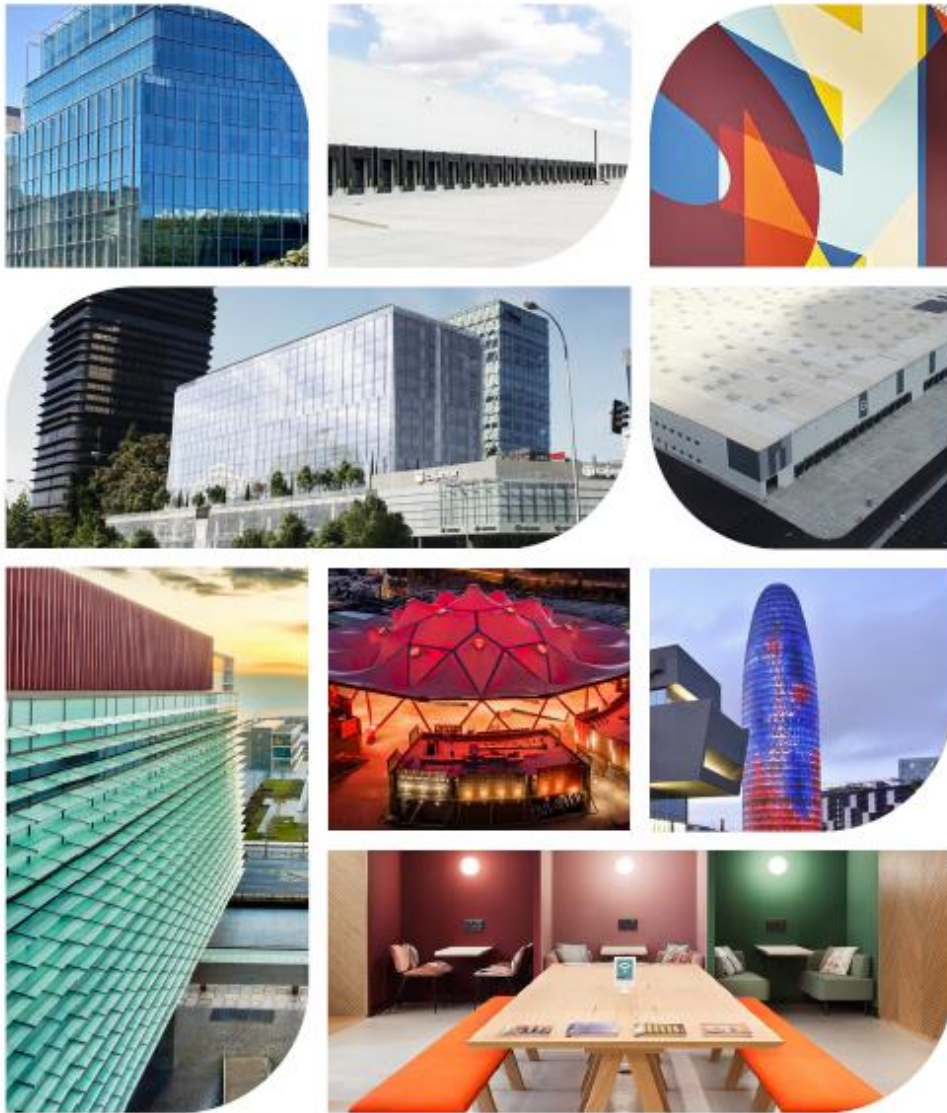


# ANNUAL DIRECTORS REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020



**MERLIN**

PROPERTIES

February 2021

Dear Shareholders,

On behalf of the remuneration committee (the “Committee” or the “Remuneration Committee”) and the board of directors (the “Board” or the “Board of Directors”) of MERLIN PROPERTIES, SOCIMI, S.A. (also referred to as the “Company”, the “Group” or “MERLIN”), I am pleased to present the Annual Directors Remuneration Report (the “Report” or “ADRR”).

This is my first report since assuming the chairmanship of the Committee on 19 June 2020. On behalf of the Committee and the Board, I would first of all like to thank my predecessor in office, Fernando Ortiz Vaamonde, for his work leading the Committee in the previous period. His work has undoubtedly laid the foundations for the way in which this Committee has proceeded, and during his term of office he was able to face the challenges that have arisen with intelligence and integrity.

This has been a very intense year for the Committee due to the countless circumstances that have arisen as a result of the pandemic, as well as being the first year in which the new remuneration policy was implemented, which changed the remuneration model for the new period.

Against this backdrop, the Report includes a summary of the remuneration policy (the “Policy” or the “2020-2022 Remuneration Policy”) that the Company approved at the Annual General Meeting on 17 June 2020, as well as an explanation of the remuneration of the directors in 2020, within the framework of this new Policy, and the extraordinary circumstances that have been experienced this year.

In compliance with the contents of Circular 1/2020, of 6 October, issued by the Spanish National Securities Market Commission (CNMV), which gave rise to the amendment of this ADRR, it also includes a statistical appendix, which was brought into line with the model provided in that Circular’s Appendix on Statistics.

## 2020 RESULTS

2020 has been a year dominated by the COVID-19 pandemic, with devastating effects on the economy. At the time of writing this report, the Spanish National Statistics Institute has just published<sup>1</sup> its first estimate of GDP for 2020. A black year that resulted in a collapse of 11%, the worst ever seen in our history since records have been kept, and the worst in the entire OECD. In the case of the services sector, where MERLIN’s activity is mainly focused, the year-on-year drop was -9.8%.

In the stock market, the real estate market suffered a sharp correction and MERLIN’s share price have not been a different, falling 39% from EUR 12.79 at the close of 2019 to EUR 7.78 at the close of 2020.

Against this backdrop, the Company has stood out for reacting quickly and forcefully, adopting a series of measures to protect the Company against the onslaught of COVID-19, including measures affecting remuneration.

## DECISIONS ON REMUNERATION FOR 2020

In view of the situation in 2020, the remuneration policy has been an ally for the Company, as certain measures were introduced in line with the circumstances experienced.

The new policy implemented a new short-term variable model, which is expected to contribute to bringing this annual remuneration into line with the performance of the Company’s results. This model sets out the quantitative and qualitative targets for the year, their weighting and the short-term variable

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<sup>1</sup>28 January 2021.

remuneration associated with the level of achievement of these targets. This model also makes it possible to comply with the amendments to CNMV Circular 1/2020, of 6 October 2020, whereby companies must explain the criteria they apply to verify that the conditions to which the variable remuneration is linked have been effectively met.

In addition, as mechanisms to retain cash:

- Initially the Board agreed to reduce in 2020 the annual gross amount to be paid as remuneration to all MERLIN's directors by 25%, of which total amount approved was 2,600,000 euros, (and therefore the Company would only pay, in 2020, 75% of total annual amount, that is, a maximum of 1,950,000 euros).
- Afterwards, the Board agreed (with express acceptance of its members) to reduce in 2020 the fixed remuneration of each non-executive director by 25% (so that the Company will only pay 75% of it as a fixed remuneration). Given that the individual fixed amount is 100.000 euros, the fixed remuneration in 2020 will be reduced to 75,000 euros.
- The executive directors and the Company's management, in accordance with the Board, team agreed to waive any amount to which they may be entitled as short-term variable remuneration in 2020.
- The Company decided to postpone the implementation of the long-term incentive plan, given the existing uncertainty and that a new strategic plan was expected to be drawn up during the year.

Notwithstanding the fact that the executive directors, in accordance with the Board, have waived their entitlement to short-term variable remuneration for 2020, and as can be seen below, this Report includes, for illustrative purposes, details of the targets, weightings and the mechanics of the new model, that would have been applied had the entitlement to this remuneration not been waived.

## EXPECTATIONS FOR 2021

2021 is anticipated to be a year of some recovery in activity if the forecasts and vaccination plans are met. Without prejudice to this uncertainty, the basis for 2021 is more realistic with regard to establishing ambitious but at the same time realistic targets, in line with the actions set out in the strategic plan.

The Company has a new strategic plan that will guide both its activity for the coming years and the incentives that will be determined. Accordingly, the following actions with regard to remuneration are proposed for the year:

- Despite this uncertainty, the basis for 2021 is more realistic with regard to establishing ambitious but at the same time realistic targets, in line with the actions set out in the strategic plan.
- In line with standard practice in the sector, the Board is analysing the possibility of establishing an extraordinary incentive for the management team in 2021, linked to specific and demanding targets of the strategic plan that are critical for this year, as a mechanism to maintain the motivation and commitment of the management team. This incentive would be subject to approval, as the case may be, at the next Annual General Meeting ("AGM").

Details of the measures that are being considered for implementation are included in this Report.

Finally, I would like to thank you on behalf of the Committee for taking the time to read this Report, in the hope that it will be clear and comprehensible.

MERLIN is committed to listening carefully to its shareholders and applying best practices with regard to remuneration. We hope that you will continue to support us by voting in favour of this report.

Approved by the Board of Directors and signed on their behalf by

Signed: Maria Luisa Jordá Castro, Chair of the Remuneration Committee

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## 01. MERLIN'S REMUNERATION POLICY FOR 2020-2022

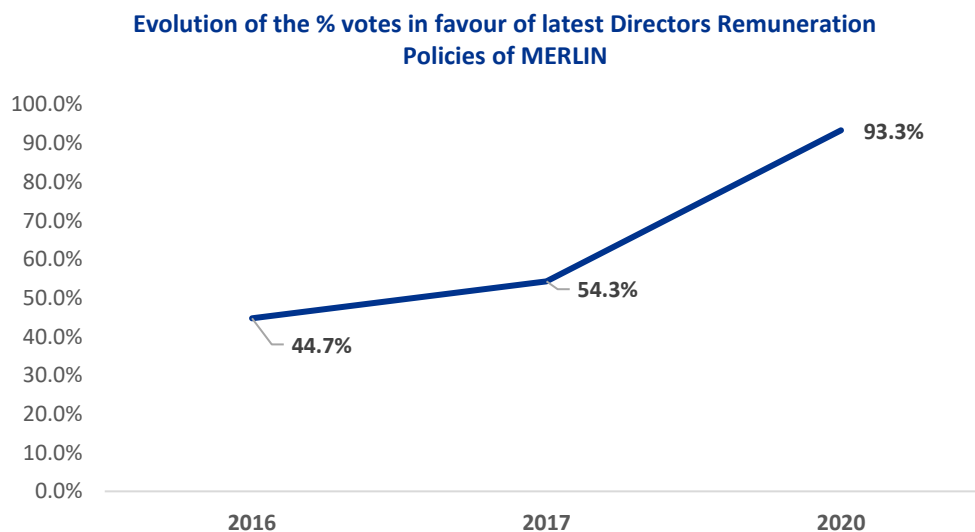
The Directors Remuneration Policy of MERLIN PROPERTIES, SOCIMI, S.A. was approved at the Company's Annual General Meeting held on 17 June 2020 in accordance with section 529 novodecies of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*) and will remain in force in 2020, 2021 and 2022.

