector regulations, analysis of drafts of new regulations anticipating impacts, ongoing contact with specialised advisors and monitoring of all relations with public authorities.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

In accordance with MERLIN's Articles of Association, the Board of Directors is responsible for preparing the financial statements, the directors' report and the proposed allocation of the Company's profit or loss, and for approving the Annual Corporate Governance Report to be submitted at the General Meeting, the risk management and control policy, and for monitoring internal information and control systems on a regular basis.

The MERLIN Group's Internal Control Policy aims to define a framework that regulates the process of preparing and supervising financial information, applicable to all Group companies, and also applicable to the preparation of consolidated financial information, consistent with the principles of transparency, usefulness, truthfulness, consistency and adequacy, and that clearly defines the responsibility of its managing bodies in this process.

The main objective of the internal control process is to ensure that the consolidated financial information published by the MERLIN Group presents fairly, in all material respects, the equity, financial position, results and cash flows of the consolidated companies.

Internal control is understood to be the process carried out by the Board of Directors, management and other personnel of the organisation in order to provide reasonable assurance as to the effectiveness and efficiency of operations, reliability of financial information, compliance with applicable standards and safeguarding of assets. In this regard, internal control is an integral part of corporate risk management.

The **System of Internal Control over Financial Reporting (ICFR)** is a part of internal control and consists of a set of processes that the Board of Directors, the Audit and Control Committee, senior management and the Company's personnel involved carry out to provide reasonable assurance regarding the reliability of the financial information published in the markets. This framework applies exclusively to ICFR.

The MERLIN Group has allocated specific and sufficient resources to ensure the effective implementation of the Internal Control over Financial Reporting (ICFR) Policy.

ICFR is a system that affects all levels of the organisation and all Group personnel. The main functions relating to the Group's System of Internal Control over Financial Reporting are attributed to the control structure defined in the Board Regulations:

- a. The Board of Directors, responsible for approving the ICFR.
- b. The Audit and Control Committee, a delegated body of the Board of Directors, is entrusted with the supervision of the ICFR, a function it performs through the Internal Audit Department.
- c. The MERLIN Group's Finance Department, responsible for the design, implementation, execution and monitoring of the ICFR.
- d. The departments and divisions of MERLIN Group companies, responsible for risk identification and execution of controls in their respective areas of responsibility.
- e. The MERLIN Group's Internal Audit Department, responsible for the supervision of the ICFR.

The powers of each of these levels are attributed based on the principles of hierarchy and competence.

F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

- **Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.**

As established in **MERLIN's System of Internal Control over Financial Reporting Manual (ICFR Manual)**, this is a system that affects all levels of the organisation and all Group personnel. The main functions relating to the Group's System of Internal Control over Financial Reporting are summarised in the following points:

- The Board of Directors is responsible approving the ICFR.
- The Audit and Control Committee, through the Internal Audit Department, is responsible for supervision the ICFR.
- The Finance Department is responsible for the design, implementation, execution and monitoring of the ICFR.

The Board of Directors, as the body ultimately responsible for approving the ICFR, has determined that the Audit and Control Committee is the body delegated to supervise its effectiveness. The Audit and Control Committee must therefore ensure correct compliance with the responsibilities defined and assigned to the Finance Department and other departments and areas relating to the Group's ICFR.

The organisational structure defined in the Group in relation to the main supervisory functions is as follows:

Audit and Control Committee

In order to obtain reasonable assurance as to the reliability of the financial information, the Audit and Control Committee monitors:

Compliance with regulatory requirements.

The accurate demarcation of the scope of consolidation.

The correct application of accounting principles.

The adequacy of the control policies and procedures implemented.

The Committee is responsible for the process of preparing and presenting the financial statements and periodic financial information, verifying that it complies with current law, that it is complete and accurate, and that it must be supplied to the markets and their supervisory bodies, and that the preparation and publication process is correct. It will report, prior to its approval by the Board of Directors, on any recommendations it may offer in this regard.

The Audit and Control Committee has various sources to determine whether Management has implemented an effective system of supervising the ICFR. The main sources of analysis are as follows:

Management questions posed and observations made to Management.

Work performed by Internal Audit.

Engagement of specialists or specialised resources.

Supervision of the work of the external auditors.

The Audit and Control Committee relies mainly on the work of the internal auditor and holds meetings with the external auditors as necessary.

Finance Department

The Group's Financial Management is responsible for identifying the risks of error or fraud in the financial information. To identify these risks, it starts with the risk analysis determined by the *Scope of the ICFR*, documenting and keeping evidence obtained from this analysis of the material controls carried out, which will be reviewed on a regular basis. It is also their responsibility to notify the internal and external auditors of any changes in the scope of consolidation that will affect their own scope.

MERLIN's Finance Department is responsible for establishing the design, implementation and overall monitoring of the Group's ICFR. It has therefore established a structure that allows it to be implemented and reviewed efficiently and in which all levels of responsibility in the Group participate.

In order to fulfil this responsibility, the Finance Department is supported by those responsible for each process, to monitor that the controls are being adequately executed in accordance with the model implemented, and the supervision of the effectiveness of the model is completed with the cooperation of Internal Audit.

In addition, and as a commitment to the proper functioning of the ICFR, specific training is given to members of the Financial Department as considered necessary, including on

IFRSs and the Spanish national chart of accounts, rules on consolidation, taxation and capital market reporting, internal control and risk management concepts.

Process Managers

The Process Managers are responsible for contributing to the proper functioning of the ICFR, both from the point of view of the design and functioning of the controls. These managers are personnel from the Finance Department with sufficient knowledge and level of responsibility at MERLIN to supervise compliance with the functions assigned to the Control Executors in terms of internal control and to monitor that the controls are properly carried out.

Internal Audit

The Internal Audit Department is responsible for planning the supervision of the ICFR with the appropriate scope and frequency in order to review its effectiveness, considering the work in its annual Internal Audit Plan, subject to the approval of the Audit and Control Committee (3rd line of independent defence).

Internal Audit determines the nature and extent of the tests to be performed to facilitate the identification of possible control deficiencies and the analysis of their causes in order to determine the degree of compliance and efficiency of the control systems.

Internal Audit is also responsible for supervising the Action Plans that are put in place to rectify any control deficiencies that have been identified during the process of documenting and carrying out the controls.

- **Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state whether there is specific mention of transaction recording and creation of financial information), a body charged with analyzing breaches and proposing corrective actions and sanctions.**

The Company has a Code of Conduct, approved by the Board of Directors on 16 December 2015, which reflects MERLIN's commitment to the principles of business ethics and transparency in all areas of activity, establishing a set of principles and guidelines for conduct aimed at ensuring the ethical and responsible behaviour of all Group professionals in the performance of their activities, including accounting records and the preparation of financial information.

The Appointments Committee is the body responsible for the internal and external dissemination of the Code of Conduct, as well as its interpretation and general integration. Its interpretative criteria are binding for all the Group's professionals. Non-compliances are analysed and managed in accordance with the whistleblowing channel protocol.

