ANNUAL DIRECTORS' REMUNERATION REPORT

CORRESPONDING TO THE FINANCIAL YEAR THAT ENDED ON
31 DECEMBER 2019

MERLIN
PROPERTIES

February 2020

Dear Shareholders:

On behalf of the Remuneration Committee of MERLIN PROPERTIES, SOCIMI, S.A. (the "Company", the "Group" or "MERLIN") I am pleased to present the Annual Directors' Remuneration Report (the "Report") to you.

This report includes a summary progress of the remuneration policy that the Company plans to submit for consideration at the next Ordinary General Shareholders' Meeting, and which will apply to the financial year 2020, as well as the application of directors' remuneration in 2019, in accordance with the directors' remuneration policy in force during the financial year 2019, which was approved by the General Meeting of Shareholders on 26 April 2017.

In compliance with the contents of Circular 2/2018, of 12 June, issued by Spain's National Securities Market Commission (CMMV), this report also includes a statistical appendix, which has been adjusted to the model defined in that Circular's Annex III. *Statistics*.

2019 RESULTS

In 2019 MERLIN continued to experience excellent results from its business activities, reflected in solid growth in asset revaluation. Over the last 3 years, this has generated a total return for MERLIN shareholders (understood as the sum of the revaluation of the share price and dividends distributed) of 43.7%, representing a value creation of more than €2,000 million in absolute terms, significantly above those seen for comparable European sector indexes.

In particular, the following milestones are worth highlighting:

- Financial. The Company has exceeded its financial targets of cash flow per share and fulfilled the dividend per share publicly disclosed to the market at the beginning of the financial year.

- Returns. The total shareholder return (measured as the sum of revaluation of EPRA NAV per share and dividend per share for the financial year) amounted to 8.8%. Over the term of the Long-Term Incentive Plan ("LTIP"), i.e., 2017-2019, this return amounted to 51.1%.

- Asset rotation. The Company has met its investment and divestment targets disclosed to the market at the beginning of the financial year. It is worth noting its entry into the shareholder structure of DCN, the largest real estate project in Europe and the increase of exposure to Portugal, with the acquisition of Art, TFM and the Nestlé headquarters. On the other hand, the Company's aggregate divestments amounted to €281 million, therefore, in a single year 72% of the target set for the 2019-2022 period was met, including the sale of the Juno office portfolio.

- Qualitative targets. MERLIN continues with its deleveraging process, with a Loan To Value of 40.6% at the end of 2019, remaining well below the 50% ceiling. Also noteworthy is the continuous improvement in environmental and social initiatives ("ESG"), which in 2019 were reflected in the substantial improvement of MERLIN's score in the leading environmental benchmark, GRESB. MERLIN scored 82 out of 100, while comparable companies scored an average of 65 out of 100, thereby exceeding the European (71 points) and global (72 points) sector averages. In addition, the company made substantial progress on ongoing certification programmes (i.e., LEED/BREEAM, AIS, etc.).

In 2019 MERLIN's team made significant progress on the development of the portfolio refurbishment plans. In Landmark, Torre Glóries and Torre Chamartín have been delivered, exceeding the projected return on investment. In Flagship, the Company met its 2019 targets of completing the refurbishments of Larios, Arturo Soria Plaza and Tres Aguas and opening X-Madrid. Having delivered Madrid-Pinto IIB, Cabanillas F, Cabanillas III and Toledo-Seseña, the Company also met its targets for Best II & III.

As a result of the above, MERLIN enjoys a position of leadership in the Iberian market and significant visibility within the investment community, which culminated with its listing on the Lisbon Stock Exchange on 15 January 2020.

DECISIONS ON REMUNERATION FOR 2019

In view of the 2019 results, and after evaluating (i) compliance with the targets to which annual variable remuneration is linked under the remuneration policy in force in 2019, and (ii) other milestones deemed relevant for its analysis, the Remuneration Committee considers that the overall level of compliance with the targets by the executive directors is in line with the levels achieved in prior years.

In addition, the period for measuring the multi-year targets of the 2017-2019 Long-Term Incentive Plan ended in 2019. Given the excellent shareholder return in the 2017-2019 period, the Incentive allocated to the executive directors was the maximum amount established by the Plan approved at the Annual General Meeting on 26 April 2017. However, 2/3 of this Incentive will not be received in full amount until 2022, provided that certain requirements related to the performance of the EPRA NAV and the distribution of dividends in 2020 and 2021 are met.

This report includes details of the objectives and targets, weightings and mechanisms used to determine the corresponding amounts of the annual variable remuneration and the 2017-2019 Long-Term Incentive Plan.

EXPECTATIONS FOR 2020

2020 looks set to see significant changes made to the remuneration policy as a result of the latest analysis carried out by the Committee of:

- the general remuneration policy for Company employees;
- the information received from institutional shareholders and proxy advisors in the periodic consultation process carried out by MERLIN;
- market analyses of the positioning of the Company's remuneration packages compared to comparable entities; and
- the new cycle that begins after a period of high growth and acquisitions since its IPO.

The new approach is detailed in section 1 of this Report.

Signed: Fernando Ortiz Vaamonde, Chairman of the Remuneration Committee

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01. MERLIN´S NEW REMUNERATION POLICY

It is planned to submit for approval to the Ordinary General Shareholders' Meeting a new remuneration policy for the directors of MERLIN (the "**New Policy**" or the "**2020-2022 Policy**"), which has been prepared by an external expert on the basis of the guidelines of the Remuneration Committee (the "**Committee**" or the "**Remuneration Committee**").

To summarize, the new Policy:

- 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 relating to the alignment of the policy with changes in legislation and the best market practices, the guarantee that the policy will not encourage cases of discrimination for any reason, and the reference to the fact that the remuneration will be sufficient to recognize the effort and dedication of the Executive Director, so that the remuneration is attractive and permits retaining talent on the Board itself.

- Regarding the executive directors, their remuneration is adjusted after an initial stage of high growth and acquisitions by the Company (in which there has been extraordinary growth), stage in which the remuneration policy has been adapted to that exceptional growth and following the principles with which the Company was listed on the stock market. Due to that, the Remunerations 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 capitalization. Accordingly, the remuneration of the executive directors has been adjusted on the following terms:

  - Reduction of the short-term variable maximum ("STIP") from 275% to 200% of the annual fixed remuneration.

  - Inclusion of a greater number of quantitative metrics, with a weighting of 60% of targets, and qualitative metrics, with a weighting of 40% of targets.

  - In the long term, reduction of the long-term variable maximum ("LTIP"), both in global terms and for each target measurement year under the Plan.

  - In the short term and for the STIP, to define more concrete and specific targets than in the previous policy, establishing a clearer distribution between quantitative and quantitative targets, in line with the best practices in the sector.

  - To Incorporate "malus" clauses in order to be able to reduce remuneration still to be paid in the event any extraordinary circumstance arises that the Company wishes to be protected from.

- In the case of external directors, it is proposed to maintain the fixed remuneration existing to date, although incorporating attendance fees. Additionally, a proposal is made to incorporate remuneration for the Non-Executive Chairman and to compensate the functions of the lead director, all in line with best market practices.

In addition to the new Policy, with respect to the long-term incentive (LTIP) outlined therein, the Board, at the proposal of the Remuneration Committee, will make a proposal to the Shareholders' Meeting for the approval of a remuneration plan entirely payable in shares, save in exceptional cases, thereby eliminating the partial payment in cash provided for in the 2017-2019 plan, which, in order to achieve greater alignment with shareholder interests will also give greater proportional weighting to absolute TSR, that is, the increase in the share price plus distributions.

The Board considers that the 2020-2022 Policy and the LTIP proposal for the period 2020-2022 contribute to the business strategy and the interests and long-term sustainability of the Company, since its parameters are fully aligned with and related to the targets that the Company has set in both the short and long term.