It was defined on the basis of the guidelines of the Remuneration Committee, and with the support of KPMG as an external expert who, among other aspects, prepared a report on market practices in remuneration matters in companies comparable to MERLIN (SOCIMIs or Real Estate Investment Trusts - REITs) in the Anglo-Saxon and European markets, as well as IBEX-35 non-financial companies.

The Policy involved an intense review of the remuneration model that the Company had been applying to try to encourage remuneration to be earned in proportion to the value created with regard to specific and concrete objectives.

These types of formulas are general practice in Europe, and have been included as a new requirement in CNMV Circular 1/2020<sup>2</sup>, and in the reform of the Good Corporate Governance Code also carried out by the CNMV on 26 June 2020, which amended recommendation 59 so that the payment of the variable components of remuneration is subject to sufficient verification that the previously established performance or other conditions have been effectively fulfilled.

This Policy is the one that has received the greatest support from shareholders since the creation of the Company.



The Board considers that the Policy contributes to the business strategy and the long-term interests and sustainability of the Company, as its parameters are fully aligned and related to both the short- and long-term objectives that the Company has specifically set through the approval of its strategic plan.

<sup>2</sup>Two new headings are included in the Annual Remuneration Reports in sections A.1 and B.7, so that, in accordance with Recommendation 59, companies must explain the criteria they apply to verify that the conditions to which the variable remuneration is linked have been effectively fulfilled.

The remuneration philosophy contained in this Policy aims to align the entire workforce and, in particular, the executive directors, with MERLIN's strategic objectives, encouraging and recognising the values of teamwork and the Company's corporate culture.

A series of quantitative and qualitative short-term objectives with a series of metrics and weightings, which are based on the strategic targets set for the year, have therefore been established for executive directors and the management team.

The Policy also seeks to balance remuneration in the short and long term. Sometimes the successful achievement of certain targets may not be reflected in a specific year. Therefore, the initial idea is that both incentives should be aligned to ensure this balance.

By way of summary, the main new features of the Policy compared to the previous one are as follows:

- It updates the principles on which the application of the policy is based, clarifying the scope of some of them and including other new ones, such as those related to bringing the Policy into line with regulatory changes and best market practices, the guarantee that the Policy will not encourage cases of discrimination for any reason, and reference to the fact that remuneration will be sufficient to recognise the effort and dedication of the executive director, so that the remuneration is attractive and permits retaining talent on the Board itself.
- With regard to executive directors, their remuneration is adjusted after an initial stage of high growth and corporate acquisitions by the Company (in which there has been extraordinary growth), a stage where the remuneration policy has been adapted to that exceptional growth and following the principles with which the Company was listed on the stock market. The Remuneration Committee and the Board of Directors have considered initiating a new stage in the remuneration policy so that it reflects that of a leading company among the largest real estate companies in Europe and that of the Spanish companies with the highest capitalisation. Accordingly, the remuneration of the executive directors has been adjusted on the following terms:
  - Reduction of the maximum short-term variable incentive ("STIP") from 275% to 200% of the annual fixed remuneration for the chief executive officer and/or first executive, and from 275% to 100% for the other executive directors.
  - Inclusion in the STIP of a greater number of quantitative metrics, with a weighting of 60% of the targets, and qualitative metrics, with a weighting of 40%.
  - With regard to long-term incentives, reduction of the maximum long-term variable incentive ("LTIP"), for each year that the targets of this Plan are measured, from 625% to 200% of the annual fixed remuneration for the chief executive officer and/or first executive, and from 625% to 100% for the other executive directors.
  - For both short- and long-term incentives, definition of more concrete and specific targets than in previous plans in line with the strategic plan, establishing a clearer division between quantitative and qualitative objectives, in line with best practices in the sector.
  - In anticipation of the reform of the good corporate governance recommendations, and the amendment of recommendation 59, inclusion in the regulation of the Policy of a "malus" clause in order to be able to reduce the remuneration to be paid in the event of any extraordinary circumstance from which the Company wishes to protect itself.

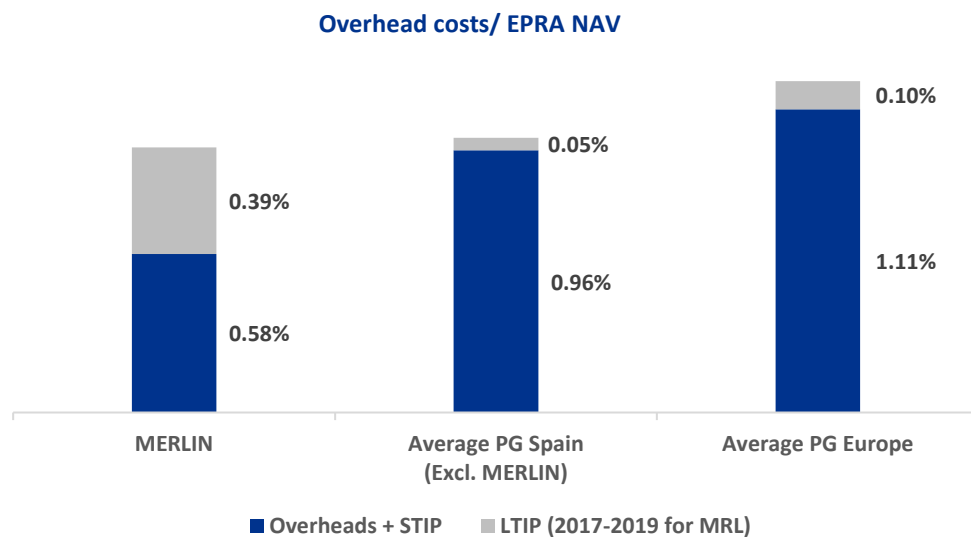


- In the case of non-executive directors, the existing fixed remuneration is maintained, although incorporating per diem attendance fees.
- Finally, remuneration is set for the non-executive chairman and for the lead independent director, which is also in line with best market practices.

In order to prepare the Policy, it was determined what was the best positioning for the Company in comparison to other comparable companies:

- The Spanish Peer Group (“PG Spain”), consisting of Inmobiliaria Colonial and Lar España.
- The European REIT Peer Group (“PG Europe”), consisting of: Alstria Office, Altarea, British Land, Covivio, Derwent London, Deutsche Wohnen, Gecina, Inmobiliaria Colonial, Land Securities, London Metric Property, SEGRO, TLG Immobilien, Unibail-Rodamco, Vonovia and Workspace.

In its application, it can be determined that MERLIN can be considered as one of the most efficient REITs in Europe, in terms of the ratio of total overhead costs relative to EPRA NAV in 2019 and 2020<sup>3</sup>.



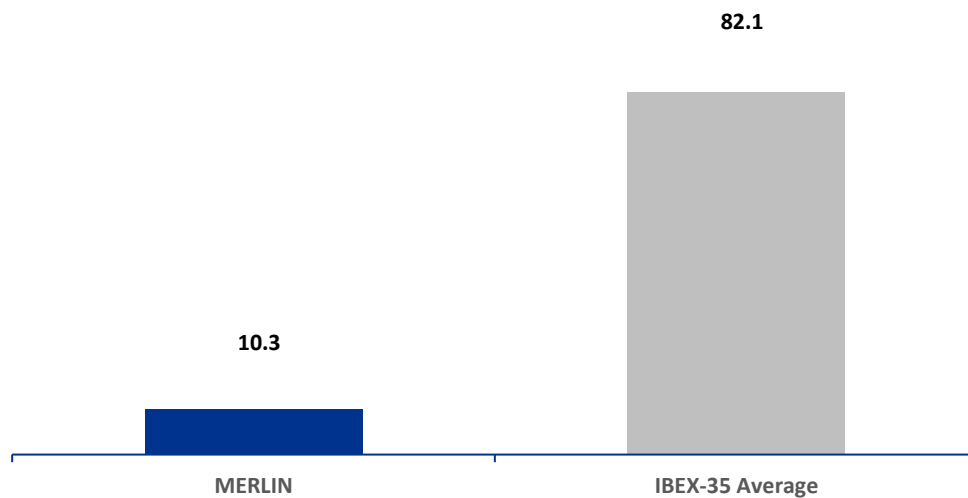
<sup>3</sup> Information for comparable REITs was obtained from the latest annual reports published in 2018 and 2019 for the peer group and 2020 for MERLIN



With regard to the ratio between the total remuneration earned by the chief executive officer and the average remuneration of staff members, it was concluded that the difference in remuneration between the Company's chief executive officer and the average remuneration of MERLIN's staff members is well below the IBEX-35<sup>4</sup> average.

This ratio was calculated using the public information available on the date this report was drawn up, or in other words, the total remuneration earned by the chief executive officer in 2019. Also, in order to estimate the average remuneration for staff members, the staff costs recognised in the consolidated financial statements were used, excluding social security expenses divided by the average number of employees in 2019. The data used for MERLIN are the latest published at year-end 2020.