MERLIN's Code of Conduct is public and available to any interested third party from the corporate website. Likewise, an Ethics and Criminal Compliance clause has been included in all lease agreements and contracts with suppliers since 2018, which states the obligation of the parties to know and enforce compliance with the Code, and to report any signs of unlawful or unethical conduct.

The Code of Conduct applies to all Board members and all employees of MERLIN Group companies. They are all obliged to know and comply with the Code of Conduct and collaborate in its implementation at MERLIN. The scope of application of the Code may be extended contractually to any other natural or legal person with commercial relations with MERLIN when, due to the nature of that relationship, its activities could affect the Group's image and reputation.

As a specific and relevant subsection, MERLIN's Code of Conduct includes a specific chapter on transparency of information. It requires all employees and directors, within the scope of their duties, to provide truthful, complete, understandable and timely information, and under no circumstances will they knowingly provide incorrect, inaccurate or imprecise information that could mislead the recipient.

Specifically, it will ensure the reliability and completeness of the financial information that, in accordance with applicable law, is publicly supplied to the market. In particular, the accounting policies, controls and monitoring mechanisms defined by the Group to identify relevant information will be identified, prepared and communicated in due time and form.

The Board of Directors, the Audit and Control Committee and the other governing bodies will also monitor on a regular basis the effectiveness of the internal control system for the preparation of financial information to be sent to the markets, with one of the specific functions of the Audit and Control Committee being to "supervise compliance and internal codes of conduct and corporate governance rules".

The Code of Conduct has been distributed to all employees so that they may read and expressly accept the Code. The Code of Conduct forms part of the Welcome Pack for new hires and is formally signed by each new employee in all Group companies, with the original of each acceptance kept in the employee's personnel file.

- **Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organization, reporting, as the case may be, whether this is of a confidential nature and whether it allows for anonymous notifications that respect the rights of the whistleblower and of the party in breach.**

MERLIN has a Whistleblowing Channel (canal.etico@merlinprop.com) that provides a confidential channel through which to communicate any event that violates the laws in force and the Code of Conduct, as well as potentially material irregularities of a financial or accounting nature or of any other nature.

This Channel is accessible to all employees, executives and directors of all MERLIN companies and is also made public and available to any interested third party, for which purpose there is a specific email address, which is detailed in the Code of Conduct together with its characteristics, published on the Group's corporate web page. In addition, MERLIN has a procedure for handling all complaints received.

An express reference to the Whistleblowing Channel is included in all lease agreements and contracts with suppliers, as well as in the Anti-Money Laundering Manual. Every year

the Compliance Department sends various communications to all Company employees reminding them of its existence, operation and communication protocol.

The *Whistleblowing Channel Communication Protocol* was revised by the Board of Directors in 2020, bringing it into line with the new requirements of data protection regulations, accepting anonymous reports that could affect fraud, irregular conduct of a financial, accounting or any other nature, or the quality of the financial information provided to the markets.

This protocol details the rights and obligations of both the complainant and the respondent, as well as MERLIN's strict commitment not to retaliate.

The lead director and the Internal Audit Manager are those that receive the complaints and are empowered to initiate the investigation of the reported facts. All investigations will be conducted confidentially and will be reported at the appropriate Audit and Control Committee meeting.

In 2020, no communications were received through the Whistleblowing Channel.

- **Training and periodic refresher programs for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.**

MERLIN endeavours to have personnel with sufficient training and experience to carry out the functions and responsibilities they are given. The drafting and preparation of financial information requires specific training in accounting, consolidation and tax matters, insurance, risk assessment and checking of controls to mitigate risks.

MERLIN personnel therefore participate in training and refresher courses on current regulations affecting the Company, and it encourages and facilitates the means for its personnel to keep up to date by attending seminars or refresher courses and have access to bulletins and publications to ensure they are trained.

Regular meetings are also held with the external auditor in order to be aware of any changes in current regulations that may affect the Company, as part of the Audit and Control Committee's annual training plan.

In this regard, the Audit and Control Committee's training plan in 2020 included the following matters:

- REIT Regime: new developments and binding rulings issued by the Directorate-General of Taxes (DGT)
- New accounting, tax and regulatory developments in 2020
- Non-financial reporting requirements

With regard to the rest of the workforce, in 2020 various members of the Group's staff received training in information systems, accounting standards and risk management,

bringing the total number of hours of training in these areas to a total of 85 hours. The most notable training actions carried out by these professionals are as follows:

- New accounting and tax developments in 2020
- Training in financial reporting tools
- Anti-money laundering and countering the financing of terrorism
- Billing procedures

F.2 Assessment of financial information risks

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

- Whether the process exists and is documented.

Taking as reference the internal control framework set out in the COSO (*Committee of Sponsoring Organizations of the Treadway Commission*) Report and the definition included in the CNMV document entitled “**Internal Control Over Financial Reporting in Listed Companies**”, MERLIN considers ICFR to be the set of processes carried out by the entity to provide reasonable assurance regarding the reliability of financial information disseminated in the market.

In order to have an effective and reliable model, based on the identification of key risks and the selection of relevant processes for financial information, **MERLIN applied its work methodology in 2020, which is documented in the ICFR Manual**, approved by the Audit and Control Committee.

First, the Finance Department reviewed the scope of consolidation to verify that all the necessary companies are being included and, furthermore, to verify that the Group’s activity has not changed in any significant way that might affect the preparation of the financial information.

Once the scope of consolidation is reviewed, the Finance Department analyses which processes are relevant to the financial information for that period. This analysis is carried out by means of the Risk Scope, prepared by the Finance Department on an annual basis.

In the first quarter of each year, the Finance Department carries out this exercise using the consolidated financial statements for the previous year, in order to analyse the scope of the monitoring and supervision of the ICFR for that period.

The results of the analysis are sent to management of the departments responsible for the significant ICFR processes in order to obtain confirmation from them and make them aware that these processes will be monitored in the following year.

In addition, the scope of the material processes is sent to the Internal Audit Department as a starting point for its supervision within its Audit Plan.

This ICFR Risk Scope does not include the assessment of non-financial risks, as these risks are generally assessed in the *Corporate Risk Map* with their corresponding monitoring. The ICFR risks are identified in more detail together with the corresponding controls implemented to mitigate them.

The ICFR Risk Scope enables the identification of which accounts and accounting headings have a significant associated risk and may have a potential material impact on the financial information.

The Finance Department therefore takes into consideration quantitative and qualitative factors in this analysis:

a) **Quantitative criteria:**

Quantitative criteria are established through the calculation of materiality for the year, for which MERLIN's financial statements for each year are taken as a reference.

b) **Qualitative criteria:**

The qualitative criteria considered for MERLIN's Risk Scope are as follows:

Size: differentiation of the account compared to the materiality of "Material Error".

Composition (volume and unit amount): numerical volume of transactions in the year and unit amount of each transaction.

Process automation: automation vs. manual processes. The greater the automation, the lower the risk.

Standardisation of transactions: assessment of standardising the transactions recognised. The greater the standardisation, the lower the risk.

Susceptibility to fraud or error: risk of fraud or unintentional error. To be considered: segregation of duties, degree of oversight/approval, thoroughness of review process.

Accounting complexity: difficulty in the application of the accounting treatment either due to the interpretation of the standard or the complexity of the related calculations.