The indicated changes are contained in the new remuneration policy for directors of MERLIN and in the proposal for approval of the LTIP 2020-2022, the wording of which, if approved by the Ordinary General Shareholders' Meeting of MERLIN, will apply from January 1, 2020.

02. PLANNED REMUNERATION POLICY FOR 2020

A) EXECUTIVE DIRECTORS

A.1). 2020 Fixed Remuneration

In accordance with the 2020-2022 Policy, the amount of the annual fixed remuneration will be 1,000,000 euros. This amount is paid entirely in cash.

A.2). Annual Variable Remuneration. Short-term cash incentive plan (2020 STIP Plan)

The STIP for executive directors (the "**STIP for Executive Directors**") corresponding to fiscal year 2020 will follow the structure described in the 2020-2022 Policy.

Criteria for valuation of the amount of the STIP for Executive Directors and allocation of said amount among the executive directors

The executive directors will be entitled to receive variable remuneration in cash for the provision of their services, which amount will be set annually by the Board of Directors, following a report by the Remuneration Committee, after evaluating the level of achievement of the targets set for each of the directors at the start of the fiscal year to which the STIP for Executive Directors refers.

In order to analyze the suitability of the proposed amount and distribution of the 2020 STIP for Executive Directors, the Remuneration Committee will assess the following targets with the weighting it deems appropriate (together, the "**Targets**"):

Quantitative targets (60%)	Qualitative targets (40%)
Forecast distribution of dividends, announced to the market by the executive team during the first quarter of the fiscal year being assessed.	Performance evaluation in the year under analysis of each of the directors, carried out by the Board of Directors.
Forecast funds from operations ("FFO") per share announced to the market by the executive team during the first quarter of the fiscal year being assessed.	Improvement of the position obtained in the GRESB index with respect to the last score obtained.
Fulfillment of the degree of leverage defined by the Board of Directors at the start of the fiscal year being assessed.	Evaluation of the potential impact of external factors on the achievement of targets, such as particularly unfavorable market conditions, the international environment or other similar factors.
Fulfillment of the investment and divestment plan defined by the Board of Directors at the start of the fiscal year being assessed.	Performance and commitment during the fiscal year being measured.
Maintenance of *overheads* within the limit set by the Board of Directors for the fiscal year being assessed.	Measurement of the personal performance, the leadership within the team and the relationship with the Board of Director and with investors.
Fulfillment of the annual budget.	
Share performance during the year.	

At the start of each year, the Board of Directors may, following a report by the Remuneration Committee, weigh, modify or even change the Targets in order to align them to new challenges arising at the Company.

Amount of the STIP for Executive Directors

If the executive directors meet their Targets, they may receive the STIP for Executive Directors, up to a maximum of up to 200% of the Fixed Remuneration corresponding to the fiscal year being measured.

The Board will determine the amount to be received, within the maximum stipulated in each case, taking into account, in addition to the fulfillment 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.

In the event that extraordinary circumstances arise that advocate the recognition to executive directors of a STIP for Executive Directors in the fiscal year being assessed that is higher than the indicated thresholds, at the proposal of the Remuneration Committee, and if approved by the Board, it will be submitted to the Shareholders' Meeting for approval.

Entitlement to the STIP

Once the STIP for Executive Directors is finally determined, entitlement to this remuneration item and its payment will be governed by the following rules:

(i) The executive director will vest and receive 50% of the STIP for Executive Directors corresponding to him (the "**Upfront STIP**") in cash on the date that the STIP for Executive Directors (and its distribution) is approved by the Board of Directors (the "**STIP Approval Date**").

(ii) The remaining 50% of the STIP for Executive Directors corresponding to him (the "**Deferred STIP**") will vest and be received in accordance with the following calendar:

   a) the executive director will vest the right to, and receive in cash, 25% of the STIP for Executive Directors corresponding to him on the date of the first anniversary of the STIP Approval Date;

   b) the executive director will vest the right to, and receive in cash, 25% of the STIP for Executive Directors corresponding to him on the date of the second anniversary of the STIP Approval 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.

(iii) The STIP for Executive Directors will be paid in cash on the following dates:

   a) With respect to the Upfront STIP, jointly with the amount of the Fixed Remuneration paid in the calendar month following that of the STIP Approval Date ("**Upfront STIP Payment Date**").

   b) With respect to the Deferred STIP, on the business day following the date of the second anniversary of the STIP Approval Date (the "**Deferred STIP Payment Date**").

A.3). Long-term incentive plan (the "LTIP"). 2020 – 2022 incentive plan

The Executives' LTIP will be structured as part of a variable remuneration plan whereby its beneficiaries may be entitled to receive a certain number of shares in the Company (or in cash in exceptional cases) once a pre-determined time period has elapsed, and provided that they meet certain pre-established targets (the "**LTIP**"). In addition to the executive directors, the beneficiaries of the LTIP will be the members of the executive and management team and other MERLIN personnel whom the Board of Directors, at the proposal of the executive directors, following a report by the Remuneration Committee, has formally decided to include in the system.

The LTIP will be structured by means of one or more plans or cycles (each of them, individually, a "**Plan**" or a "**Cycle**"), the terms of which will be detailed in the Remuneration Policy which, following a report by the Remuneration Committee and approval by the Board of Directors, it is planned to submit to the Annual Shareholders' Meeting for approval. Specifically, for the period 2020-2022, following a report by the Remuneration Committee and approval by the Board of Directors, it is envisaged that a specific multiyear incentive plan will be approved, the general terms of which are described below. The shares allocated to this multiyear incentive plan and the legally required aspects of the plan will also be submitted to the Shareholders' Meeting for approval.

The incentive that may derive from the cycle of the Executive's LTIP that commences in 2020 is divided into two independent parts:

(i) Incentive referenced to TSR per Share: this amount will be indexed to the total shareholder return (TSR) in the period 2020-2022, and will be triggered if the shareholder return rate as a result of the increase in share value plus distributions exceeds the thresholds detailed in the Plan. It will be settled through the delivery of shares.

(ii) Incentive referenced to EPRA NAV per Share: this amount will depend on the increase in the EPRA NAV per share plus the dividends distributed by the Company in the period 2020-2022, and will also be settled through the delivery of shares. In this connection, in order to trigger entitlement to the Incentive referenced to EPRA NAV per Share, the EPRA NAV shareholder return rate must exceed the threshold detailed in the Plan.

In all cases, any incentive deriving from the Executives' LTIP may not exceed the upper limit (cap) determined in the Plan. It will be settled and paid according to the limits and time periods indicated in the Plan. The Policy (and the Plan) will provide, in certain cases of termination of the executive director's relationship with the Company, for the maturity and payment of the LTIP in force at that date to be brought forward or for the vested amounts not received to be forfeited, as well as the possibility, in specific scenarios, of its payment in cash.

A.4). Long-term savings systems

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

A.5). Remuneration in kind

According to the new Policy, executive directors may be beneficiaries of:

- A policy for death and permanent disability in any of its degrees, the beneficiary of which will be the executive director and/or the persons designated by the director in the case of death coverage.

- A health insurance policy, with global health coverage and with a reputable company, in which the executive director, together with his spouse and dependent children will be included as beneficiaries.

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

The directors form part, as insureds, of the civil liability policy for directors and executives arranged by MERLIN, on the normal market terms and conditions.

The new Policy does not envisage the payment of other remuneration items apart from those described above.

A.6). Malus and clawback clauses

In the event that, before the executive director is paid any vested amounts in respect of the STIP for Executive Directors or LTIP, the events or circumstances indicated below arise, the Board of Directors, at the proposal of the Remuneration Committee, may reduce by the percentage it sees fit, or even cancel, the executive director's right to both the STIP and the LTIP.