**Total Remuneration of the CEO vs. Total Remuneration of the average employee**



Source: MERLIN for MERLIN data and KPMG for Ibex-351 data<sup>1</sup>

<sup>4</sup>Excluding MERLIN; Arcelormittal, as the Board of Directors is located outside of Spain; Aena, as the remuneration of its directors is subject to limitations; Bankia, for the same reason as Aena

## 02. PLANNED REMUNERATION POLICY FOR 2021

### A) EXECUTIVE DIRECTORS

The Board members with executive functions are entitled to receive remuneration for the performance of these functions, comprising the components of remuneration summarised in the following table:

| Components of the remuneration package |                                      | Purpose   | Summary of details  |
|--|--------------------------------------|---|---|
| <b>Fixed</b>                           | Fixed remuneration                   | <ul style="list-style-type: none"> <li>Reward the level of responsibility, professional consolidation in the position, and recognise the experience and relevance in the market.</li> <li>Attract and retain talent.</li> </ul>   | Each executive director receives a fixed remuneration of EUR 1 million gross per year. This amount absorbs any amount corresponding to per diems for membership to the Board and attendance at meetings.  |
|  | Remuneration in kind                 |   | <ul style="list-style-type: none"> <li>Medical insurance for the director and family.</li> <li>Death and permanent disability policy.</li> <li>Third-party liability policy.</li> </ul>   |
| <b>Variable</b>                        | Short-term variable incentive (STIP) | <ul style="list-style-type: none"> <li>Recognise the contribution to the achievement of targets within the annual budget.</li> <li>Motivate and guide the work of the management team for the year.</li> </ul>  | Linked to quantitative and qualitative metrics and, for the most part, efficient resource management. Annual amount: <ul style="list-style-type: none"> <li>Maximum 200% of fixed remuneration for the CEO.</li> <li>Maximum 100% of fixed remuneration for the other executive directors.</li> </ul> |
|  | Long-term variable incentive (LTIP)  | <ul style="list-style-type: none"> <li>Recognise the contribution to strategic achievements on medium- and long-term objectives.</li> <li>Motivate and guide the work of the management team in the medium term.</li> <li>Align them with the interests of shareholders.</li> </ul> | Linked to the achievement of a return target for the shareholder. Annual amount: <ul style="list-style-type: none"> <li>Maximum 200% of fixed remuneration for the CEO.</li> <li>Maximum 100% of fixed remuneration for the other executive directors.</li> </ul>                                     |
| <b>Other</b>                           | Termination benefits                 | <ul style="list-style-type: none"> <li>Protect the director against possible wrongful dismissal</li> </ul>  | Limited to twice the fixed remuneration and the STIP assigned in the last 12 months. Post-contractual non-competition agreement included equal to 6 monthly payments of fixed remuneration.   |

In addition, the Company (on the proposal of the Remuneration Committee), against the backdrop of the extraordinary situation in which we find ourselves, is assessing the possibility of implementing an extraordinary incentive, in recognition of the special complexity of certain objectives for the executive directors, among others, in response to the new business challenges and objectives that have arisen as a result of the situation caused by COVID-19, which, if applicable, after approval by the Board of Directors, as the case may be, will be submitted for approval at the Annual General Meeting.

In accordance with the Company's Articles of Association, these executive directors do not receive any remuneration as directors.

### A.1). Fixed remuneration for 2021

In accordance with the 2020-2022 Remuneration Policy, the amount of the fixed remuneration in 2021 will be EUR 1,000,000. This amount is paid in full in cash and has not been increased since 2017.

### A.2). Annual variable remuneration. Short-term incentive plan (2021 STIP)

The STIP for executive directors corresponding to 2021 will follow the structure described in the Remuneration Policy.

#### Criteria for valuation of the amount of the STIP and allocation among the executive directors

The executive directors will be entitled to receive a variable remuneration in cash for the provision of their services in 2021, which will be set by the Board of Directors, following a report from the Remuneration Committee.

To analyse whether the proposed amount and distribution of the STIP for 2021 is appropriate, the Remuneration Committee has set certain targets, as well as the weighting of these targets, which are detailed below:

| <i>Type of target</i> | <i>Metrics</i>   | <i>Weighting</i> |
|-----------------------|--|------------------|
| Quantitative<br>60%   | <b>FFO per share:</b> forecast funds from operations per share budgeted and approved announced to the market by the management team during the first quarter of the year being assessed. | 20%              |
|                       | <b>Net operating income (NOI):</b> fulfilment of the level of net rents budgeted and approved.   | 15%              |
|                       | <b>Profit before tax:</b> adjusted profit before tax (excluding the impact of the valuation of assets and derivatives) budgeted and approved.  | 10%              |
|                       | <b>Leverage:</b> fulfilment of the leverage ratio determined by the Board of Directors at the start of the year being assessed.  | 10%              |
|                       | <b>Dividend per share (DPS):</b> fulfilment of the forecast distribution of dividends, announced to the market by the management team during the first half of the year being assessed.  | 5%               |
| Qualitative<br>40%    | <b>Progress in digitalization projects and technology of the Group</b>   | 15%              |
|                       | <b>Performance assessment and professional development</b>   | 10%              |
|                       | <b>Progress in the sustainability strategy and communication policy</b>  | 15%              |

This model will make it possible to explain more objectively to both directors and shareholders how remuneration has been earned on the basis of the targets achieved.

The model will have achievement thresholds and payment scales associated with each metric based on the difficulty of achievement and its criticality for the Company's plans in 2021, thus enabling a specific achievement result to be obtained.

These objectives as they are established, especially in quantitative terms, clearly contribute to the achievement of the Company's business objectives, as they are closely related to the key business parameters for the year and the recently defined strategic plan.

### **Amount of the STIP**

As explained in section 01 of the Report, if the executive directors meet their objectives, they may receive the STIP up to a maximum of 200% of the fixed remuneration corresponding to the year being measured in the case of the chief executive officer and/or first executive, and up to 100% in the case of any other executive director.

The Board will determine the amount to be received, within the maximum stipulated in each case, taking into account, in addition to the fulfilment of the targets, criteria relating to proportionality, quality of management and talent retention, as well as the application of fair and competitive remuneration, comparable to market standards.

If extraordinary circumstances arise that advocate the recognition of an STIP for executive directors in the year being assessed that is higher than the indicated maximum limits, at the proposal of the Remuneration Committee, and if approved by the Board, it will be submitted to the Annual General for approval.

### **Entitlement to and payment of the STIP**

Once the STIP is finally determined, entitlement to this component of remuneration and its payment, unless under exceptional circumstances regulated in the Policy, will be governed by the following rules:

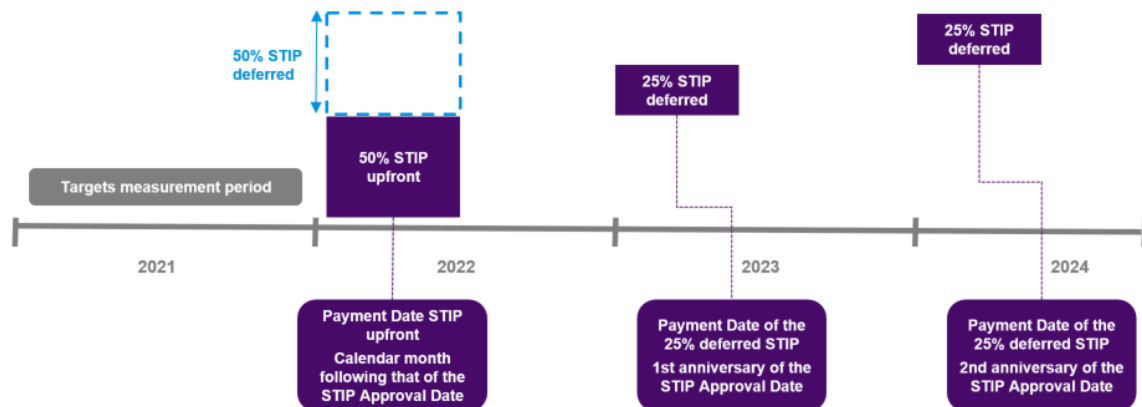
- (i) The executive director will vest and receive 50% of the STIP corresponding thereto (the "**Upfront STIP**") in cash on the date that the achievement and amounts of the STIP (and its distribution) are approved by the Board of Directors (the "**STIP Approval Date**").

the incentive will be paid jointly with the amount of the fixed remuneration paid in the calendar month following that of the STIP Approval Date ("Upfront STIP Payment Date").

- (ii) The remaining 50% of the STIP corresponding thereto (the "**Deferred STIP**") will vest and be received in accordance with the following schedule:
  - a) the executive director will vest the right to, and receive in cash, 25% of the STIP corresponding thereto on the date of the first anniversary of the STIP Approval Date;
  - b) the executive director will vest and receive in cash the right to the final 25% of the STIP corresponding thereto on the date of the second anniversary of the STIP Approval Date;

The Deferred STIP will be paid in cash on the business day following the date of the respective anniversary of the STIP Approval Date (the "**Deferred STIP Payment Date**").

In order to receive the amount of the corresponding Deferred STIP, the executive director must remain in office on the corresponding vesting and payment date.



This incentive deferral mechanism would bring the plan into line with the new developments introduced by Recommendation 59 (as adopted on 26 June 2020) in that the deferral established will allow the corresponding verifications to be carried out after one year has elapsed between payments, which is considered sufficient time to make these verifications.

In any event, the Committee will verify the degree of compliance with the short-term objectives set for 2021.

### A.3). Long-term incentive plan

Due to the situation of uncertainty caused by COVID-19, the Board of Directors, at the proposal of the Remuneration Committee, agreed in 2020 to postpone the implementation of the long-term incentive plan.

The plan is also not expected to be implemented in 2021. Therefore, if it is considered appropriate to implement such a plan, the targets and their weightings would still need to be specified through a proposal that, where applicable, would be made at the Annual General Meeting, and the future regulations of the incentive would have to be determined once there is a clearer vision of the potential impacts of the economic and business situation derived from the various waves of the pandemic.