Degree of estimation/judgement and valuations: consideration of the degree of estimation and/or judgment required to recognise the transactions.

Risk of loss or contingent liabilities: asset associated with the account subject to potential losses in value. Potential for identification of contingent liabilities.

Changes with regard to the previous year: consideration of potential changes in the accounting treatment (e.g. new regulations, difficulty in obtaining the information required to estimate the account), changes in the economic environment or in the process itself.

Audit adjustments/control weaknesses: consideration of adjustments/control weaknesses identified by internal or external auditors with an impact on this account in prior years.

Criticality decision based on experience: consideration of experience accumulated in each of the line items in previous years.

Once the material headings have been defined with quantitative and qualitative criteria, it is confirmed which processes or sub-processes of the defined **Process Map** they impact based on the activities that make up these processes. In this regard, the critical processes and sub-processes associated with each of the significant accounts and headings have been defined, and the risks that could generate errors and/or give rise to fraud in the financial information have been identified, covering all the financial reporting objectives (MERLIN Process Map).

In addition to carrying out the annual analysis of the ICFR scope following the reference methodology, the Group and the employees involved in the proper functioning of the ICFR have a theoretical framework of documentation designed under the methodology and based on good market practices, including the risk and control matrices, which are documented in a centralised computer tool.

- **Whether the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.**

For each process or sub-process, the risk and control matrices identify the inherent risks, the financial reporting objectives to which these risks relate (financial assertions), and the controls designed to mitigate them, and include all control attributes.

The main purpose of the ICFR is to ensure the reliability of the financial information disclosed to the market, which implies compliance with the following control objectives:

- **Existence and occurrence (EO):** transactions and other events contained in the financial information exist and have been recognised at the appropriate time.
- **Integrity (I) of information:** the information reflects all the transactions and other events in which the entity is the party affected.
- **Appropriate assessment (A):** the transactions and other events are recognised and assessed in accordance with the applicable regulations.
- **Appropriate presentation, breakdown and comparability (P, B, C)** The transactions and other events are classified, presented and reflected in the financial information in accordance with the applicable regulations.
- **Transaction cut-off (C):** the transactions and events have been recognised at the appropriate time.
- **Appropriate reflection of rights and obligations (R, O):** the financial information reflects, at the corresponding date, the rights and obligations through the corresponding assets and liabilities, in accordance with the applicable regulations.

Therefore, the safeguarding of assets and the prevention/detection of fraud are considered ICFR objectives because of the impact they have on the six core objectives above.

The ICFR model will be updated, without prejudice to that established for the annual review of the **ICFR Risk Scope**, whenever circumstances arise in the Company's business

and its regulatory environment or events of any nature that, in the opinion of the Audit and Control Committee, senior management or the Internal Audit Department, make it advisable to update the model.

In any case, the Finance Department will assess the concurrence of these circumstances on an annual basis.

- **The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.**

The Finance Department reviews the scope of consolidation on a regular basis to verify that all companies to be consolidated are being included and, furthermore, to verify that the Group's activity has not changed in any significant way that might affect the preparation of the financial information.

In addition, whenever a company is included in the Group's scope of consolidation, the impact of this company is determined (under the principle of materiality) in the headings of the Group's consolidated financial statements, and in each of the processes and sub-processes already identified in its subgroup.

Likewise, if a company is excluded from the Group's scope of consolidation, the ICFR scope is updated provided that the company formed part of the Group's scope at the date on which it was excluded, even though the ICFR at MERLIN is designed to be centralised and does not have an individual scope for each company.

With regard to the possible existence of complex corporate structures, special purpose vehicles or special purpose entities, section 10 of MERLIN's Audit and Control Committee Regulations includes the powers of the Committee to inform the Board of Directors, prior to when the Board takes the corresponding decision, on the creation or acquisition of investments in special purpose entities or companies domiciled in countries or territories considered to be tax havens.

In compliance with these requirements, in 2020 the Audit and Control Committee analysed, on a quarterly basis, MERLIN's company map for the year and any changes during the period.

- **Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.**

As mentioned above, the process of identifying risks that affect the Group's financial information takes into account the five control objectives for financial reporting (existence and occurrence, integrity, assessment and measurement, presentation and breakdown, and rights and obligations).

With regard to other types of risk considered, such as operational, technological, financial, legal, tax, reputational or environmental risks, the risks of the Corporate Risk Map are taken into account in the process of identifying risks that affect financial information.

In this regard, it should be noted that the ICFR scope includes the cycles of IT General Controls and SAP Automatic Controls and Validations, as well as the cycles corresponding to Legal and Tax Affairs.

- **The governing body within the company that supervises the process**

MERLIN's Audit and Control Committee carries out the risk management and financial information supervisory functions delegated to it by the Board of Directors in accordance with their respective Regulations.

In this regard, the Audit and Control Committee is responsible for:

- (i) Supervision of financial reporting.
- (ii) Supervision of internal and external audit activities.
- (iii) Supervision of the effectiveness of the ICFR.

These functions imply that, in order to obtain reasonable assurance as to the reliability of the financial information, the Audit and Control Committee monitors:

- (i) Compliance with regulatory requirements.
- (ii) The accurate demarcation of the scope of consolidation.
- (iii) The correct application of accounting principles.
- (iv) The adequacy of the control policies and procedures implemented.
- (v) The process of preparing and presenting the financial statements and interim financial information.
- (vi) The process of monitoring the functioning of the ICFR to be carried out by the Internal Audit Department.
- (vii) The external auditor's observations and recommendations made during the process of auditing the Company's financial statements.
- (viii) The proposal of recommendations made in this regard as it considers appropriate to the Board of Directors prior to their approval.

F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorization procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific

review of judgements, estimates, valuations and relevant forecasts.

MERLIN has a formal procedure for reviewing and authorising financial information to be published in the markets (**procedure for the accounting close**). This procedure oversees the process from the time this information is generated by the Finance Department until it is reviewed by the Audit and Control Committee and finally approved by the Board of Directors prior to its publication to the market. This procedure includes the annual financial statements, the financial statements for interim periods (quarterly and half-yearly), the Annual Corporate Governance Report and the Annual Remuneration Report, as well as other relevant public information for the market.

In this regard, the **Audit and Control Committee** Regulations establish that the Committee is responsible for reviewing the clarity and integrity of all financial and related non-financial information published by the entity, such as financial statements, directors' reports, risk management and control reports and annual corporate governance reports, ensuring that the half-yearly financial reports and quarterly management statements are drawn up under the same accounting policies as the annual financial reports and, for such purpose, considering whether the auditor should conduct a limited review of the half-yearly financial reports.

The documentation of the system of internal control over financial reporting, which is reviewed annually in accordance with the updated process procedures, includes descriptions and flowcharts of the different cycles for generating the relevant financial information selected in the identification process (flowcharts and narratives), as well as descriptions of the prioritised risks of error, the controls designed to mitigate these risks, the assignment of those responsible for executing and supervising the controls, and a description of the evidence to be provided in their execution, which will be subject to review by the Internal Audit Department (risk and control matrices).