The situations that may give rise to a reduction in or the loss of the right to receive the STIP or LTIP are as follows:

(i) Any event or circumstance that results in a material alteration or change in the financial statements, results, or economic or other figures on which the granted variable remuneration in question was based, such that the figures do not faithfully reflect the Company's position or performance, those of the executive director's area of responsibility or his actual performance, regardless of whether or not the executive director had any kind of liability in such event or circumstance.

(ii) A restatement of the financial statements of the Company or of other companies in the Group that does not stem from a regulatory change or a revision of the accounting legislation and where it is so determined by the external auditors of the Company, and provided that the restatement results in variable remuneration to be settled that is lower than that initially accrued or no remuneration should have been paid in accordance with the Company's variable remuneration system.

(iii) Existence of alterations or inaccuracies in the business figures that were relevant for the purposes of the STIP or LTIP and are confirmed by the Company's external auditors.

(iv) Removal of the executive director for irregular conduct, fraud, gross breaches or violations of his obligations as a director or of his statutory obligations, where such conduct has been confirmed by a final court ruling.

Malus clauses will apply to any variable component of the 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.

It will fall to the Board of Directors of the Company, following a report by the Remuneration Committee, to determine whether the circumstances have arisen that trigger the application of the malus clauses to variable remuneration, in the cases that they affect and, if so, according to the degree of fulfillment of such conditions, the variable remuneration that should be reduced and the manner in which it should take place.

In addition, if, during the two (2) years following the payment of the STIP for Executive Directors:

(a) a serious penalty is imposed on the Company by the National Securities Market Commission for facts related to the discharge of the functions of an executive director at the Company; or

(b) there is a material restatement of the Company's financial statements for a reason attributable to one or more executive directors or senior managers and unless the restatement is caused by a change to the applicable accounting standards; in these cases provided that they temporarily relate to one or more of the years taken into consideration to determine the STIP for Executive Directors or LTIP; or

(c) the executive director is removed for irregular conduct, fraud, gross breaches or violations of his obligations as a director or of his statutory obligations, where such conduct has been confirmed by a final court ruling,

MERLIN may demand that the executive in question return up to 100%, net of tax, of the amounts received by the executive under the STIP for Executive Directors or LTIP.

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

A.7). Possible payments in the event of removal

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

- Severance for removal: the severance for termination of the relationship with the Company is limited to an amount equal to two times 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 noncompete undertaking as described below.

  In this respect, the contracts signed with the executive directors establish that the 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 ground has been declared by a competent court.

  This severance may be paid in the event of the resignation or termination of the executive director deriving from a substantial adverse modification of his 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) (although, of this amount, an amount equal to six months' fixed remuneration is paid as financial compensation for the noncompete 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 elements of the remuneration package, as the time horizon of these elements 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.

- Noncompete undertaking: executive directors assume a 6-month noncompete undertaking from the date of termination of their contractual relationship. The consideration for this obligation is a gross amount equal to 6 months' annual Fixed Remuneration (equal to 500,000 euros), which will be paid to the executive director in monthly installments where the termination is due to their resignation and such resignation does not give rise to any severance in their favor and it will be deemed absorbed (and therefore no additional payment will be payable) by the amount of severance for removal received in cases where the termination led to payment of severance to the director.

- Settlement of the executive directors' STIP

  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 executive directors' LTIP

  Executive directors will be entitled to receive all or part of the LTIP in certain situations or scenarios of removal. Under no circumstances will the incentive under the LTIP be paid if the independent contractor relationship is terminated at the Company' request and on justified grounds.

A.8). 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, according to habitual market practices in this area, 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 removal and the noncompete undertaking described in the preceding 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, save for that strictly necessary in order 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). Equally, 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 article 27 of the Board Regulations and, specifically, by the duty of confidentiality, applicable to all directors, regulated in article 24 of the Board Regulations.

- Advance notice period: it is established that both parties must respect, in general and save for specific exceptions, an advance notice period of four (4) months. Failure to observe the advance notice requirement will give rise to the obligation to indemnify the other party in an amount equal to the advance notice period not observed, and the director authorizes the Company to deduct any amount that may apply in this connection from the 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

For fiscal year 2020, the remuneration of the non-executive directors complies with the amounts specified in the new Policy. Moreover, the Shareholders' Meeting will approve the maximum limit payable to the non-executive directors. In this regard, it is proposed to set the maximum annual limit that MERLIN may pay to the entire group of non-executive directors, in their capacity as such, at 2,500,000 euros gross per year.

On this basis, if that remuneration policy is duly approved by the Shareholders' Meeting, the amounts to be received by that category of director would be:

B.1) Fixed annual allowance for the office of director and attendance fees

100,000 euros gross fixed per year plus 2,000 euros gross for each attendance at a meeting of the Board of Directors.

If a director is appointed, removed or tenders his or her resignation during the year, the amount will be prorated according to the time that the director sat on the Board of Directors.

B.2) Fixed annual allowance for the office of chairman (non-executive) of the Board of Directors, in the capacity of lead director or for belonging to committees

For fiscal year 2020, the chairman (non-executive) of the Board, the lead independent director and the members of the committees will receive the amounts included in MERLIN’s new directors’ remuneration policy which will be submitted to the Ordinary General Shareholders’ Meeting; if this remuneration policy is duly approved by Shareholders’ Meeting:

(i) Chairman (non-executive) of the Board of Directors: 450,000 euros gross per year.

(ii) Lead Independent Director: 35,000 euros gross per year.

(iii) Committee membership:

- 35,000 euros gross per year to each director sitting on the Audit and Control Committee.
- 10,000 euros gross per year to each director sitting on the Remuneration Committee.
- 10,000 euros gross per year to each director sitting on the Appointments Committee.
- 5,000 euros gross per year to the chairpersons of each committee.

Each amount remunerates each office held by a director, which are added up according to the different offices held to form the directors’ total remuneration (office of director and, as appropriate, committee chairmanship or membership) except in the case of the remuneration of the non-executive chairman of the Board of Directors, for whom the chairman’s fees absorb all the remuneration items 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 his or her resignation during the year, whether as director, chairman of the Board, lead director, member of a committee or as committee chairman, the amounts assigned in each case will be prorated according to the time that the director held such office or offices during the year.

The directors form part, as insureds, of the civil liability policy for directors and executives arranged by MERLIN, on the normal market terms and conditions.

MERLIN’s new directors’ remuneration policy, which will be submitted to the next Shareholders’ Meeting for approval, does not envisage the payment of any other remuneration apart from that specified above.

03. APPLICATION OF THE REMUNERATION POLICY IN 2019

The 2019 remuneration was earned in accordance with the terms and conditions described in the Remuneration Policy approved by the Annual General Meeting on 26 April 2017. The Annual Directors' Remuneration Report for 2018 provided a detailed description of the remuneration system that applied to the directors in 2019. That report was approved by 57.06%[1] of the votes cast.

The remuneration corresponding to MERLIN's executive directors established in the aforementioned remuneration policy was indexed (i) in terms of its long-term variable components, to the performance of the shareholder return (understood as the sum of the revaluation of the share price, dividends distributed and increased net asset value of the assets), and (ii) in terms of its short-term variable components, to quantitative and qualitative metrics and for the most part to the efficient management of resources.

The remuneration earned by the executive directors and non-executive directors in 2019 was composed of the items described in point A.2 of section 3. For further information on these items, please refer to section 1.4 of the Annual Directors' Remuneration Report for the year ended 31 December 2018[2].