Notwithstanding the above, and for the purpose of absolute transparency, it is hereby stated that during 2021 the executive directors will receive the shares from the old plan (LTIP 2017-2019), which entitlement to and payment will be carried out in accordance with the following schedule:

| Chief Executive Officer     | 2021           |                | 2022           |                |
|-----------------------------|----------------|----------------|----------------|----------------|
|                             | Entitlement*   | Payment        | Entitlement*   | Payment        |
| <b>LTIP<br/>(2017-2019)</b> | 489,509 shares | 489,509 shares | 489,509 shares | 489,509 shares |

| Executive director          | 2021           |                | 2022           |                |
|-----------------------------|----------------|----------------|----------------|----------------|
|                             | Entitlement*   | Payment        | Entitlement*   | Payment        |
| <b>LTIP<br/>(2017-2019)</b> | 489,509 shares | 489,509 shares | 489,509 shares | 489,509 shares |

#### A.4). Extraordinary incentive

The Company is considering the possibility of implementing an exceptional extraordinary incentive, payable in cash, for executive directors, among others, in order to respond to the new business challenges and objectives that have arisen as a result of the situation caused by COVID-19.

The purpose of this incentive would be to reward the achievement of extraordinary objectives that have been included in the new strategic plan, which represent a real challenge given the current circumstances, and are essential for laying the foundations for the coming years. These targets would not form part of ordinary management, since ordinary targets would be rewarded in the STIP, thus ensuring that they are not paid twice for the same achievement.

At the date of preparation of this Report, the terms of the incentive have not yet been agreed, but its analysis and, where applicable, determination has been approved. If this incentive is implemented during the current financial year, the functioning of the extraordinary incentive will be detailed in the following annual remuneration report, thus complying with the duty of information and with the reporting requirements of the CNMV, as well as with the Company's goal of transparency.

In any case, the incentive will be approved, following a report from the Remuneration Committee, by the Board of Directors, and must be approved, where applicable, at the Annual General Meeting. Its characteristics and functioning will be subsequently set out in a regulation.

#### A.5). Long-term savings plans

No long-term savings plan has been approved for executive directors.

#### A.6). Remuneration in kind

In accordance with the Policy, executive directors may be beneficiaries of:

- A policy for death and any degree of permanent disability, the beneficiary of which will be the executive director and/or the persons designated by the director in the case of coverage for death.
- A health insurance policy, with global health coverage with a leading company, under which the executive director, together with their spouse and dependent children, will be included as beneficiaries.

The sum of the premiums of both insurance policies will amount to a maximum of EUR 14,000 per year, an amount that will be reviewed on an annual basis, in line with the prevailing circumstances and the current parameters that are customary for this type of insurance.

The directors form part, as insureds, of the third-party liability policy for directors and executives taken out by MERLIN, under normal market terms and conditions.

#### **A.7). Malus and clawback clauses**

If certain events or circumstances detailed in the Remuneration Policy occur before any STIP or LTIP amounts are paid to the executive director, such as, for example, the restatement of the Company's financial statements, the existence of alterations or inaccuracies in the business data, or the dismissal of the executive director due to irregular conduct, fraud, non-compliance or serious breaches of their obligations, the Board of Directors, at the proposal of the Remuneration Committee, may reduce by the percentage considered appropriate or even cancel the executive director's entitlement to the STIP.

Malus clauses will apply to any variable component of remuneration included in the policy that has yet to be paid, and that relates to the year in which the event triggering the application of the clause arose, and will be in effect during the deferral period.

In any event, the variable remuneration will be paid or vested only if it is sustainable in accordance with the Company's overall financial position.

In addition, if during the two (2) years following the payment of the STIP for executive directors, certain events or circumstances detailed in MERLIN's Remuneration Policy occur, such as, for example, the Spanish National Securities Market Commission imposing a serious sanction on the Company for events related to the performance of the duties of an executive director at the Company, if there is a material restatement of the Company's financial statements for reasons attributable to an executive director, or if the executive director is dismissed for irregular conduct, fraud, non-compliance or serious breaches of their obligations, MERLIN may require the executive director in question to repay up to 100% of the amount, net of taxes, received under the STIP and LTIP.

In any case, it will fall to the Company's Board of Directors, following a report by the Remuneration Committee, to determine whether the circumstances have arisen that trigger the application of the malus and clawback clauses with regard to variable remuneration, in the cases that they affect and, if so, the manner in which it should take place.

#### **A.8). Possible payments in the event of removal**

Following is a summary of the payments that executive directors may receive in the event of termination:

- Severance pay: the severance for termination of the relationship with the Company is limited to an amount equal to twice the fixed remuneration received and the STIP awarded in the last twelve (12) months prior to the removal. Of this amount, an amount equal to six months' fixed remuneration is paid as financial compensation for the non-competition agreement as described below.

In this regard, the contracts signed with the executive directors establish that this severance will not be paid where the termination is due to a decision by the Company stemming from:

- A gross breach or violation of the statutory duties and obligations incumbent on the director, or



- Some act or omission that causes serious damage to the Company and provided that, in both cases, the occurrence of such grounds has been declared by a competent court.

This severance would also be payable in the event of the resignation or termination of the executive director deriving from a substantial adverse modification of their conditions or functions.

The amount of the severance is limited to the amount equal to one year's fixed remuneration received and the STIP awarded in the last twelve (12) months prior to the removal where the termination is due to a resignation by the executive director deriving from a change of control at the Company (as defined in the remuneration policy). Of this amount, an amount equal to six months' fixed remuneration is paid as financial compensation for the non-compete undertaking described below.

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 components of the remuneration package, as the time horizon of these components is different.

With respect to the short-term, the month following the close of the accounts that applies to the year in which the executive director leaves is considered to be a suitable period for this verification.

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

- Post-contractual non-compete undertaking: executive directors assume a non-compete obligation for six months from the date of termination of their contractual relationship. The remuneration for this obligation is a gross amount equal to 6 months' annual fixed remuneration (equal to EUR 500,000), which will be paid to the executive director in monthly instalments where the termination is due to their resignation and such resignation does not give rise to any severance in their favour, and it will be considered absorbed (and therefore no additional payment will be made) by the amount of severance for removal received in cases where the termination led to payment of severance to the director.
- Settlement of the STIP for executive directors: The executive directors will be entitled to receive all or part of the STIP in accordance with the conditions described in the remuneration policy.
- Settlement of the LTIP for executive directors: The executive directors will be entitled to receive all or part of the LTIP under certain circumstances or in case of termination.

The terms and conditions described above comply with that established in Recommendation 64 of the recently amended version of the Good Governance Code for Listed Companies, as they indicate that the payments for termination of an employment contract include the severance, contractual non-competition agreements or any other payment earned or payment obligation that arises as a result of the termination of the contract and that these amounts may not exceed twice the total remuneration.

#### **A.9). Contract conditions**

The contracts that regulate the performance of the functions and responsibilities of each executive director include the customary clauses included in this type of contract, in accordance with standard market practices in this regard, and are aimed at attracting and retaining the most outstanding professionals and safeguarding the legitimate interests of the Company.

Notwithstanding the clauses on severance for termination and the non-compete undertaking described in the previous section, the main conditions of the executive directors' contracts are as follows:

- Nature: independent contractor.
- Term: the contracts with executive directors are for an indefinite term.
- Confidentiality: executive directors, both during the period they provide services to the Company and after their contract has been terminated for whatever reason, may not provide, disclose or supply to any individual or legal entity, whether directly or indirectly, any data, ideas, documents, secrets, procedures, methods or, in general, any information to which they may have had access in discharging their office, except for that strictly necessary to comply with the obligations contained in the contract or information in the public domain (unless it becomes public due to a breach of the confidentiality obligation). Likewise, they may not use such information for their own benefit or for the benefit of third parties.

Notwithstanding the confidentiality obligation expressly established in the contract, executive directors are also bound by the duty of secrecy, forming part of the duty of loyalty established in section 27 of the Board Regulations and, specifically, by the duty of confidentiality, applicable to all directors, regulated in section 24 of the Board Regulations.

- Period of notice: it is established that both parties must respect, in general and save for specific exceptions, a period of notice of four (4) months. Failure to observe the notice requirement will give rise to the obligation to indemnify the other party in an amount equal to the period of notice not observed, whereby the director authorises the Company to deduct any amount that may apply in this regard from the corresponding settlement of amounts in his favor.
- Others: the contracts also include the customary rules regarding (i) exclusivity in the provision of the services, and (ii) intellectual property and inventions within the context of the services.

## **B) NON-EXECUTIVE DIRECTORS**

The remuneration of non-executive directors for 2021 is in accordance with the remuneration components and amounts described below and included in the Remuneration Policy, as well as the maximum annual limit set by the shareholders at the Annual General Meeting for the remuneration of these directors.

Any amount detailed in this section will be payable in cash. Any director may, if considered it appropriate, waive all or part of their remuneration in favour of the Company.

Each amount compensates each office held by a director, which are added up according to the different offices held to form the director's total remuneration (office of director and, as appropriate, committee chairmanship or membership), except in the case of remuneration of the non-executive chairman of the Board of Directors, where the chairman's fees absorb all remuneration components for the functions performed (office of director, function of Board chairman, committee membership or chairmanship, as the case may be).

If a non-executive director is appointed, removed or tenders their resignation during the year, the corresponding amounts assigned will be prorated based on the time that the director sat on the Board of Directors.

|                                    | <i>Type of position</i>           | <i>Per diem membership fees</i> | <i>Per diem attendance fees</i> |
|------------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| <b>Board of Directors</b>          | Chair                             | €450,000                        | -                               |
|                                    | Member                            | €100,000                        | €2,000/meeting                  |
|                                    | Lead director (additional amount) | €35,000                         |                                 |
| <b>Audit and Control Committee</b> | Chair (additional amount)         | €5,000                          |                                 |
|                                    | Member                            | €35,000                         |                                 |
| <b>Remuneration Committee</b>      | Chair (additional amount)         | €5,000                          |                                 |
|                                    | Member                            | €10,000                         | -                               |
| <b>Appointments Committee</b>      | Chair (additional amount)         | €5,000                          |                                 |
|                                    | Member                            | €10,000                         |                                 |

It is hereby stated that the current Chairman of the Board has waived the entire remuneration that he would be entitled to for the office in the Board during 2021.