Risk and control matrix (RCM):

The risk and control matrices are divided into three types depending on the type of control:

- **General controls:** also "Entity Level Controls" (ELCs), those that provide general coverage of the Company's internal control system, such as those related to the control environment (e.g. the Code of Ethics or assignment of responsibilities), and the Company's risk assessment process, among others.

Technological general controls: also "Information Technology General Controls" (ITGCs) and "SAP Automatic Controls and Validations", are those controls that are performed on the Group's applications and systems that support the other processes identified to guarantee the availability, confidentiality, authenticity, reliability and integrity of the information contained therein.

Process controls: controls not included in the previous categories, referring to control activities performed as part of business or support processes involved in the preparation of financial information. These controls are divided into manual and automatic, and periodic and transactional, which have different supervision frequencies and methodologies.

MERLIN has the following documented cycles/processes that regulate the main processes with an impact on financial information:

- General administration process

- Treasury and finance process
- Personnel process
- Tax process
- Individual accounting process
- Consolidation process
- Legal affairs process
- Process of preparing the half-yearly and annual financial statements
- Rental billing process
- CAPEX management process
- Real estate contract management process
- Investment and divestment process
- Asset appraisal process
- Process of preparing the directors' report

The different processes and activities relating to the accounting close of business and administrative and/or corporate activities are considered to be a cycle within the ICFR. Accordingly, the specific review of the relevant judgements, estimates, valuations and projections are subject to specific controls in the model in the corresponding cycles, as they involve the identification of risks of error.

As regards the description of the ICFR to be published in the securities markets, the review and authorisation procedure is the same as for the rest of the economic and financial content of the Annual Corporate Governance Report.

With regard to the procedure for the accounting close and the specific review of the relevant judgements, estimates, valuations and projections, the Audit and Control Committee, with the support of the Internal Audit Department, reviews the financial information on a quarterly basis to confirm that this information is reliable, understandable and relevant.

Likewise, the purpose of the quarterly review is to ensure that the quarterly and half-yearly financial statements are prepared using the same accounting policies as the annual financial statements, to verify that the scope of consolidation is accurately defined and that international financial reporting standards are correctly applied, highlighting any issues identified that could pose a risk in the external audit opinion.

Finally, it should be noted that since 2019 MERLIN has had an IT tool that supports, among other areas, the ICFR controls, so that the documentation of controls through the provision of evidence is centralised, which facilitates the supervision and control work with regard to the execution and documentation of the controls implemented.

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

The internal control policies and procedures associated with the information systems are defined by Management, which relies on an information systems service provider through an outsourcing contract.

The Company has a set of procedures for the control and operation of computer systems, as well as systems related to financial information that are in place.

This set of procedures and associated internal policies that implement risk control operations covers the following aspects:

- **Access security**, processes that regulate the following elements:
 - Access to documents
 - Assigning permissions to computer systems
 - Mandatory computer security regulations for users: document for general dissemination
 - Password policy for access to the network and SAP (main system where financial information is generated and maintained)
- **Control of changes to programs, settings and operation of the systems**, which includes the following processes:
 - Operational processes for patching (small updates) in SAP
 - Operational processes for changes to programs
 - Operational processes for changes to settings in SAP productive
 - Policy for changing or upgrading systems (renewal, SAP patching, version change, etc.).
- **Operational continuity**, which includes the following activities:
 - Systems Contingency and Recovery Plan and its technical instructions (corporate office network, e-mail, communications and SAP)
 - Automatic monitoring of backup processes.
 - Defining the backup scope for SAP.
 - Operational procedure for SAP recovery.
- **Segregation of duties:**

The segregation of duties is a key pillar in the internal control model and, at the MERLIN Group, it is fundamental in the SAP system environment, both due to the number of users accessing the system and the importance of the information they handle.

There is a policy in SAP for granting permissions that attempts to follow as closely as possible the assignment of roles to different departments and areas. Therefore, if a person is assigned a role, the processes related to that role will be the ones they are allowed to use. These access and execution permissions change over time as the organisation changes. The decision to allow or not to allow access is determined by the Company and executed by the Systems Department applying the corresponding procedures.
- **Master data change control:**

SAP is the system most used at the Company and from where the financial information is extracted. This system internally stores the user who makes changes to the most relevant master data. This record is available for review via SAP's own transactions.

The main risks considered by MERLIN, and to which it responds, affect physical security (backups, maintenance and access to servers, etc.), logical security (access controls, registration and removal procedures, virus protection, etc.), sufficient segregation of duties, registration and traceability of information for the different profiles and transactions

in the system, privacy (GDPR), and lastly, system development and maintenance.

Furthermore, MERLIN creates a redundant backup copy of its servers, so that if the server crashes, the risk of loss of data and information and business continuity is prevented.

F.3.3 Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

MERLIN has implemented a procedure (*Procurement Procedure, revised as at April 2020*) for engaging external suppliers, which establishes certain levels of approval depending on the amount to be contracted, including, where applicable, the approval of the Company's Chief Executive Officer.

This Procurement Procedure is mandatory for all employees and executives of all MERLIN Group companies, including investees over which it has effective control, within the limits established in the applicable regulations. The scope of the contracts referred to in this procedure are those purchases made as part of the Group's normal activity, i.e. materials, services rendered, contracting works, professional fees, marketing of assets and other types of corporate or shopping centre management contracts, among others.

Therefore, this procedure does not apply to one-off purchases, including asset acquisitions, which will be governed by the provisions of the Asset Acquisition Procedure.

The **Audit and Control Committee** is responsible, by delegation from the Board of Directors, for **authorising the terms and conditions of the contracts for the main activities outsourced with an impact on MERLIN's financial information** (auditors and real estate appraisers).

Specifically, in relation to the **asset valuation** process, the Company makes a distinction between:

- **Asset acquisition processes:** prior to the potential purchase, third party selection processes are carried out, as well as subsequent monitoring by Management;
- **External appraisal of assets** to obtain accounting estimates (valuations and impairments), with the involvement of independent external appraisers (i.e.: IAS 40, the Spanish national chart of accounts and the rules for the preparation of consolidated financial statements), in accordance with the Audit and Control Committee Regulations, is their responsibility to supervise the appointment process, ensuring the enforcement of the rotation policy and identifying potential conflicts of interest and threats to their independence that may call into question their suitability.
 - The Company counts with a specific operating procedure (*NAV Calculation Procedure, updated in 2019*) that includes the controls implemented for this issue, including the figure of a Valuation Coordinator, a member of the Management Committee, who supervises the suitability and independence of the independent real estate

appraisers, as well as the effectiveness and efficiency of the appraisal process, which is supervised by the Audit and Control Committee.

As for other external advisory services:

- If any of the work is carried out by the firm of the Company's auditor, the compatibility, reasonableness and proportion of the fees with regard to the external audit and the independence for the performance of this work is analysed in accordance with *the Auditor Procurement and Relations Framework Policy*, and always subject to the approval of the Audit and Control Committee.
- In cases where any type of work related to financial and tax matters, or advisory services for corporate transactions is contracted and the services of an independent expert are used, the technical and legal competence and know-how of the professional is assured, as well as their recognised prestige in the sector.