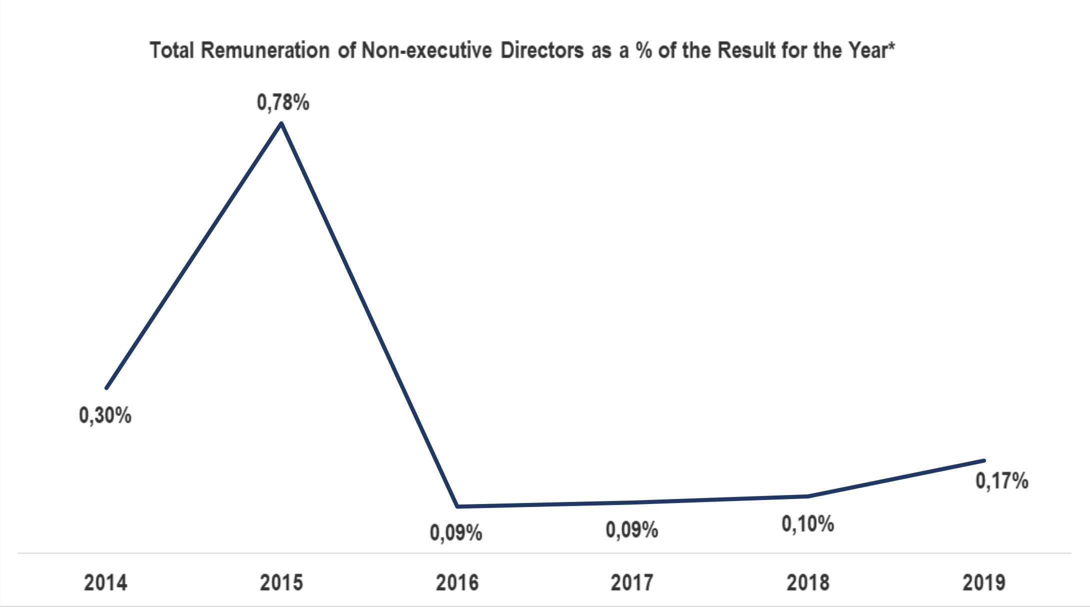
Remuneration earned in recent years (2017-2019)

Executive directors

1 207,231,468 votes in favour; 150,255,328 votes against; 5,659,162 abstentions.

2 https://www.merlinproperties.com/wp-content/uploads/2019/02/MERLIN-IARC_270219-CNMV_Espa%C3%B1ol.pdf

Non-executive directors



*Note: Result for the year from continuing operations attributable to shareholders of the Parent

A) EXECUTIVE DIRECTORS

A.1). ASSESSMENT PROCESS

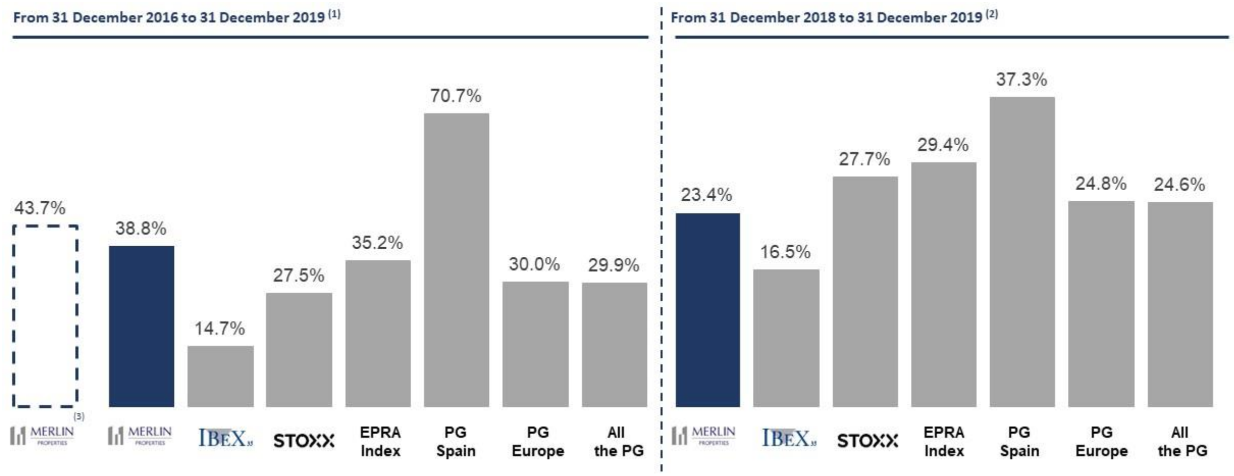
A.1).1. Comparative analysis

As indicated above, the remuneration of MERLIN's executive directors is indexed (i) in terms of its long-term variable components to the performance of the total shareholder return and (ii) in terms of its short-term variable components, to quantitative and qualitative metrics and for the most part to the efficient management of resources. MERLIN’s key milestones over the past three years in relation to these indicators are described below:

Total shareholder return (based on share performance)

The total shareholder return, measured as the revaluation of MERLIN shares, taking into account the dividends distributed in the past financial year, and for the last 3 years, performed significantly better when compared to various reference indexes and comparable groups of companies, such as:

- 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, LondonMetric Property, SEGRO, TLG Immobilien, Unibail-Rodamco, Vonovia and Workspace.



Source: Bloomberg.

(1) Market capitalisation-weighted index of each constituent at 31 December 2016.

(2) Market capitalisation-weighted index of each constituent at 31 December 2018.

(3) Total shareholder return considered for the purpose of calculating the 2017-2019 Long Term Incentive Plan.

The return achieved in 2019 was positive, reaching 23.4%, in line with the reference indexes for the industry and the peers' groups. MERLIN's total shareholder return in the 2017-2019 period was 43.7%, which compares very favourably against the reference indexes for the sector and peers' groups.

Dividends

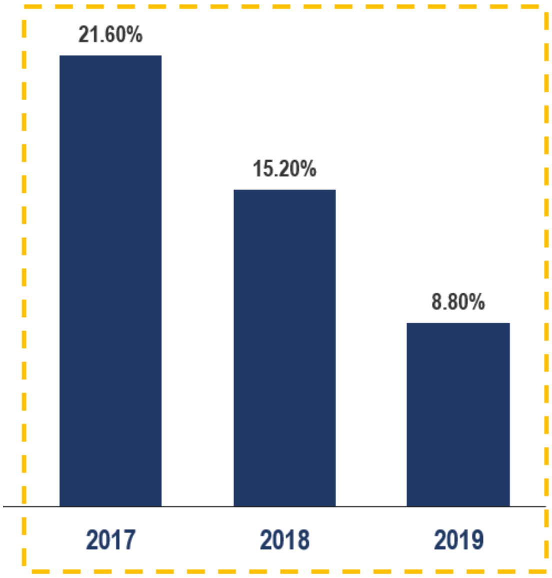
From a quantitative perspective, the dividend paid in 2019, €0.50 per share, has grown significantly compared to the dividend paid in 2018 (+9%). This demonstrates that MERLIN has complied with the target of achieving an annual distribution of a dividend between 4% and 6% of the value at IPO, enabling the Company to maintain sustainable distribution levels while also reflecting the Company's sustainability in terms of ongoing profitability. The following graph shows the growth of the dividend paid by MERLIN in the 2017-2019 period.