It is hereby stated that the Board is analysing, and it will be brought to the Annual General Meeting if needed, the establishment of a committee specialized in sustainability, environment and governance which remuneration will also be submitted to the AGM.

### 03. APPLICATION OF THE REMUNERATION POLICY IN 2020

The remuneration for 2020 was earned in accordance with the terms and conditions described in the 2020-2022 Remuneration Policy approved at the Company's Annual General Meeting held on 17 June 2020.

The ADRR for 2019 provided a detailed description of the remuneration system that applied to the directors in 2020. That report was approved by 76.2011%<sup>5</sup> of the votes cast.

The remuneration corresponding to MERLIN's executive directors established in the 2020-2022 Remuneration Policy was indexed, in terms of its short-term variable components, to quantitative and qualitative metrics and, for the most part, to the efficient management of resources. However, the executive directors waived their entitlement to the STIP due to the situation caused by COVID-19.

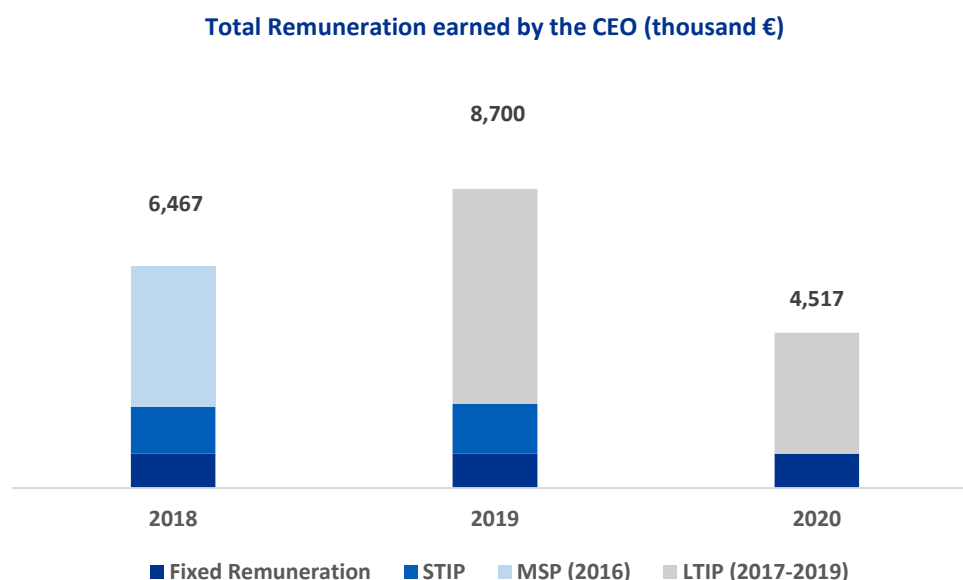
As for the LTIP, it was decided to postpone its implementation, so that there was no LTIP in 2020.

The remuneration earned by the executive directors and non-executive directors in 2020 was composed of the components described in point A.2 of section 03.

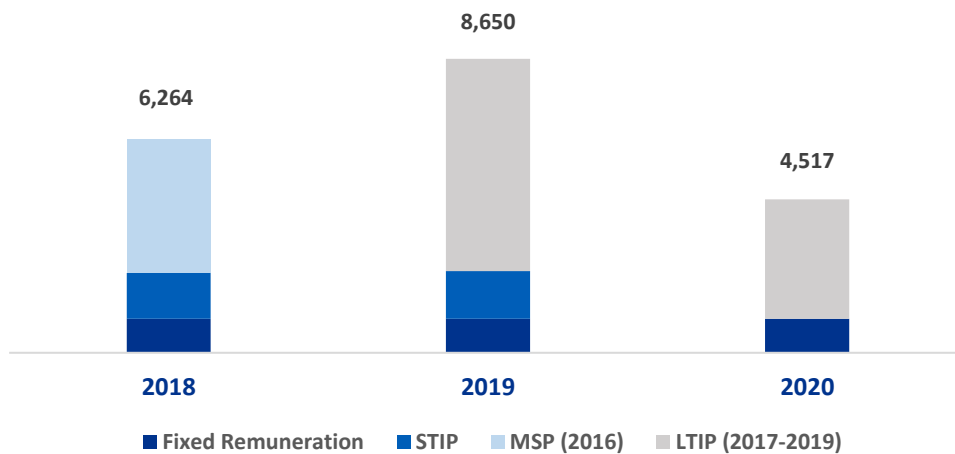
#### Remuneration earned in recent years by the executive directors (2018-2020)

##### Executive directors

The following graphs show how fixed remuneration has remained constant, while the short-term variable remuneration (STIP) disappeared in 2020 as it was waived, in accordance with the Board. With regard to long-term variable remuneration (LTIP), the amount for 2020 corresponds to the long-term incentive generated during the 2017-2019 period, in accordance with the previous plan, the vesting of which extends over 2020 and 2021.



<sup>5</sup>223,981,839 votes in favour; 126,028,869 votes against; 2,985,822 abstentions.

**Total Remuneration earned by the executive director (thousand €)**

**A) EXECUTIVE DIRECTORS**
**A.1).1. Targets in the context of determining the STIP**

At the Board of Directors meeting on 8 April 2020, and in accordance with it, the executive directors agreed to waive any amount to which they may be entitled with regard to short-term variable remuneration for 2020, and it was also agreed not to implement an LTIP in 2020.

However, as a theoretical exercise, the Remuneration Committee identified during the period which targets could have been established for 2020, within those set out in the policy, which are identified below:

**Quantitative targets (60%)**
**Qualitative targets (40%)**

Forecast distribution of dividends, announced to the market by the management team during the first quarter of the year being assessed.

Performance evaluation of each of the directors for the year under review by the Board of Directors, including aspects such as the assessment of their commitment, team leadership, relationship with the Board of Directors and with investors, among other issues that are typical of director evaluations.

Forecast funds from operations ("FFO") per share announced to the market by the management team during the first quarter of the year being assessed.

Improvement of the position obtained in the GRESB index with regard to the last score obtained.

Fulfilment of the leverage ratio determined by the Board of Directors at the start of the year being assessed.

Assessment of the potential impact of external factors on the achievement of targets, such as particularly unfavourable market conditions, the international environment or other similar factors.

Fulfilment of the investment and divestment plan defined by the Board of Directors at the start of the year being assessed.

Maintaining overhead costs within the limit set by the Board of Directors for the year being assessed.

Fulfilment of the annual budget.

Share price performance during the year.

The following targets, selected from those mentioned above, were considered to be the most appropriate, with the specific target and weighting described below.

| <i>Metrics</i>             | <i>Description</i>   | <i>Weighting</i> |
|----------------------------|--|------------------|
| <b>Quantitative</b><br>60% | <b>FFO per share</b><br>Forecast funds from operations per share budgeted and approved announced to the market by the management team during the first quarter of the year being assessed. | 20%              |
|                            | <b>Net operating income (NOI)</b><br>Fulfilment of the level of net rents budgeted.  | 15%              |
|                            | <b>Leverage</b><br>Fulfilment of the leverage ratio determined by the Board of Directors at the start of the year being assessed.  | 15%              |
|                            | <b>DPS</b><br>Forecast distribution of dividends announced to the market by the executive team during the first half of the year being assessed.   | 10%              |
| <b>Qualitative</b><br>40%  | <b>Definition of a new strategic plan and definition of an organisational chart</b>  | 15%              |
|                            | <b>Impact of external factors</b>  | 15%              |
|                            | <b>Leadership, work climate and relationship with the Board or alternatively performance evaluation</b>  | 10%              |

In any event, and given that the executive directors waived the 2020 STIP, the former ended up being a theoretical exercise.

## **A.10). SUMMARY OF THE REMUNERATION**

### **A.2).1. Fixed remuneration for 2020**

The fixed remuneration of each executive director in 2020 amounted to EUR 1,000,000 gross, having remained unchanged since 2017.

### **A.2).2. Annual variable remuneration in 2020 (STIP)**

The amounts paid to executive directors based on the STIP are part of and charged to the overall amount that the Company allocates each year to variable remuneration for its entire staff.

As mentioned above, it should be noted that the executive directors, in accordance with the Board, have waived any amount to which they may be entitled with regard to short-term variable remuneration for 2020.

#### **(i) STIP - Amount**

In accordance with MERLIN's 2020-2022 Remuneration Policy, this incentive is capped at up to 200% of the fixed remuneration corresponding to the year being measured in the case of the chief executive officer and/or first executive, and up to 100% in the case of any other executive director.

#### **(ii) STIP - Metrics and weightings**

The Remuneration Committee, performed the theoretical exercise as indicated in A.1).2. In any event, given that the executive directors, in accordance with the Board, waived the 2020 STIP, no measurement was performed as to evaluate the fulfilment of the theoretical targets.

#### **iii) STIP - Entitlement to the STIP and payment**

The level of compliance set determines the amount to be paid to each director and the entitlement and payment is determined as described in point 02 of this report (Remuneration Policy planned for 2021). However, as indicated above, the executive directors will not receive remuneration under the STIP in 2020 as they have waived entitlement to this incentive, in accordance with the Board.

### **A.2).3. Long-Term Incentive Plan (LTIP)**

Due to the situation of uncertainty caused by COVID-19, the Board of Directors, at the proposal of the Remuneration Committee, agreed at its meeting held on 8 April 2020 to postpone the implementation of the new long-term incentive plan (LTIP) until it has a clearer vision of the potential impacts and it is feasible to identify realistic objectives adapted to the new scenario that may emerge from the current situation in order to align the interests of shareholders, executives and the Company against the new backdrop. Nevertheless, and as it is set before, in 2021 the executive directors will received shares deriving from the old LTIP plan (2017-2019)

### **A.2).4. Long-term savings plans**

Executive directors do not benefit from any long-term savings plans.

### **A.2).5. Remuneration in kind**

In accordance with the 2020-2022 Remuneration Policy, executive directors may be beneficiaries of:



- A policy for death and any degree of permanent disability, the beneficiary of which is the executive director and/or the persons designated by the director in the case of coverage for death.
- A health insurance policy, with global health coverage with a leading company, under which the executive director, together with their spouse and dependent children, will be included as beneficiaries.