F.4 Information and communication

State whether the company has at least the following, describing their main characteristics:

F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organization, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

MERLIN's **Finance Department** is responsible for defining and updating the accounting policies and preparing the financial statements in accordance with generally accepted accounting principles.

The Finance Department is responsible for defining and maintaining the Group's accounting policies and for resolving any issues that may arise in their application.

MERLIN has an **Accounting Policy Manual (updated in 2019)** that defines the criteria used to prepare the separate and consolidated financial statements. The personnel involved in the process of preparing and reviewing financial information are informed in a timely manner of accounting or tax changes through subscriptions, alerts and bulletins received from the main auditing firms and the IASB.

In 2020 the Finance Department approved and communicated an addendum to the Manual, specifically to cover the **Accounting Capitalisation Criteria, version April 2020**. This document develops the guidelines contained in the MERLIN Group's Accounting Policy Manual, and is applicable to all Group companies. The scope of this document is limited to the description of the policies that must govern the recognition, in the separate and consolidated financial statements, of items that form part of the Group's assets related to the real estate activity under any of the balance sheet headings: i) investment property, (ii) property, plant and equipment, and (iii) intangible assets.

In addition, the functions of the Finance Department with regard to accounting policies, and placing particular emphasis on the application of the International Financial Reporting

Standards (IFRSs), are as follows:

- Analyse the one-off operations and transactions performed or expected to be performed by the Group in order to determine their accounting treatment in accordance with the Group's accounting policies.
- Unify and standardise accounting policies and control of compliance with regulations in each country, in addition to complying with the Group's accounting policy at a centralised level.
- Resolve any queries that may be made from any Group company regarding the application of accounting policies.
- Monitor projects for new regulations in the IASB, and new standards to be approved by regulatory bodies, and analyse the potential impact on the Group's consolidated financial statements or possible adaptations to be made for compliance.
- Keep all those responsible for preparing and supervising the financial statements at the different levels of the Group informed, in order to provide them with the information necessary to ensure the consistent application of the Group's accounting policies.

In addition, the Audit Committee is responsible for supervising the process of preparing and presenting the Company's financial statements and the periodic financial information that, in accordance with current law, the Company must provide to the markets and their supervisory bodies, supervising the process of preparing and publishing this information, reporting on this to the Board of Directors prior to approval, and monitoring compliance with legal requirements in this regard and the correct application of generally accepted accounting principles, and reporting on proposals for the modification of accounting principles and policies suggested by Management.

On those occasions when the application of accounting regulations is particularly complex, the Finance Department consults with the external auditor, other advisors or the regulatory body, requesting advice on the accounting treatment, as well as the conclusions reached by the auditor in relation to the required accounting analysis.

F.4.2 Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

MERLIN has a common IT tool (**SAP**) for all Group companies, which supports the process of preparing the separate financial statements (Spanish national chart of accounts) under a standardised format.

In 2020 and for the preparation of the consolidated financial statements, a computer tool (**SAP BPC**) was implemented, which performs the consolidation through the aggregation of the accounting information of the separate financial statements in SAP, making the adjustments and eliminations inherent in the consolidation process and obtaining consolidated financial statements (IFRS) for subsequent analysis.

The process is managed by the Finance Department, which has implemented a series of controls in the ICFR, both for individual accounting in SAP and for consolidation in SAP BPC, to ensure the reliability of the information, using a single Chart of Accounts implemented in all Group companies, the evidence of which is documented in the accounting and consolidation cycles of the ICFR.

The accounting consolidation process of the financial statements is carried out on a monthly basis, with closing and consolidation schedules, as well as a timely assignment of roles and responsibilities, in accordance with the procedure for the financial close.

Likewise, **in 2020**, and to comply with ESEF regulations, the Finance Department implemented an IT tool for XBRL tagging of the consolidated financial statements and notes to the annual financial statements and for their publication in xHTML format.

F.5 Supervision of system performance

Describe the main characteristics of at least the following:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

As indicated in the Audit and Control Committee Regulations, the Committee is responsible for the following functions, among others:

- monitor the effectiveness of the Company's internal control, internal audit and risk management systems, including tax risks, and discuss with the external auditors any significant weaknesses in the internal control system identified during the course of the audit.
- regularly review the Company's internal control and risk management systems and, in particular, ensure that the system of internal control over financial reporting (ICFR) is correctly designed, so that the main risks are appropriately identified, managed and disclosed.
- approve the internal audit plan for the ICFR assessment, and any changes thereto, and receive periodic information on the results of its work, as well as the action plan to correct any deficiencies identified.

The Audit and Control Committee is responsible for approving the Annual Internal Audit Plan for the ICFR assessment, and receiving periodic information on the results of its work, as well as the action plan to correct any deficiencies identified.

In this regard, **in 2020** the Committee has worked on:

Review the Internal Control Policy, approved in 2019, which sets out a framework that regulates the process of preparing and supervising financial information, applicable to all Group companies.

Review and approve the materiality levels of the accounting headings in the MERLIN Group's financial statements, with a view to identifying the key controls within the Internal Control Model, and approve the update of the ICFR Functions and Supervision Manual.

(iii) Oversee the review of the ICFR controls within the framework of the 2020 Annual Internal Audit Plan and follow up on weaknesses highlighted.

(iv) Supervise the implementation and effectiveness of the guarantees, designed by Management, and implemented in the process of preparing the financial statements (external guarantees: draft audit opinion, letter of independence and real estate asset appraisal report; and internal guarantees: review of the process by Internal Audit, certification of the financial statements by Management, and execution, documentation and review of the ICFR controls).

The Internal Audit Department, which reports functionally to the Audit and Control Committee and administratively to the Group's Corporate General Management, supports the Committee in its supervisory and reporting tasks. As stated in MERLIN's Internal Audit Regulations, the objectives of the Internal Audit Department, among others, are as follows:

- Assist the Audit and Control Committee in the fulfilment of its responsibilities, providing support to Management in improving and consolidating the internal control system, procedures applied and control activities.
- Supervise the reliability and accuracy of the Risk Control System in place at the organisation, giving an opinion on whether it is adequate and sufficient.
- Collaborate in the identification and assessment of risks of any nature faced by the organisation, supervising their level of control.
- Ensure the integrity of the accounting and management information issued, both internally and externally, i.e. that it is complete and correct.

In this regard, and in support of the Audit and Control Committee, in 2020 the Internal Audit Department carried out an independent review of the design and operation of the internal control system, identifying weaknesses and deficiencies and making recommendations for their correction. In addition to reviewing the design and operation of the controls of the complete cycles every six months, which coincides with the preparation and approval of the half-yearly and annual financial statements, the Internal Audit Department reviews the operation of those controls considered critical and associated with high risks.

The combination of cycle reviews and half-yearly reviews of critical controls enables the Internal Audit Department to perform a comprehensive assessment of the system of internal control over financial reporting as a whole and to issue an opinion on the effectiveness of the controls, which is reported to the Audit and Control Committee as part of the reviews of the half-yearly and annual financial statements.