DPS paid in 2019 amounting to €0.50 representing annual growth of +9%

- Calculated on the basis of 80% Adjusted FFO
- Payment in two instalments
- All in cash

Total shareholder return (based on EPRA NAV performance)

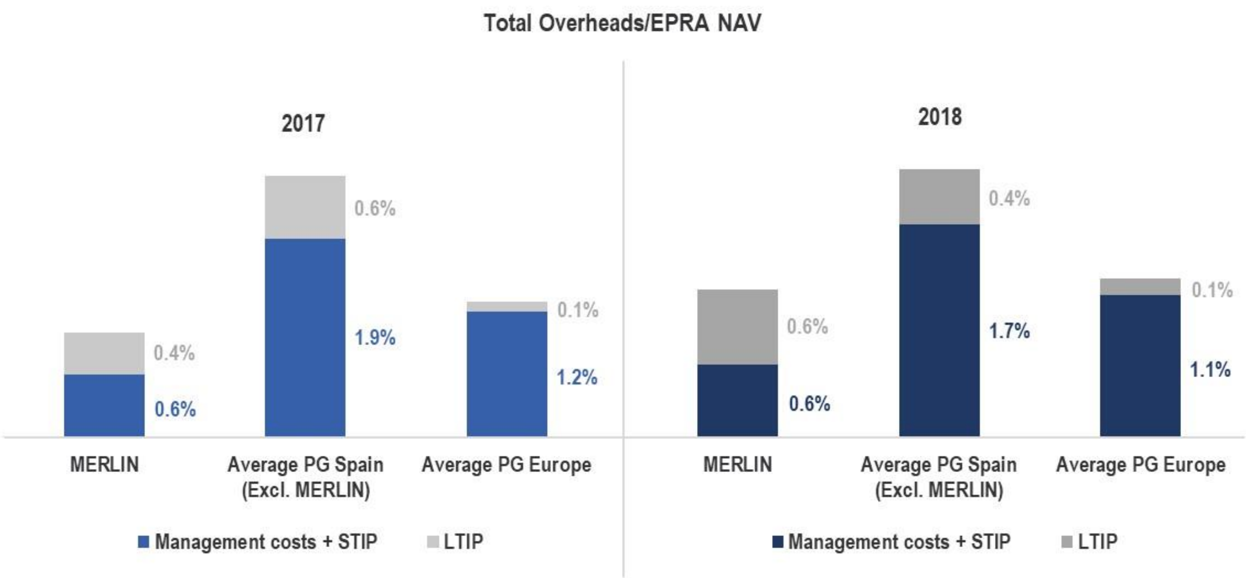
Also, within this quantitative perspective, the total shareholder return, measured as the revaluation of the EPRA NAV per share and taking into consideration the dividends distributed, amounted to 8.8% in 2019. MERLIN's total shareholder return in the 2017-2019 LTIP measurement period was 51.1%.



For the purposes of the 2017-2019 Long Term Incentive Plan, the revaluation of the EPRA NAV per share for the 2017-2019 period is 51.09%

Efficiency

The following graph shows MERLIN's position as one of the most efficient REITs in Europe, in terms of the ratio of total overheads relative to EPRA NAV in 2017 and 2018[3].



[3] Information for comparable REITs has been obtained from the annual reports published in 2017 and 2018.

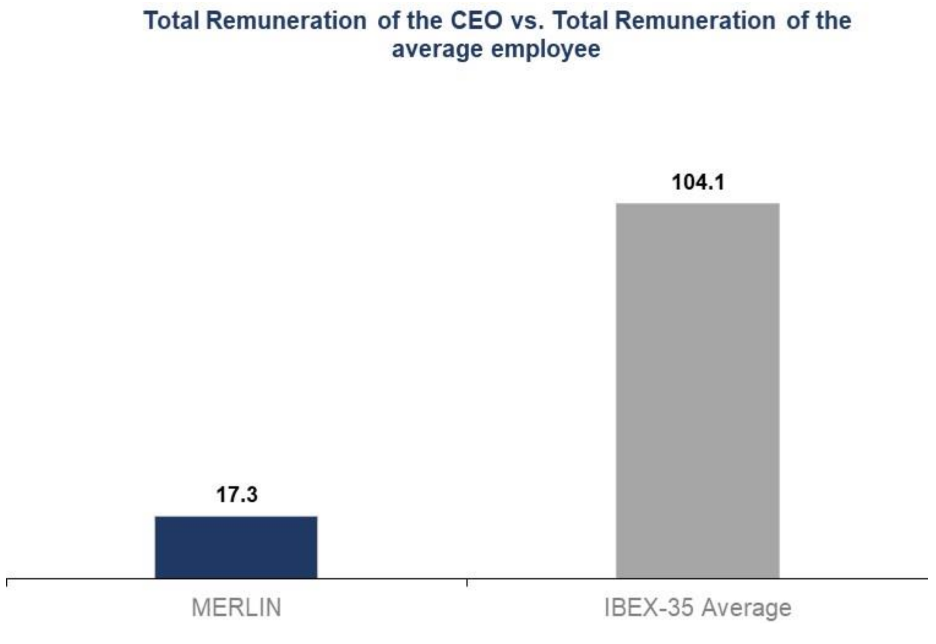
On the other hand, the Remuneration Committee has considered as part of its evaluation a benchmarking of the CEO's remuneration against both internal and external spheres, analysis which is understood to be applicable equally to the other executive director.

The Committee, in line with the analyses performed in previous years, has taken into consideration two peer groups:

- A peer group consisting of the IBEX 35 companies, an index that includes MERLIN.
- The PG Europe that, as described above, is made up of 15 Spanish and European listed companies from the real estate sector. These companies were selected based on the same criteria applied during the remuneration analyses carried out in recent years in relation to the CEO.

In the internal sphere, an analysis was performed on the ratio between the total remuneration accrued by the CEO and the average remuneration of the staff members. This ratio is shown below for MERLIN and the IBEX 35 average[1]. Calculation of this ratio has been made using the public information available on the date the present report was produced, or in other words, the total remuneration earned by the CEO in 2018. 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, along with the total number of employees in 2018. The data for MERLIN corresponds to 2019.

The conclusions drawn from the aforementioned analysis are shown in the following graph.



Source: MERLIN for MERLIN data and Willis Towers Watson for IBEX 35 data.

[1.] 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

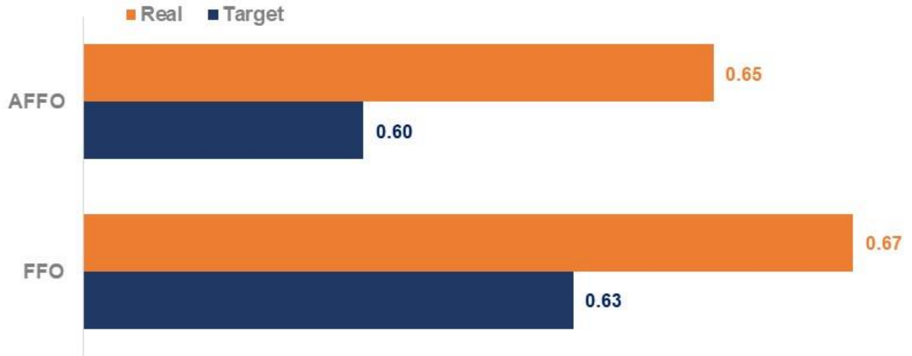
A.1).2. Analysis of targets in the context of determining the STIP

In relation to the 2019 STIP for Executive Directors, the main characteristics of which are described in section A.2).2. below, the Remuneration Committee has analysed the degree of fulfilment of the targets applicable to this remuneration item, following the procedure described in the remuneration policy in force in 2019. The results obtained from that review are as follows:

- **Financial targets:**

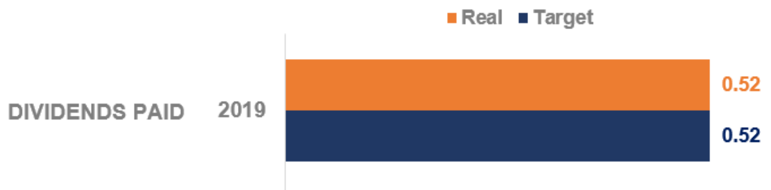
Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO"):

The forecast announced to the market by the executive management team during the first quarter of 2019 was to reach €0.63 per FFO share and €0.60 per AFFO share. These metrics were significantly surpassed after reaching an FFO of €0.67 (+6.4%) and an AFFO of €0.65 (+8.3%).