In 2020 the Company paid the premiums corresponding to the health and life insurance described above, which amounted to EUR 7,123 for the chief executive officer and EUR 4,670 for the other executive director.

#### A.2).6. Malus and clawback clauses

No clauses of this type were activated in 2020.

#### A.2).7. Possible payments in the event of termination

In 2020 the executive directors did not receive any of the potential payments that they could have received in cases of removal or resignation as described in section 2, subsection A.7 of this ADRR, as no executive directors were removed or resigned.

#### A.2).8. Other contractual terms

The contractual terms established with the executive directors for 2020 are those described in the heading on *Contractual terms* in section 2, subsection A.9, of this Report.

No compensation has been paid in the form of advances, loans, or guarantees.

#### A.2).9. Summary of remuneration earned

As a final summary and for greater clarity, the following table shows the remuneration earned by executive directors in 2020 as a result of the application of the Policy.

| Name            | Fixed remuneration | STIP   |               |     | LTIP   |               |     | Payment in kind | Total  |
|-----------------|--------------------|--------|---------------|-----|--------|---------------|-----|-----------------|--------|
|                 |                    | Target | % Achievement | €   | Target | % Achievement | €   |                 |        |
| Ismael Clemente | 1,000              | N/A    | N/A           | N/A | N/A    | N/A           | N/A | 7               | €1,007 |
| Miguel Ollero   | 1,000              | N/A    | N/A           | N/A | N/A    | N/A           | N/A | 5               | €1,005 |

Note: In 2020 the executive Directors, , in accordance with the Board, waived the STIP for 2020 and no LTIP was implemented. However, as stated before, the executive directors will receive shares from the old plan LTIP 2017-2019 in 2021.

## B) NON-EXECUTIVE DIRECTORS

### SUMMARY OF THE REMUNERATION

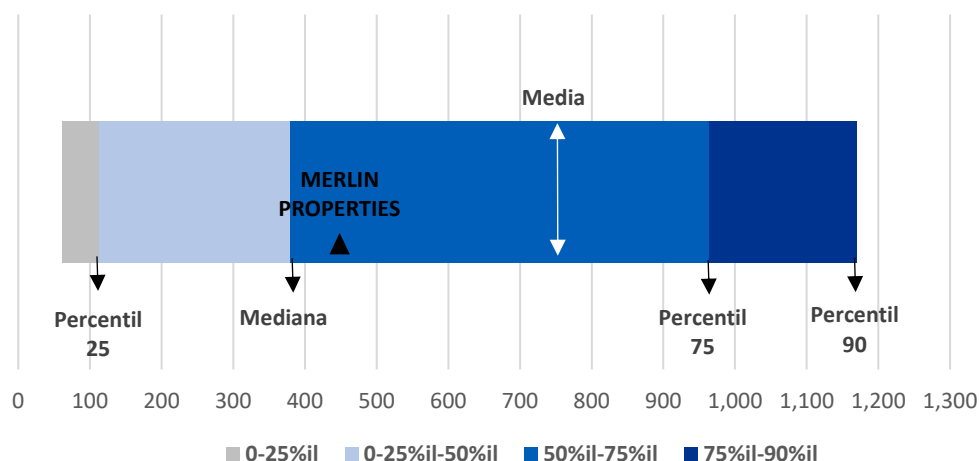
The remuneration for non-executive directors in 2020 remained at the amounts approved in the 2020-2022 Remuneration Policy at the Company's Annual General Meeting on 17 June 2020. However, on account of the economic crisis caused by COVID-19 and as a sign of the directors' commitment to the Company, it was agreed at the Board of Directors meeting held on April 8, 2020 to reduce the overall individual fixed amount of remuneration of the directors acting as such by 25%, which they accepted.

Accordingly, the non-executive chairman of the Board, Javier García-Carranza, as well as the proprietary director, Francisca Ortega, appointed by Banco Santander, decided, as in previous years, to waive their total remuneration as chairman and director, and did not receive any amount in 2020 in this regard.

Notwithstanding the above, and for information purpose, it is considered appropriate to highlight that, in the event that the non-executive chairman hadn't waived his remuneration and had earned what was stated in the Policy approved at the AGM, his level of remuneration would have been close to the market median.

In case of the non-executive directors, the average remuneration is reasonable and in line with the size of the Company, being between the 25th and 50th percentile of the market.

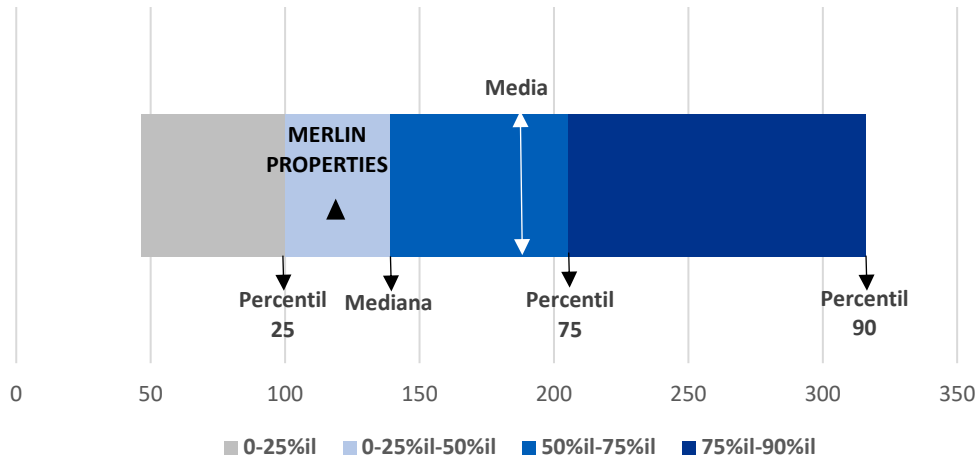
#### Remuneration of non-executive chairmen



Source: MERLIN for MERLIN data and KPMG for Ibex-351 data<sup>1</sup>

1. Excluding Arcelormittal, since the Board of Directors is located outside of Spain.

Remuneration of non-executive directors



Source: MERLIN for MERLIN data and KPMG for Ibex-351 data<sup>1</sup>

1. Excluding Arcelormittal, since the Board of Directors is located outside of Spain.

The table below summarises the amounts earned by the non-executive directors in 2020:

| EUROS | Board of Directors              |                          |   | Fees                     |                          |                          | Total            |
|-------|---------------------------------|--------------------------|---|--------------------------|--------------------------|--------------------------|------------------|
|       | Name                            | Per diem membership fees | Per diem attendance fees<br>meetings amount | Audit and Control        | Remuneration             | Appointments             |                  |
|       |                                 |                          |   | Per diem membership fees | Per diem membership fees | Per diem membership fees |                  |
|       | Javier García-Carranza Benjumea | -                        | -   | -                        | -                        | -                        | -                |
|       | Donald Johnston                 | 75,000                   | 13 26,000                                   | -                        | 4,639                    | 10,000                   | 115,639          |
|       | M <sup>a</sup> Luisa Jordá      | 75,000                   | 13 26,000                                   | 35,000                   | 8,042                    | -                        | 144,042          |
|       | Ana García                      | 75,000                   | 12 24,000                                   | 35,000                   | -                        | -                        | 134,000          |
|       | Fernando Ortiz                  | 75,000                   | 12 24,000                                   | -                        | 12,319                   | -                        | 111,319          |
|       | Francisca Ortega                | -                        | -   | -                        | -                        | -                        | -                |
|       | Pilar Cavero                    | 75,000                   | 13 26,000                                   | -                        | 10,000                   | 12,681                   | 123,681          |
|       | Juan María Aguirre              | 75,000                   | 13 26,000                                   | 40,000                   | -                        | 5,361                    | 146,361          |
|       | Emilio Novela                   | 93,764                   | 13 26,000                                   | -                        | -                        | 6,958                    | 126,722          |
|       | John Gómez Hall                 | 75,000                   | 11 22,000                                   | -                        | -                        | -                        | 97,000           |
|       | Ana Forner                      | 40,208                   | 7 14,000                                    | 18,764                   | -                        | -                        | 72,972           |
|       | Ignacio Gil-Casares             | 40,208                   | 7 14,000                                    | -                        | 5,361                    | 5,361                    | 64,931           |
|       | <b>Total</b>                    | <b>699,181</b>           | <b>228,000</b>                              | <b>128,764</b>           | <b>40,361</b>            | <b>40,361</b>            | <b>1,136,667</b> |

No remuneration has been received by the directors Javier García Carranza and Francisca Ortega because they waived it.

#### 04. COMPANY BODIES INVOLVED IN THE PROCESS FOR ESTABLISHING AND IMPLEMENTING THE REMUNERATION POLICY

The Remuneration Committee is responsible for, among other tasks, proposing and submitting the Remuneration Policy to the Board, and determining the remuneration of the executive directors and the other terms and conditions of their contracts, while also ensuring they are observed.