Therefore, in 2020 the Audit and Control Committee was supported by the Internal Audit Department which, in the review of the annual and half-yearly financial statements, examined whether the **ICFR controls considered to be key (associated with high risks) were correctly documented and carried out**, without any significant weaknesses being revealed that could undermine the process of preparing the financial information.

The Audit and Control Committee also had, for the same review of the annual and half-yearly financial statements, a **formal statement from the Chief Financial Officer, the General Manager and the Chief Executive Officer** certifying the reliability of the financial information presented to the Committee, as well as the effectiveness of the internal control system established for this purpose.

In this regard, **in 2020** the Internal Audit Department reported to the Audit Committee on various occasions on ICFR matters:

- (i) Review of all key controls in the preparation and presentation of the annual financial statements for 2019 and the half-yearly financial statements for 2020.
- (ii) Supervision of the certification process for the annual and half-yearly financial statements by the different process managers, including the Chief Financial Officer, General Manager and Chief Executive Officer.
- (iii) Ad-hoc review of the billing, administration, asset management and personnel cycles.
- (iv) Supervision of the Action Plans established for those control weaknesses identified, both in the half-yearly review process and in the ad-hoc cycle review during the year.
- (v) Supervision of the process of updating the ICFR documentation, carried out by the Finance Department, in compliance with the methodology established in the ICFR Manual.

F.5.2 Whether there is a procedure by which the account auditor (in accordance with the contents of the *Normas Técnicas de Auditoría (NTA)* - “Auditing Standards”), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

In accordance with the Audit and Control Committee Regulations, its functions include, among others, analysing, together with the external auditors, the internal control weaknesses identified in the auditing process.

For these purposes, the auditor, in compliance with the **Auditor Procurement and Relations Framework Policy**, appears before the Audit and Control Committee on a regular basis to present the recommendations related to the internal control weaknesses identified during the process of reviewing the half-yearly and annual financial statements.

If any internal control weaknesses are detected, they are monitored on a regular basis by the Audit and Control Committee with the support of the Internal Audit Department.

No significant internal control weaknesses were disclosed by the auditors in 2020.

Therefore, and with regard to the performance of their work, in 2020 the Company's external auditors (Deloitte, S.L.) appeared before the Committee on four occasions, each time having the opportunity to present their conclusions without the presence of the management team, at the Committee meetings on (i) 19 February 2020 (ii) 25 February 2020, (iii) 28 July 2020, and (iv) 15 December 2020. In addition, the external auditors appeared on one additional occasion in compliance with the Committee's 2020 Training Plan.

In this regard, at the Committee meeting held on 25 February 2020, the representatives of the auditor, Deloitte, S.L., presented the main conclusions of the work performed in relation to the audit of the separate and consolidated annual financial statements of MERLIN and its consolidated group for 2019, presenting the draft audit opinion and additional report on the separate and consolidated annual financial statements at 31 December 2019, with a favourable and unqualified opinion.

Subsequently, at the meeting held on 28 July 2020, the main conclusions of the work performed in relation to the limited review of the half-yearly interim financial statements of MERLIN and its consolidated group for the first half of 2020 were presented, with a favourable and unqualified conclusion, detailing the main significant events of the period, as well as the main audit risks.

Lastly, at the meeting held on 15 December 2020, the auditor presented the work carried out in the preliminary review as at 30 September 2020 with a view to the review of the financial statements for 2020, and the key audit matters detected in the course of their work.

In the meetings that the external auditor held with MERLIN's Audit and Control Committee (25 February 2020 and 15 December 2020, corresponding to the final phase of 2019 and preliminary phase of 2020, respectively) during the course of its audit work, the auditor informed the Audit and Control Committee that there were no significant deficiencies in the Group's internal control.

At the meeting held on 12 December 2018, the external auditor presented the Audit and Control Committee with a series of recommendations, which the Committee, at that same meeting, unanimously agreed to adopt as its own and for Internal Audit to monitor them in 2019.

In this regard, in 2020 the Audit and Control Committee, through Internal Audit, was continuously monitoring the status of implementing these internal control recommendations, whereby most have been implemented or there is significant progress towards implementation, as reflected in the external auditor's report dated 15 December 2020.

With regard to the coming year, at the meeting held on 15 December 2020, the Committee established a 2021 Work Plan with the external auditor, with the content envisaged for each recommendation and the reports required by the Committee.

Furthermore, and with regard to **Internal Audit**, the Committee, within its competencies and among other aspects, oversees the independence and effectiveness of the internal audit department function, supervising, among other aspects, the annual work plan, approves its

budget and supervises its remuneration, verifying that the members of the management team take into account the conclusions and recommendations of its reports.

Therefore, within the framework of the responsibility attributed to the Committee in 2020:

- (i) it reviewed the implementation of the 2020 Internal Audit Annual Plan approved on 11 December 2019.

on 20 April 2020, it approved a specific Internal Audit Plan, known as “COVID-19 Internal Audit Action Plan”, focused on the periodic review of those areas identified as being at greatest risk during the state of emergency and confinement that took place in Spain and Portugal.

on 24 March 2020, it approved an Internal Audit Digitalisation Plan for the implementation and development of new work tools, which improve the effectiveness and efficiency of the reviews, as well as the work methodology and the way of communicating the conclusions with the organisation.

it carried out a review of the reports issued by the internal audit department, reviewing the recommendations included and verifying that Company Management complied with the action plans included.

the Internal Audit Manager appeared at all Committee meetings and explained the developments and progress in the area of his responsibility, with special emphasis on the different review work regarding the control models and processes that was being carried out in this regard (mainly auditing of business processes, review of the ICFR, data protection, criminal compliance and the Risk Management System);

it reviewed and approved the Internal Audit Budget and Annual Internal Audit Plan for 2021 at its meeting on 15 December 2020.

- (vii) it reviewed and approved the 2020 Annual Activities Report at its meeting on 26 January 2021.

F.6 Other relevant information

None.

F.7 External auditor’s report

State:

F.7.1 whether the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

See accompanying external auditor’s report.

G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. **That the Articles of Association of listed companies not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.**

Complies Explanation

2. **That, when the listed company is controlled, within the meaning of article 42 of the Commercial Code, by another entity, listed or not, and has, directly or through its subsidiaries, business relationships with said entity or any of its subsidiaries (other than those of the listed company) or pursues activities related to those of any of them, the following be stated publicly and precisely:**

- A) **The respective areas of activity and possible business relationships between, on one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.**
- b) **The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies Complies partially Explanation Not applicable

3. **That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors make a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:**

- a) **Changes that have occurred since the last General Shareholders' Meeting.**
- b) **Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.**

Complies Complies partially Explanation

4. **That the company have defined and promoted a policy related to communication and contact with shareholders and institutional investors in the context of their involvement in the company, as well as with proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders. And that the company have made**

such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

And that, notwithstanding the statutory obligations to disclose insider information and other types of regulated information, the company also have a general policy on the communication of economic-financial, non-financial and corporate information through whatever channels it deems suitable (the media, social networks or other channels), which helps to maximize the disclosure and the quality of the information available to the market, to investors and to other interest groups.

Complies Complies partially Explanation

Explanation: Although the Company has a Policy for Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors, approved in February 2016 and available on the corporate website, a general policy regarding the communication of economic-financial, non-financial and corporate information is currently being drafted.