Dividends

The dividend distribution forecast, as announced to the market by the executive management team during the first quarter of 2019, established a target of €0.52 per share. The executive management team succeeded in achieving this goal.



Compliance with the year's budget and level of leverage

The Company ended the year with figures above those in the budget approved by the Board of Directors for 2019.

The executive management team maintained the maximum debt threshold that it set (50%) slightly below the level reached in 2018 (40.7%), after ending 2019 at 40.6%, which would have been 39.4% pro forma excluding the DCN operation.

In addition, active liability management has enabled the Company to improve its financial ratios: average cost of debt of 2.09% (vs. 2.13% in 2018), average maturity of 6.4 years (vs. 5.9 in 2018) and fixed-rate debt of 99.5% (vs. 96.3% in 2018).

Cost efficiency

The Company is one of the most efficient REITs in Europe in terms of the ratio of total overheads to EPRA NAV.

Investment in strategic assets and divestment of non-strategic assets

Investments: The Company entered the shareholder structure of DCN (14.46%), the largest real estate project in Europe, marking a fundamental change in the layout and attractiveness of the city of Madrid. In addition, at the beginning of 2019, the market was informed of the intention to increase exposure to Portugal, which has increased from 6.9% (in terms of value) in December 2018 to 8.2% in December 2019, following the acquisitions of Art, TFM and the Nestlé headquarters.

Divestments: At the beginning of 2019, the market was informed of its goal of divesting €391 million in the 2019-2022 period. In 2019, divestments were made for an aggregate amount of €281 million, having met 72% of the 4-year target in a single year.

Value creation

In 2019 the Company's NAV grew 5.4% to €15.60 per share (€14.81 per share at 31 December 2018) that, together with the dividends distributed in 2019, represented value creation in 2019 of 8.8%.

Other operational KPIs

Office occupancy was higher than the market indicated in February 2019 (91%), having reached 92.8%.

The release spread for offices was higher than the market indicated in February 2019 (5%), having reached 7.2%.

- **Qualitative objectives:**

According to the Remuneration Committee, the qualitative objectives met in 2019 were in line with the expectations.

To evaluate the qualitative objectives, in 2019 the Remuneration Committee considered the following achievements to be very positive:

Leadership

The Company has achieved a leading position in all the asset categories in which it operates.

Generating value from the portfolio

Important progress in the development of portfolio refurbishment plans:

a. Landmark I. The goal was to deliver Torre Glòries and Torre Chamartín in 2019. The first two have been delivered, with marketing success (100% occupancy in Torre Glòries and 94% in Torre Chamartín), surpassing the projected return on investment.

b. Flagship. The objective, which was met, was to complete the refurbishments of Larios, Arturo Soria Plaza and Tres Aguas in 2019 and open X-Madrid.

c. Best II & III. The objective, which was met, was to deliver Madrid-Pinto IIB, Cabanillas F, Cabanillas III and Toledo-Seseña.

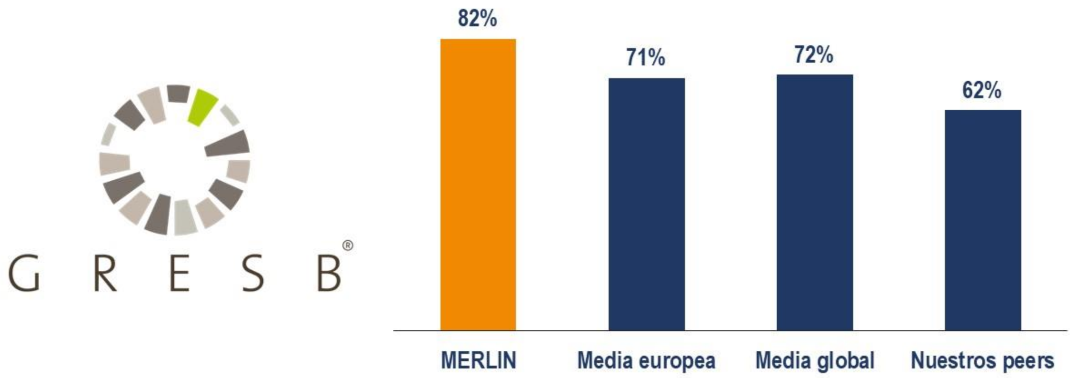
Corporate governance and internal control

MERLIN has installed computer software to document the execution of controls in relation to Internal Control over Financial Reporting (ICFR) and corruption and fraud prevention.

The Company has obtained quality certification in accordance with the UNE 19601 standard, the Spanish national standard for best practices in management systems to prevent crime, reduce risk and promote an ethical and law-abiding business culture. MERLIN became one of the first real estate companies in the IBEX 35 to obtain this quality certification.

ESG

MERLIN's GRESB score improved due to long-term sustainable and responsible business management, increasing from 69 points to 82, exceeding the European (71 points) and global (72 points) sector averages.



Substantial progress was also made on the various certification programs underway: (i) LEED/BREEAM, having certified 37 buildings in 2019; (ii) AIS, having certified 100% of the shopping centre portfolio; (iii) ISO, having certified more than 850,000 m^2; (iv) connectivity, becoming the first company in Europe to become certified in this area with WiredScore.

Other

Flex Space: having acquired 100% of LOOM and successfully integrating the team and processes into MERLIN to drive the development of this line of business.

Technology: in 2019 MERLIN promoted several projects of a technological nature to position itself at the forefront in terms of solutions for its clients and internal management.

Commitment to investors: the Company maintained an ongoing dialogue with its shareholders, attending 22 investor conferences, organising 6 road shows and 25 tours of portfolio assets for a total of more than 520 meetings with investors. In addition, in 2019, MERLIN was nominated for the IR Magazine awards.

A.2). SUMMARY OF THE RESULTS OF THE ANALYSIS PERFORMED

A.2).1. 2019 Fixed Remuneration

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

A.2).2. 2019 Annual Variable Remuneration ("STIP")

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

The following is a diagram of how the STIP works and how it was specifically applied in 2019:

i) STIP - Generation of the Bonus Pool

The maximum amount the Company could allocate each year to the annual variable remuneration for the entire staff of the Company and its subsidiaries (the "**Bonus Pool**") was the positive difference between the Total Overheads and the Operating Expenses for that year. In this regard, the following definitions applied:

- Total Overheads: the maximum annual amount of the total general expenses for the Company and its subsidiaries, taking the higher of the following amounts as a reference:

  (i) 5.75% of the gross rental income recognised in the Company's consolidated financial statements; or

  (ii) 0.575% of the net asset value of the Company recognised in the consolidated financial statements at 31 December of that year, calculated in accordance with the standards of the European Public Real Estate Association (the "EPRA NAV").

- Operating Expenses: the amount of the annual operating expenses for the Company and its subsidiaries (in all cases including the fixed remuneration for executive and non-executive staff members; fixed remuneration for the executive directors; remuneration paid to the non-executive directors in their position as such or for serving on committees; auditing expenses; expenses for consultation on taxation, employment and legal matters; expenses for appraisal and valuation of the real estate portfolio; rent paid; administrative fees; management and organisation expenses; expenses and costs associated with failed transactions for acquiring and/or divesting assets; and all other general expenses).