The following is a summary describing the bodies at the Company that are involved in the process of defining and implementing the Remuneration Policy, as described in the previous sections:

|   | Executive directors                                 | Audit and Control Committee                               | Remuneration Committee   | Board of Directors  | General Shareholders Meeting   |
|---|---|---|--|---|--|
| Design of remuneration components         |   |   | Proposes the Remuneration Policy to the Board.   | Approves the Remuneration Policy and submits it to a vote at the AGM.   | Approves the Remuneration Policy at least every three years as a separate agenda item.   |
|   |   |   |  | Proposes the remuneration system at the AGM along with the maximum amount of annual remuneration.                                 | Approves the maximum amount of annual remuneration for non-executive directors as a whole.   |
|   |   |   | Proposes modifying or updating the short-term and long-term remuneration systems.  | Approves the fixed remuneration and the main terms and conditions for the short-term and long-term variable remuneration systems. | Approves the remuneration systems for the directors, which include the delivery of shares or share options, or remuneration tied to the share price. |
| Implementation of the Remuneration Policy |   |   | Proposes the remuneration for non-executive directors to the Board.  |   |  |
|   |   |   | Verifies that the Remuneration Policy is properly applied and that no payments are made that are not included in the policy.         |   | Approves, by means of an advisory vote, the Annual Directors Remuneration Report, which includes details on the remuneration earned during the year. |
|   | Proposes the distribution of the STIP and the LTIP. | Analyses the accounting aspects of the STIP and the LTIP. | Assesses the degree of compliance with the criteria and targets established for executive directors in relation to the previous year | Approves the individual remuneration for executive directors, within the limits established in the Remuneration Policy.           |  |
|   |   |   | Proposes to the Board the individual remuneration  |   |  |

|  | Executive directors | Audit and Control Committee | Remuneration Committee  | Board of Directors | General Shareholders Meeting |
|--|---------------------|-----------------------------|---|--------------------|------------------------------|
|  |                     |                             | (fixed, STIP and LTIP) of the executive directors in accordance with the terms of the Remuneration Policy.  |                    |                              |
|  |                     |                             | Verifies that the Remuneration Policy is properly applied and that no payments are made that are not included in the Policy.  |                    |                              |
| <b>Assessment of the Remuneration Policy</b> |                     |                             | Oversees that the Remuneration Policy is in line with the Company's short-, medium- and long-term situation and strategy, including with regard to sustainability, diversity, long-term return and risk assumption, and with market conditions, and assess whether it contributes to the creation of long-term value and adequate control and management of risks, and verify the above on an annual basis. |                    |                              |

The Company also receives assistance from external consultants in preparing the various analyses and reports related to the remuneration of directors from external consultants. In this regard, MERLIN was advised by KPMG in relation to (i) the market analysis of executive directors' remuneration, and (ii) the preparation of this Report.

## 05. WORK PERFORMED BY THE REMUNERATION COMMITTEE

### A.1). Introduction

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.

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:

#### A.1.1). Composition

In accordance with its regulations, the Committee 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; The Committee will appoint a chairman from among its members, who will be an independent director. The Committee 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. The renewal, re-election and removal of directors who are Committee members will be governed by the resolutions of the Board.

As of the date of writing of the Report, the composition of the Committee was as indicated below, which was agreed following the Company's Annual General Meeting held on 17 June 2020, thereby modifying the composition of this Committee as of that date:

| Name                              | Position | Category    | Appointment date |
|-----------------------------------|----------|-------------|------------------|
| M <sup>a</sup> Luisa Jordá Castro | Chair    | Independent | 19 June 2020     |
| Ignacio Gil-Casares Satrustegui   | Member   | Proprietary | 19 June 2020     |
| Fernando Ortiz Vaamonde           | Member   | Independent | 19 June 2020     |
| Pilar Cavero Mestre               | Member   | Independent | 19 June 2020     |



The Company's website contains information on the professional profile of each of the Committee members.

#### **A.1.2). Functioning**

In accordance with its regulations, the Committee 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.

The Committee will 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.

The Committee is considered to be validly convened when attended by the majority of its members in person or by proxy, and its resolutions are passed by a majority of members attending in person or by proxy, with the chairman having the casting vote.

#### **A.1.3). Main tasks**

The main tasks assigned to the Committee are as follows:

- (i) 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;
- (ii) analyse, develop and regularly review the remuneration programmes, assessing their suitability and performance, and proposing any amendments or updates;
- (iii) oversee compliance with the remuneration policy set by the Company; and
- (iv) assist the Board in preparing the report on the directors remuneration policy.

#### **A.2). Meetings**

In 2020, the Committee met on eleven occasions (specifically 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.

All Committee meetings were attended (in person, by proxy or through audio-visual means) by all Committee members. In particular, the sessions of 16 March and 2 April were held entirely by electronic means.

Within the framework of these meetings:

- (i) 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.
- (ii) Various individuals from KPMG, as a contracted advisor to the Committee, attended the meetings as invited guests.

### A.3). Actions by the Committee

#### A.3.1) General actions

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:
  - (a) Report the amount of fixed (as well as proposed changes) and variable (STIP) salaries for 2019 applicable to the management team, including executive directors;
  - (b) 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;
  - (c) Prepare the self-assessment of the Committee in 2019;
  - (d) Review and submit the Annual Directors Remuneration Report;
  - (e) Review the Annual Corporate Governance Report and report on aspects within its competence;
  - (f) Approve the Committee's Activities Report for 2019; and
  - (g) Collaborate with the external advisor contracted for this purpose to issue the assessment of the functioning of this Committee in 2020.
- (ii) The drafting of the Board Remuneration Policy for the 2020-2022 period, which entailed 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 (STIP).
- (iii) In 2020 the Committee 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.
- (iv) 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.
- (v) Finally, and on an exceptional basis due to the pandemic caused by COVID-19, the Remuneration Committee:
  - (a) Reported on the decision not to implement a long-term incentive that would include 2020, given the uncertainty surrounding the year; and
  - (b) 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.

#### **A.3.2) Actions in relation to the current Board Remuneration Policy**

The Committee considers it appropriate to highlight the work carried out, with the participation of the executive directors and with the technical advice of KPMG, in adapting the Company to the new remuneration policy, based on the requirement to comply with concrete, specific and measurable quantitative and qualitative objectives. In this regard, they worked on selecting the targets, deciding on the weighting of each target within the framework of the general policy applied, and quantifying the levels of compliance.

With this work, the Committee sought to lay the foundations for an action procedure for the coming years.

#### **A.4). Action plan for 2021**

The Remuneration Committee's action plan for 2021 will focus on continuing with its functions and competencies, as regulated in the Committee Regulations, acting in coordination, in general, with the other corporate bodies and with the management team, and in particular with the Appointments Committee in those areas where both have authority.

Within the framework of the above, the Committee has the following actions planned for 2021:

- (i) Determine the targets for the short-term variable remuneration for 2021, applicable to executive directors and the management team, and establish the basic criteria or thresholds to be considered for determining the short-term variable remuneration for the rest of the staff members, which is the responsibility of the Company's executive management;
- (ii) Analyse the appropriateness of assessing and proposing formulas to establish a long-term incentive that aligns the Company's interests with those of its shareholders;
- (iii) Comply in a timely manner with its duties in relation to the matters on which it must report or submit proposals; and
- (iv) Improve and establish procedures for preparing, controlling and improving the information to be received by the Committees and, therefore, any information that they send to the Board of Directors, with the ultimate aim of having better knowledge of the bases, comparables and reasons that justify establishing the variable remuneration components to be received by the management team.
- (v) In addition, given the extraordinary situation in which we find ourselves and to recognise the special complexity of certain targets, the Remuneration Committee is assessing the possibility of implementing an extraordinary incentive, on an exceptional basis, for executive directors, members of the management team and other personnel that the Board, following a report from the Remuneration Committee, decides to include, in order to respond to the new business challenges and objectives that have arisen as a result of the situation caused by COVID-19.

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**06. APPENDIX ON STATISTICS FOR THE ANNUAL REPORT ON REMUNERATION FOR DIRECTORS OF LISTED COMPANIES (CNMV CIRCULAR 2/2018, OF 12 JUNE), CORRESPONDING TO MERLIN PROPERTIES SOCIMI, S.A.**



## B. OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS IMPLEMENTED DURING THE YEAR

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### B.4. Report on the result of the advisory vote at the general meeting on the annual remuneration report of the previous year, indicating the number of votes cast against the report, if any:

|                   | Number             | % of total     |
|-------------------|--------------------|----------------|
| <b>Votes cast</b> | <b>352,996,530</b> | <b>76.2011</b> |

|                        | Number             | % of votes cast |
|------------------------|--------------------|-----------------|
| <b>Votes against</b>   | <b>126,028,869</b> | <b>35.70</b>    |
| <b>Votes in favour</b> | <b>223,981,839</b> | <b>63.45</b>    |
| <b>Abstained</b>       | <b>2,985,822</b>   | <b>0.85</b>     |

**C. DETAIL OF THE INDIVIDUAL REMUNERATION CORRESPONDING TO EACH OF THE DIRECTORS**


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| Name                                      | Type                      | 2020 vesting period           |
|---|---------------------------|-------------------------------|
| Francisco Javier García-Carranza Benjumea | Proprietary chairman      | From 01/01/2020 to 31/12/2020 |
| Ismael Clemente Orrego                    | Executive deputy chairman | From 01/01/2020 to 31/12/2020 |
| Miguel Ollero Barrera                     | Executive director        | From 01/01/2020 to 31/12/2020 |
| Emilio Novela Berlín                      | Independent director      | From 01/01/2020 to 31/12/2020 |
| George Donald Johnston III                | Independent director      | From 01/01/2020 to 31/12/2020 |
| Fernando Javier Ortiz Vaamonde            | Independent director      | From 01/01/2020 to 31/12/2020 |
| María Luisa Jordá Castro                  | Independent director      | From 01/01/2020 to 31/12/2020 |
| John Gómez Hall                           | Independent director      | From 01/01/2020 to 31/12/2020 |
| Juan María Aguirre Gonzalo                | Independent director      | From 01/01/2020 to 31/12/2020 |
| Pilar Cavero Mestre                       | Independent director      | From 01/01/2020 to 31/12/2020 |
| Francisca Ortega Hernández-Agero          | Proprietary director      | From 01/01/2020 to 31/12/2020 |
| Ana García Fau                            | Independent director      | From 01/01/2020 to 31/12/2020 |
| Ana Forner Beltrán                        | Proprietary director      | From 17/06/2020 to 31/12/2020 |
| Ignacio Gil-Casares Satrustegui           | Proprietary director      | From 17/06/2020 to 31/12/2020 |



**C.1 Individual remuneration earned by each director during the year (including remuneration for executive functions).**
**a) Remuneration of the reporting company:**