5. That the Board of Directors not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that, whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights, the company immediately publish reports on its web page regarding said exclusions as referenced in applicable company law.

Complies Complies partially Explanation

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

- a) Report regarding the auditor's independence.
- b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.
- c) Report by the audit committee regarding related-party transactions.

Complies Complies partially Explanation

7. That the company report in real time, on its web page, the proceedings of the General Shareholders' Meetings.

And that the company have mechanisms that permit the delegation and casting of the vote using telematic means and even, in the case of highly capitalized companies and insofar as it is proportional, attendance of and active participation in the Shareholders' Meeting.

Complies Complies partially Explanation

8. That the audit committee ensure that the financial statements submitted by the Board of Directors to the General Shareholders' Meetings are prepared in compliance with the accounting regulations. And that, where the auditor has included any qualification in its audit report, the chairman of the audit committee explain clearly, at the Shareholders' Meeting, the opinion of the audit committee regarding its content and scope, a summary of said opinion being made available to the shareholders, together with all other proposals and reports by the Board, upon publication of the call to the meeting.

Complies Complies partially Explanation

9. That the company permanently maintain on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies Complies partially Explanation

10. That, when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) immediately distributed the additions and new proposals;
- b) publish the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors;
- c) submit all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against; and
- d) that after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals be communicated.

Complies Complies partially Explanation Not applicable

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies Complies partially Explanation Not applicable

12. That the Board of Directors complete its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it be guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the

promotion of continuity and maximization of the economic value of the business.

And that, in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies Complies partially Explanation

- 13. That the Board of Directors be of an adequate size to perform its duties effectively and collegially, and that its optimum size be between five and fifteen members.**

Complies Explanation

- 14. That the Board of Directors approve a policy aimed at favoring an appropriate composition of the board of directors and which:**

- a) is concrete and verifiable;**
- b) ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and**
- c) favors diversity in knowledge, experience, age and gender. For such purpose, diversity in gender is deemed favored by measures which encourage the company to have a significant number of female senior managers.**

That the resulting prior analysis of the skills required by the Board of Directors be contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

The appointments committee will annually verify compliance with this policy and explain its findings in the Annual Corporate Governance Report.

Complies Complies partially Explanation

- 15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors be kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.**

And that the number of female directors entail at least 40% of the board members before the end of 2022 and thereafter, not being less than 30% prior thereto.

Complies Complies partially Explanation

16. That the percentage of proprietary directors divided by the number of non-executive directors be no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

- a) In companies with a high market capitalization in which interests that are legally considered significant are minimal.
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies

Explanation

Explanation: At 31 December 2020, proprietary directors accounted for 33% of the total number of non-executive directors, while they represent 30.821% of the Company's share capital compared to the rest of the share capital, however, it should be noted that there is a plurality of shareholders represented on the Board of Directors and they are not related to each other.

17. That the number of independent directors represent at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalization or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies

Explanation

18. That companies publish and update the following information regarding directors on the company website:

- a) Professional profile and biography.
- b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
- e) The shares and options they own.

Complies

Complies partially Explanation

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explain the reasons for the appointment of proprietary

directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honored, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honored.

Complies Complies partially Explanation Not applicable

20. That proprietary directors representing significant shareholders resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies Complies partially Explanation Not applicable

21. That the Board of Directors not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies Explanation

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when situations arise in which they are involved, whether or not related to their action at the company itself, which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal act in connection with which they are investigated, as well as the related legal proceedings.

And that, if the Board is informed or otherwise becomes aware of the situations mentioned in the preceding paragraph, it investigate the case as soon as possible and, having regard to the particular situation, decide, following a report by the appointments and remuneration committee, whether or not any measures should be taken, such as opening an internal investigation, asking the director to resign or proposing the director's removal. The Annual Corporate Governance Report should also contain a report in this connection, unless there are special circumstances that justify the situation, which must be placed on record in the minutes. All of the foregoing is notwithstanding the information to be disclosed by the company, if appropriate, when the related measures are adopted.

Complies Complies partially Explanation

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies Complies partially Explanation Not applicable

24. That whenever, due to resignation or by decision of the Shareholders' Meeting, a director leaves before the completion of his or her term, sufficient explanation be given of the reasons for the director's resignation or, in the case of non-executive directors, of the director's opinion on the reasons for the decision of the Shareholders' Meeting, in a letter addressed to all members of the Board of Directors.

Irrespective of the disclosure of all of the foregoing in the Annual Corporate Governance Report, insofar as it is important to investors, the company should make public, with the least possible delay, the resignation or removal of the director, including sufficient reference to the reasons or circumstances given by the director.

Complies Complies partially Explanation Not applicable

25. That the appointments committee ensure that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies Complies partially Explanation

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies Complies partially Explanation

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies Complies partially Explanation

28. That, when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns be included in the minutes, upon a request from the protesting party.

Complies Complies partially Explanation Not applicable

29. That the company establish adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies Complies partially Explanation

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies Explanation Not applicable

31. That the agenda for meetings clearly state those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies Complies partially Explanation

32. That directors be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies Complies partially Explanation

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organize and coordinate the periodic evaluation of the Board, and that, if applicable, the chief executive of the company, be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies Complies partially Explanation

34. That, when there is a coordinating director, the Articles of Association or the Board rules confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to

understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies Complies partially Explanation Not applicable

- 35. That the secretary of the Board of Directors pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.**

Complies Explanation

- 36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:**

- a) **The quality and efficiency of the Board of Directors' work.**
- b) **The workings and composition of its committees.**
- c) **Diversity of membership and competence of the Board of Directors.**
- d) **Performance of the chairman of the Board of Directors and the chief executive officer of the company.**
- e) **Performance and input of each director, paying special attention to those in charge of the various Board committees.**

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies Complies partially Explanation

- 37. That, if there is an executive committee, at least two non-executive directors be present on the committee, at least one of which must be independent; and that its secretary be the secretary of the Board of Directors.**

Complies Complies partially Explanation Not applicable

38. That the Board of Directors always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies Complies partially Explanation Not applicable

39. That the members of the audit committee as a whole, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies Complies partially Explanation

40. That, under the supervision of the audit committee, there be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies Complies partially Explanation

41. That the person in charge of the group performing the internal audit function present an annual work plan to the audit committee, for approval by the committee or by the Board, reporting to it directly on its execution, including any issues and limitations on scope that may arise during its implementation, on the outcome and on compliance with its recommendations, and present the committee with an activity report at the end of each year.