In view of the above, the 2019 Bonus Pool was calculated as follows:

Total Overheads ("TO")		**Operating Expenses ("OE")**
5.75% x Gross Rental Income	€30,240 thousand	€26,158 thousand
0.575% x EPRA NAV	€42,151 thousand	
The higher of the two preceding figures is equivalent to	€42,151 thousand	
STIP Pool (TO - OE)		
	€15,993 thousand	

ii) STIP - Distribution of the Bonus Pool among the executive directors

Once the Bonus Pool has been calculated, the executive directors submit a proposal to the Remuneration Committee regarding the overall distribution of the STIP identifying:

- The individualised amounts they are proposing for allocation to the executive management team and the STIP for Executive Directors; and
- The aggregate amount they are proposing for allocation to the remaining non-executive management staff, indicating the total number of recipients in this category and the average fixed remuneration of this group of recipients.

Based on this proposal, the Remuneration Committee shared the proposal with the executive directors and presents its conclusions to the Board of Directors, which is authorised to approve the amount, the recipient, and the distribution.

Once the STIP for the management team and non-executive staff members had been defined, the Board of Directors, following a report from the Remuneration Committee, decided regarding the STIP for the Executive Directors, taking into consideration, among other aspects, the degree to which the financial and qualitative targets initially established had been met, the detail of which is described in section A.1).2.

Likewise, before deciding regarding the STIP for the Executive Directors, the Remuneration Committee considered other issues, such as the performance of comparable peers to MERLIN, market practices and industry performance.

ii) STIP - Amount of the STIP for Executive Directors

The Target Bonus for Executive Directors, i.e., in a scenario of standard compliance with targets, amounts to 150% of the fixed remuneration.

The mentioned percentage can be increased up to 275% of the Fixed Remuneration in cases of exceptional performance, or if so it is decided by the Board of Directors following a report from the Remuneration Committee, as a reflection of an executive director's performance, commitment and effort during the year subject to measurement.

Considering that the 2019 financial targets were met and that the qualitative targets surpassed expectations, the Remuneration Committee understood that the STIP allocated in 2019 was €1,450,000 euros for the CEO and €1,400,000 for the other executive director, slightly below the Bonus Target equivalent to 150% of the fixed remuneration.

50% of the aforementioned amounts (the "**Upfront STIP**") will be paid during the calendar month following approval of the 2019 STIP (March 2020).

The right to receive the remaining 50% (the "**Deferred STIP**") will vest in accordance with the following schedule:

- 25% will vest on the date the STIP is approved (2020).
- 12.5% will vest on the first anniversary of the STIP's approval (2021).
- The remaining 12.5% will vest on the second anniversary of the STIP's approval (2022).

The Deferred STIP to which the executive directors are entitled, once fully vested, will be paid on the business day following the second anniversary of the STIP's approval (2022).

CEO		2020		2021		2022	
		Vesting	Payment	Vesting	Payment	Vesting	Payment
STIP	Upfront	€725,000	€725,000	--	--	--	--
	Deferred	€362,500	--	€181,250	--	€181,250	€725,000

Executive Director		2020		2021		2022	
		Vesting	Payment	Vesting	Payment	Vesting	Payment
STIP	Upfront	€700,000	€700,000	--	--	--	--
	Deferred	€350,000	--	€175,000	--	€175,000	€700,000

In accordance with the instructions for preparing the Annual Remuneration Report for Directors of Listed Companies (*Informe Anual sobre Remuneraciones de los Consejeros de Sociedades Anónimas Cotizadas*) contained in CNMV Circular 2/2018, the table in point C.1 of the statistical appendix to Circular 2/2018 attached to this report indicates the total amount of the STIP for executive directors, without prejudice to the fact that 50% thereof (the "Deferred STIP") is subject to a 2-year deferment period, and that during that time executive directors must remain at the Company to receive the full amount of the STIP.

A.2).3. 2017-2019 Long Term Incentive Plan ("LTIP")

On 31 December 2019, the target measurement period for the 2017-2019 Long Term Incentive Plan ended, which was approved by the MERLIN Annual General Meeting on 26 April 2017. In turn, the LTIP was implemented by resolution of the Board of Directors on 27 February 2018.

The beneficiaries of the 2017-2019 LTIP (the "Beneficiaries") were the executive directors, members of the executive management team and MERLIN staff who the Board of Directors formally decided to incorporate after a report from the Remuneration Committee and after obtaining the opinion of the executive directors. The total number of Beneficiaries of the LTIP amounted to 57.

The LTIP allows Beneficiaries, subject to fulfilment of the targets to which it is linked, to receive an amount in cash and a certain number of MERLIN shares. If the executive directors comply with their targets, they may receive an Incentive based on the LTIP in a maximum amount of 625% of their Fixed Remuneration for each of the mesurement years included within the Plan.

The LTIP has a five-year term, which is divided into two periods. In the first three-year period, the objectives are measured and in the second two-year period the Incentive is paid and delivered, when applicable, which takes place as described below:

- "Measurement Period": the period between 1 January 2017 to 31 December 2019 (inclusive), in which whether the conditions were met for vesting of the Incentive linked to the value create for shareholders were measured.

- Payment and Delivery Period: the period between 31 December 2019 to 22 March 2022, in which the cash amounts will be paid and the corresponding shares will be delivered.

The value created for shareholders was measured according to two parameters (both referred to as the "**Incentive**"):

WEIGHTING	PARAMETER	DEFINITION
1/3	"**Incentive Indexed to Market Price**" or "**IIMP**":	The increase in the price of the Company's shares plus the dividends and other distributions paid, including the value of pre-emption rights that may have been granted in the context of a share capital increase with rights exercised and completed ("Distributions") during the measurement period.
2/3	"**Incentive Indexed to EPRA NAV per Share**" or "**II EPRA NAV**"	The increase in the Company's EPRA NAV plus Distributions in the Measurement Period

The percentage that may be allocated to the executive directors as a whole is 33.33% of the total LTIP (which includes both the IIMP and the II EPRA NAV); however, none of the executive directors may benefit from a share of the LTIP that allows them to exceed the limit of €18,750 thousand set for each executive director.

The procedure used to calculate the IIMP and II EPRA NAV is described below:

(i) LTIP - Incentive Indexed to Market Price ("IIMP"):

The **IIMP** is dependent upon reaching a minimum Market Price TSR Rate of 24%. The IIMP was calculated as follows:

ITEM	DEFINITION
IIMP	Incentive Indexed to Market Price
Market Price TSR	Market Price TSR
% IIMP Allocated	Percentage of the TSR per share allocated to the IIMP

IIMP	=	Market Price TSR	x	% IIMP Allocated	x	No. of company shares at 31/12/2019:
€181,712,024	=	€4.30	x	9%	x	469,770,750

The **Market Price TSR** was calculated according to the following scheme:

Market Price TSR	=	Average closing price of MERLIN shares over the 90 trading sessions prior to 31/12/2019	-	€9.83	+	Dividends and other distributions paid, including the value of pre-emption rights that may have been granted in the context of a share capital increase with rights exercised and completed.
€4.30	=	**€12.77**	-	**€9.83**	+	2017: **€0.40** per share 2018: **€0.46** per share 2019: **€0.50** per share

The **% IIMP Allocated** is determined by applying the following rules:

- If the Market Price TSR Rate is less than 24%, then no percentage will be allocated to the Beneficiaries.
- If the Market Price TSR Rate is equal to or greater than 24%, but less than 36%, then 6% will be allocated to the Beneficiaries.
- If the Market Price TSR Rate is equal to or greater than 36%, then 9% will be allocated to the Beneficiaries.