## i) Remuneration earned in cash (thousands of euros)

| Name                                      | Fixed remuneration | Per diems | Remuneration for membership on board committees | Salaries | Short-term variable remuneration | Long-term variable remuneration | Severance | Other items | Total 2020   | Total 2019   |
|---|--------------------|-----------|---|----------|----------------------------------|---------------------------------|-----------|-------------|--------------|--------------|
| Francisco Javier García-Carranza Benjumea |                    |           |   |          |                                  |                                 |           |             |              |              |
| Ismael Clemente Orrego                    |                    |           |   | 1,000    |                                  |                                 |           |             | <b>1,000</b> | <b>8,706</b> |
| Miguel Ollero Barrera                     |                    |           |   | 1,000    |                                  |                                 |           |             | <b>1,000</b> | <b>8,654</b> |
| Emilio Novela Berlín                      | 94                 | 26        | 7   |          |                                  |                                 |           |             | <b>127</b>   | <b>111</b>   |
| George Donald Johnston III                | 75                 | 26        | 15  |          |                                  |                                 |           |             | <b>116</b>   | <b>117</b>   |
| Fernando Javier Ortiz Vaamonde            | 75                 | 24        | 12  |          |                                  |                                 |           |             | <b>111</b>   | <b>115</b>   |
| María Luisa Jordá Castro                  | 75                 | 26        | 43  |          |                                  |                                 |           |             | <b>144</b>   | <b>129</b>   |
| John Gómez Hall                           | 75                 | 22        |   |          |                                  |                                 |           |             | <b>97</b>    | <b>100</b>   |
| Juan María Aguirre Gonzalo                | 75                 | 26        | 45  |          |                                  |                                 |           |             | <b>146</b>   | <b>134</b>   |
| Pilar Cavero Mestre                       | 75                 | 26        | 23  |          |                                  |                                 |           |             | <b>124</b>   | <b>117</b>   |
| Francisca Ortega Hernández-Agero          |                    |           |   |          |                                  |                                 |           |             |              |              |
| Ana García Fau                            | 75                 | 24        | 35  |          |                                  |                                 |           |             | <b>134</b>   | <b>129</b>   |
| Ana Forner Beltrán                        | 40                 | 14        | 19  |          |                                  |                                 |           |             | <b>73</b>    |              |
| Ignacio Gil-Casares Satrustegui           | 40                 | 14        | 11  |          |                                  |                                 |           |             | <b>65</b>    |              |

No remuneration has been received by the directors Javier García Carranza Benjumea and Francisca Ortega Hernández-Agero because they waived it.

## ii) Table of changes in share-based remuneration systems and gross profit from vested shares or financial instruments

| Name                      | Name of the plan | Financial instruments at the beginning of 2020 |                          | Financial instruments granted in 2020 |                          | Financial instruments vested during the year |                                 |                            |   | Instruments accrued and not exercised | Financial instruments at the end of 2020 |                          |
|---------------------------|------------------|--|--------------------------|---------------------------------------|--------------------------|--|---------------------------------|----------------------------|---|---------------------------------------|--|--------------------------|
|                           |                  | No. of instruments                             | No. of equivalent shares | No. of instruments                    | No. of equivalent shares | No. of instruments                           | No. of equivalent/vested shares | Price of the vested shares | Gross profit from vested shares or financial instruments (thousands of euros) | No. of instruments                    | No. of instruments                       | No. of equivalent shares |
| D. Ismael Clemente Orrego | LTIP 2017-2019   |  | 979,018                  |                                       |                          |  | 489,509                         | 7.19                       | 3,517   |                                       |  | 489,509                  |
| D. Miguel Ollero Barrera  | LTIP 2017-2019   |  | 979,018                  |                                       |                          |  | 489,509                         | 7.19                       | 3,517   |                                       |  | 489,509                  |

Note: the value of the “Price of the vested shares” corresponds with the average trading price of the shares of MERLIN Properties SOCIMI, S.A.’s during the last 90 sessions of 2020: the same methodology was used for the calculation of the metrics related to trading price, within the LTIP 2017-2019 plan

### iii) Long-term savings plans

| Name    | Remuneration for vesting rights to savings plans |
|---------|--|
| No data |  |

| Name    | Company's contribution for the year (thousands of euros) |      |   |      | Amount of accumulated funds (thousands of euros) |      |                                       |      |
|---------|--|------|---|------|--|------|---------------------------------------|------|
|         | Savings plans with vested dividend rights                |      | Savings plans with non-vested dividend rights |      | Plans with vested dividend rights                |      | Plans with non-vested dividend rights |      |
|         | 2020   | 2019 | 2020  | 2019 | 2020   | 2019 | 2020                                  | 2019 |
| No data |  |      |   |      |  |      |                                       |      |

### iv) Details of other items

| Name | Item | Amount of remuneration |
|------|------|------------------------|
|------|------|------------------------|

No data

**b) Remuneration paid to directors for sitting on the boards of other group companies**

i) Remuneration earned in cash (thousands of euros)

| Name | Fixed remuneration | Per diems | Remuneration for membership on board committees | Salaries | Short-term variable remuneration | Long-term variable remuneration | Severance | Other items | Total 2020 | Total 2019 |
|------|--------------------|-----------|---|----------|----------------------------------|---------------------------------|-----------|-------------|------------|------------|
|------|--------------------|-----------|---|----------|----------------------------------|---------------------------------|-----------|-------------|------------|------------|

No data

ii) Table of changes in share-based remuneration systems and gross profit from vested shares or financial instruments

| Name | Name of the plan | Financial instruments at the beginning of 2019 |                          | Financial instruments granted in 2020 |                          | Financial instruments vested during the year |                                  |                            |   | Instruments accrued and not exercised | Financial instruments at the end of 2019 |                          |
|------|------------------|--|--------------------------|---------------------------------------|--------------------------|--|----------------------------------|----------------------------|---|---------------------------------------|--|--------------------------|
|      |                  | No. of instruments                             | No. of equivalent shares | No. of instruments                    | No. of equivalent shares | No. of instruments                           | No. of equivalent/ve sted shares | Price of the vested shares | Gross profit from vested shares or financial instruments (thousands of euros) | No. of instruments                    | No. of instruments                       | No. of equivalent shares |

No data

iii) Long-term savings plans

| Name | Remuneration for vesting rights to savings plans |
|------|--|
|------|--|

No data

| Name    | Company's contribution for the year (thousands of euros) |      |   |      | Amount of accumulated funds (thousands of euros) |      |                                       |      |
|---------|--|------|---|------|--|------|---------------------------------------|------|
|         | Savings plans with vested dividend rights                |      | Savings plans with non-vested dividend rights |      | Plans with vested dividend rights                |      | Plans with non-vested dividend rights |      |
|         | 2020   | 2019 | 2020  | 2019 | 2020   | 2019 | 2020                                  | 2019 |
| No data |  |      |   |      |  |      |                                       |      |

## iv) Details of other items

| Name    | Item | Amount of remuneration |
|---------|------|------------------------|
| No data |      |                        |

**c) Summary of remuneration (thousands of euros)**

The summary should include amounts for all remuneration components referred to in this report earned by the director, in thousands of euros.

| Name                                      | Remuneration earned at the Company |  |                                 |                               |                        | Remuneration earned at group companies |  |                                 |                               |                      |
|---|------------------------------------|--|---------------------------------|-------------------------------|------------------------|--|--|---------------------------------|-------------------------------|----------------------|
|   | Total remuneration in cash         | Gross profit from vested shares or financial instruments | Remuneration from savings plans | Remuneration from other items | Company total for 2020 | Total remuneration in cash             | Gross profit from vested shares or financial instruments | Remuneration from savings plans | Remuneration from other items | Group total for 2020 |
| Francisco Javier García-Carranza Benjumea |                                    |  |                                 |                               |                        |  |  |                                 |                               |                      |
| Ismael Clemente Orrego                    | 1,000                              | 3,517  |                                 | 7                             | 4,524                  |  |  |                                 |                               |                      |
| Miguel Ollero Barrera                     | 1,000                              | 3,517  |                                 | 5                             | 4,522                  |  |  |                                 |                               |                      |
| Emilio Novela Berlín                      | 127                                |  |                                 |                               | 127                    |  |  |                                 |                               |                      |
| George Donald Johnston III                | 116                                |  |                                 |                               | 116                    |  |  |                                 |                               |                      |
| Fernando Javier Ortiz Vaamonde            | 111                                |  |                                 |                               | 111                    |  |  |                                 |                               |                      |
| María Luisa Jordá Castro                  | 144                                |  |                                 |                               | 144                    |  |  |                                 |                               |                      |
| John Gómez Hall                           | 97                                 |  |                                 |                               | 97                     |  |  |                                 |                               |                      |

| Name                             | Remuneration earned at the Company |  |                                 |                               |                        | Remuneration earned at group companies |  |                                 |                               |                      |
|----------------------------------|------------------------------------|--|---------------------------------|-------------------------------|------------------------|--|--|---------------------------------|-------------------------------|----------------------|
|                                  | Total remuneration in cash         | Gross profit from vested shares or financial instruments | Remuneration from savings plans | Remuneration from other items | Company total for 2020 | Total remuneration in cash             | Gross profit from vested shares or financial instruments | Remuneration from savings plans | Remuneration from other items | Group total for 2020 |
| Juan María Aguirre Gonzalo       | 146                                |  |                                 |                               | 146                    |  |  |                                 |                               |                      |
| Pilar Cavero Mestre              | 124                                |  |                                 |                               | 124                    |  |  |                                 |                               |                      |
| Francisca Ortega Hernández-Agero |                                    |  |                                 |                               |                        |  |  |                                 |                               |                      |
| Ana García Fau                   | 134                                |  |                                 |                               | 134                    |  |  |                                 |                               |                      |
| Ana Forner Beltrán               | 73                                 |  |                                 |                               | 73                     |  |  |                                 |                               |                      |
| Ignacio Gil-Casares              | 65                                 |  |                                 |                               | 65                     |  |  |                                 |                               |                      |
| <b>Total</b>                     | <b>3,137</b>                       | <b>7,034</b>   |                                 | <b>12</b>                     | <b>10,171</b>          |  |  |                                 |                               |                      |

No remuneration has been received by the directors Javier García Carranza Benjumea and Francisca Ortega Hernández-Agero because they waived it.

**D. OTHER INFORMATION OF INTEREST**

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