Complies Complies partially Explanation Not applicable

42. That, in addition to the provisions of applicable law, the audit committee be responsible for the following:

1. With regard to information systems and internal control:

- a) Supervise and evaluate the preparation and integrity of financial and non-financial information, as well as the financial and non-financial risk management and control systems relative to the company and, if applicable, to the group (including operational, technological, legal, social, environmental, political and reputational, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
- b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment and dismissal of the head of internal audit; draft a budget for this department; approve or propose to the Board the approval of the annual internal audit goals and work plan, making sure that its activity is focused primarily on material risks (including reputational risk); receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

- c) Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any irregularities with important consequences, including those of a financial or accounting nature, or of any other nature, related to the company, which they observe in the company or its group. This mechanism must ensure confidentiality and, in all cases, provide for the possibility of making communications anonymously, with respect for the rights of the whistleblower and the party in breach.
- d) Ensure, in general, that the internal control policies and systems are applied effectively in practice.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
- b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Insist that the company report to the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.
- e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies Complies partially Explanation

- 43. That the audit committee be able to require the presence of any employee or manager of the company, even without the presence of any other member of management.**

Complies Complies partially Explanation

- 44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.**

Complies Complies partially Explanation Not applicable

- 45. That the risk management and control policy identify or determine, as a minimum:**

- a) **The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational, including those related to corruption) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.**
- b) **A multi-level risk management and control model, including a specialized risks committee, where industry-wide regulations so provide or the company deems it to be appropriate.**
- c) **The level of risk the company considers acceptable.**
- d) **Means identified in order to minimize identified risks in the event they transpire.**
- e) **Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.**

Complies Complies partially Explanation

46. That, under the direct supervision of the audit committee or, if applicable, of a specialized committee of the Board of Directors, there be an internal control and management function delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) **Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.**
- b) **Actively participate in the creation of the risk strategy and in important decisions regarding risk management.**
- c) **Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.**

Complies Complies partially Explanation

47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate -- be chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies Complies partially Explanation

48. That high market capitalization companies have formed separate appointments and remuneration committees.

Complies Complies partially Explanation

49. That the appointments committee consult with the chairman of the Board of

Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies Complies partially Explanation

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it be responsible for the following:

- a) Propose basic conditions of employment for senior management.**
- b) Verify compliance with company remuneration policy.**
- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.**
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.**
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.**

Complies Complies partially Explanation

51. That the remuneration committee consult with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies Complies partially Explanation

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they be consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

- a) That they be comprised exclusively of non-executive directors, with a majority of them independent.**
- b) That their chairmen be independent directors.**
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.**
- d) That the committees be allowed to avail themselves of outside advice**

when they consider it necessary to perform their duties.

- e) **That their meetings be recorded and the minutes be made available to all directors.**

Complies Complies partially Explanation

53. **That verification of compliance with the company's environmental, social and corporate governance policies and rules, as well as its internal codes of conduct, be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, a committee specialized in sustainability or corporate social responsibility or another special committee that the Board of Directors, pursuant to its powers of self-organization, has decided to create. Such committee should be composed solely of non-executive directors, the majority of which are independent, and should be specifically assigned the minimum functions indicated in the following recommendation:**

Complies Complies partially Explanation

54. **The following are the minimum functions referred to in the preceding recommendation:**

- a) **Verification of compliance with the company's corporate governance rules and internal codes of conduct, also ensuring that the corporate culture is aligned with its purpose and values.**
- b) **Supervision of the application of the general policy related to the communication of economic-financial, non-financial and corporate information, as well as communications with shareholders and investors, voting advisors and other interest groups; monitoring the way in which the entity communicates with and relates to small- and medium-sized shareholders.**
- c) **The periodic evaluation and review of the company's corporate governance system and its environmental and social policy, with the goal that the company promotes company interests and takes into account, where appropriate, the legitimate interests of other stakeholders.**
- d) **Supervision to ensure that the company's environmental and social practices are in line with the stipulated strategy and policy.**
- e) **Supervision and evaluation of the way relations with various stakeholders are handled.**

Complies Complies partially Explanation

55. **That the environmental and social sustainability policies identify and include at least:**

- a) **The principles, commitments, objectives and strategy related to shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights,**

and the prevention of unlawful conduct.

- b) Means or systems for monitoring compliance with policies, the associated risks and their management.
- c) Means of supervising non-financial risk, including that related to ethics and business conduct.
- d) Communication channels, participation and dialogue with stakeholders.
- e) Responsible communication practices that impede the manipulation of data and protect integrity and honor.

Complies Complies partially Explanation

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies Explanation

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies Complies partially Explanation

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) be linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result;
- b) promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies:
- c) be based upon balancing short-, medium- and long-term objectives,

permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies Complies partially Explanation Not applicable

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance and other criteria have been effectively met. Entities should have the annual report on directors' remuneration include criteria regarding the time required and methods used for such verification, having regard to the nature and characteristics of each variable component.

Entities should also consider the establishment of a malus clause pursuant to which the payment of part of the variable components is deferred for a suitable period and is forfeited, in whole or in part, if any event making such forfeiture advisable occurs prior to payment.

Complies Complies partially Explanation Not applicable

60. That remuneration related to company results take into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies Complies partially Explanation Not applicable

61. That a material portion of variable remuneration for executive directors depend upon the delivery of shares or instruments indexed to share value.

Complies Complies partially Explanation Not applicable

62. That once shares, options or financial instruments arising from remuneration schemes have been delivered, executive directors be prohibited from transferring the title thereto or exercising them until a term of at least three years has elapsed.

An exception is made where the director has, at the time of the transfer or exercise, a net economic exposure to the variation of the share price for a market value equivalent to an amount of at least twice his/her annual fixed remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition or, subject to favorable opinion of the appointments and remuneration committee, to meet supervening extraordinary situations that so require.

Complies Complies partially Explanation Not applicable

The long-term incentive plan of which the executive directors are beneficiaries, payable in cash and in the Company's shares ("Executive LTIP"), is linked to the creation of value over for shareholders a total of three years and the settlement of this plan (and the obligation for the director to maintain their relationship with the

Company) extends until the authorisation for issue of the financial statements for 2021, which therefore prevents the disposal of these shares by the beneficiary.

In addition, the shares of the previous incentive remuneration plans (Management Stock Plan (“MSP”)) are subject to allocation for a period of three years from the calculation date of the MSP. The MSP shares delivered to the executive directors are unavailable until 2023.

- 63. That contracts and agreements include a clause that allows the company to claim a refund of the variable components of the remuneration when the payment was not been adapted to performance conditions or when it was paid taking into account data that later proved to be erroneous.**

Complies Complies partially Explanation Not applicable

- 64. That payments made for contract termination, early or otherwise, not exceed an amount equivalent to two years of total annual remuneration and that they not be paid until the company has verified that the director has fulfilled all established criteria or conditions for payment.**

For the purpose of this recommendation, payments made for contract termination, early or otherwise, include any payments which become claimable or must be paid as a result or on occasion of the termination of the contractual relationship between the director and the company, including amounts not yet vested under long-term saving plans and amounts paid under post-contractual non-competition clauses.

Complies Complies partially Explanation Not applicable

H. FURTHER INFORMATION OF INTEREST

- 1 If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.
- 2 This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

- 3 The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July 2010.

This annual corporate governance report has been approved by the **Board of Directors of the company at the meeting held on February 25th, 2021.**

State whether any directors voted against or abstained from voting on this report.

Name of the director who did not vote in favor of the approval of this report	Reasons (voted against, abstained, did not attend)	Explain the reasons
Remarks		