In this respect, the Market Price TSR Rate is calculated as follows:

$$\text{Market Price TSR Rate} = \frac{\text{Market Price TSR}}{9.83} \rightarrow 43.72\% = \frac{€4.30}{€9.83}$$

Taking into account that the Market Price TSR Rate is 43.72%, the % IIMP Allocated is **9%.**

Finally, the Company calculated the amount of the **IIMP** with the assigned **weighting** of **1/3**:

Weighted IIMP	=	**IIMP**	x	**1/3**
€60,577,675	=	**€181,712,024**	x	**1/3**

(ii) LTIP - Incentive Indexed to EPRA NAV per Share ("II EPRA NAV")

The II EPRA NAV is dependent upon a minimum EPRA NAV TSR Rate of 24%. The II EPRA NAV was calculated according to the following formula:

ITEM	DEFINITION
II EPRA NAV	Incentive Indexed to EPRA NAV per Share
EPRA NAV TSR	EPRA NAV TSR
% Allocation II EPRA NAV	Percentage of the TSR per share allocated to the II EPRA NAV

II EPRA NAV = EPRA NAV TSR x % Allocation II EPRA NAV x No. of company shares at 31/12/2019:

€242,534,797 = €5.74 x 9% x 469,770,750

The **EPRA NAV TSR** was calculated according to the following scheme:

EPRA NAV TSR = EPRA NAV at 31/12/2019 - €11.23 + Dividends and other distributions paid, including the value of pre-emption rights that may have been granted in the context of a share capital increase with rights exercised and completed.

€5.74 = €15.60 - €11.23 + 2017: **€0.40** per share; 2018: **€0.46** per share; 2019: **€0.50** per share

The **% II EPRA NAV Allocated** is determined by applying the following rules:

- If the EPRA NAV TSR Rate is less than 24%, then no percentage will be allocated to the Beneficiaries.
- If the EPRA NAV TSR Rate is equal to or greater than 24%, but less than 36%, then 6% will be allocated to the Beneficiaries.
- If the EPRA NAV TSR Rate is equal to or greater than 36%, then 9% will be allocated to the Beneficiaries.

In this respect, the EPRA NAV TSR Rate is calculated as follows:

$$\text{EPRA NAV TSR Rate} = \frac{\text{EPRA NAV TSR}}{11.23} \Rightarrow 51.09\% = \frac{€5.74}{€11.23}$$

Taking into account that the EPRA NAV TSR Rate is 51.09%, the % IIMP Allocated is **9%.**

Finally, the Company calculated the amount of the **II EPRA NAV** with the assigned **weighting** of **2/3**:

Weighted II EPRA NAV	=	II EPRA NAV	x	2/3
€161,689,865	=	€242,534,797	x	2/3

(iii) LTIP - Incentive allocated to the Executive Directors

According to the terms of the LTIP, the percentage that may be allocated to all executive directors as a whole will be 33.33% of the total weighted IIMP Incentive. However, the maximum total amount of €6,250 thousand for each of the executive directors was applied:

	Preliminary IIMP (33.33% x weighted IIMP)	Maximum IIMP	IIMP Allocated
CEO	€10,095,112	€6,250,000	**€6,250,000**
Executive Director	€10,095,112	€6,250,000	**€6,250,000**

Similarly, executive directors were allocated 33.33% of the weighted II EPRA NAV. In this case, the maximum amount to be allocated to each executive director, which amounted to €12,500 thousand, also applied:

	Preliminary II EPRA NAV (33.33% x weighted II EPRA NAV)	Maximum II EPRA NAV (€)	II EPRA NAV Allocated (€)
CEO	€26,948,311	€12,500,000	**€12,500,000**
Executive Director	€26,948,311	€12,500,000	**€12,500,000**

The conditions governing the LTIP establish that the resulting amount for each executive director will be paid in MERLIN shares with a limit of two (2) million shares for executive directors. The average share price for the last 90 sessions in 2019 was €12.77. Consequently, the number of shares allocated to the executive directors was as follows:

	II EPRA NAV Allocated (€)	Average price of the share during the last 90 sessions of 2019	Shares allocated
CEO	**€12,500,000**	€12.77	**979,018**
Executive Director	**€12,500,000**	€12.77	**979,018**

(iv) LTIP - Vesting of the LTIP and payment

The executive directors’ right to receive the LTIP will vest according to the following vesting schedule:

- The executive directors right to receive the final amount of the IIMP will vest on the date of preparation of the 2019 financial statements and it will be paid in cash within five business days following that date.

- The executive directors will be entitled to receive any shares pursuant to the final amount of the II EPRA NAV in accordance with the following calendar:

  - Entitlement to 50% will arise on the date when the annual financial statements are produced for 2020, and the corresponding amounts and shares will be paid and delivered during the next two business days.

  - Entitlement to the remaining 50% will arise on the date of preparation of the 2021 financial statements, and the corresponding amounts and shares will be paid and delivered during the next two business days.

  Additionally, for this portion of the LTIP, the EPRA NAV plus the Distributions to the shareholders performed in 2020 and in 2021 must be equal to or greater than the EPRA NAV at 31 December 2019. If this requirement is not met, there are mechanisms for adjusting the amounts to be received under this concept.

CEO		2020		2021		2022	
		Vesting	Payment	Vesting*	Payment	Vesting*	Payment
LTIP	IIMP	€6,250,000	€6,250,000	--	--	--	--
	II EPRA NAV	--	--	489,509 shares	489,509 shares	489,509 shares	489,509 shares

Executive Director		2020		2021		2022	
		Vesting	Payment	Vesting*	Payment	Vesting*	Payment
LTIP	IIMP	€6,250,000	€6,250,000	--	--	--	--
	II EPRA NAV	--	--	489,509 shares	489,509 shares	489,509 shares	489,509 shares

**As long as the EPRA NAV + Distributions are ≥ than the EPRA NAV at 12/31/2019*

In accordance with the instructions for preparing the Annual Remuneration Report for Directors of Listed Companies contained in CNMV Circular 2/2018, the table in point C.1.a).i) of the statistical appendix to Circular 2/2018 attached to this report indicates the amount of the LTIP for executive directors corresponding to the IIMP. The table in point C.1.a).ii) indicates the maximum number of shares (979,018 per executive director) that each of them may receive, without these shares being consolidated.

Vesting and settlement of the II EPRA NAV will be brought forward under special circumstances, such as, for example, the removal of an executive director from his or her position at the Company's request without just cause, in the event of retirement, death or permanent disability, or if there is a change of control.

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

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

A.2).5. Remuneration in kind

According to the Remuneration Policy in force in 2019, the executive directors may be beneficiaries of:

- A life insurance policy that also covers any degree of permanent disability, where the beneficiary was the executive director and/or the persons designated by the executive director in the case of coverage for death.

- Health insurance offering comprehensive health care coverage with a leading company, under which the executive director, their spouse and dependent children are beneficiaries.

In 2019 the Company paid the premiums corresponding to the health and life insurance described above, which amounted to €6,194 for the CEO and €3,818 for the other executive director.

A.2).6. Malus and clawback

The executive directors' contracts contain clawback clauses that allow MERLIN to request, for a two-year period following settlement of their incentives under the STIP and/or LTIP, a refund of up to 100% of the amounts or shares they received pursuant to the STIP or LTIP, as well as in the case of the LTIP, damages for any harm their actions may have caused the Company, when any of the following circumstances exist:

- The CNMV imposes a serious sanction on the Company for events related to an executive director's performance of his or her duties at the Company; or

- The Company's financial statements are materially restated for reasons attributable to one or more executive directors, unless the need for that restatement is due to a change in the applicable accounting policies.

In both cases, the clawback clause will be activated whenever the circumstances described are related, in terms of timing, to any of the years that were taken into consideration to calculate the incentives under the STIP or LTIP.

No clauses of this type were activated in 2019.

A.2).7. Possible payments following dismissal or resignation

In 2019 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, sub-section A.7 of this Report.

A.2).8. Other contractual terms

For 2019, the contractual terms established with the executive directors are those described in the heading on *Contractual terms* in section 2, sub-section A.8, of this Report.

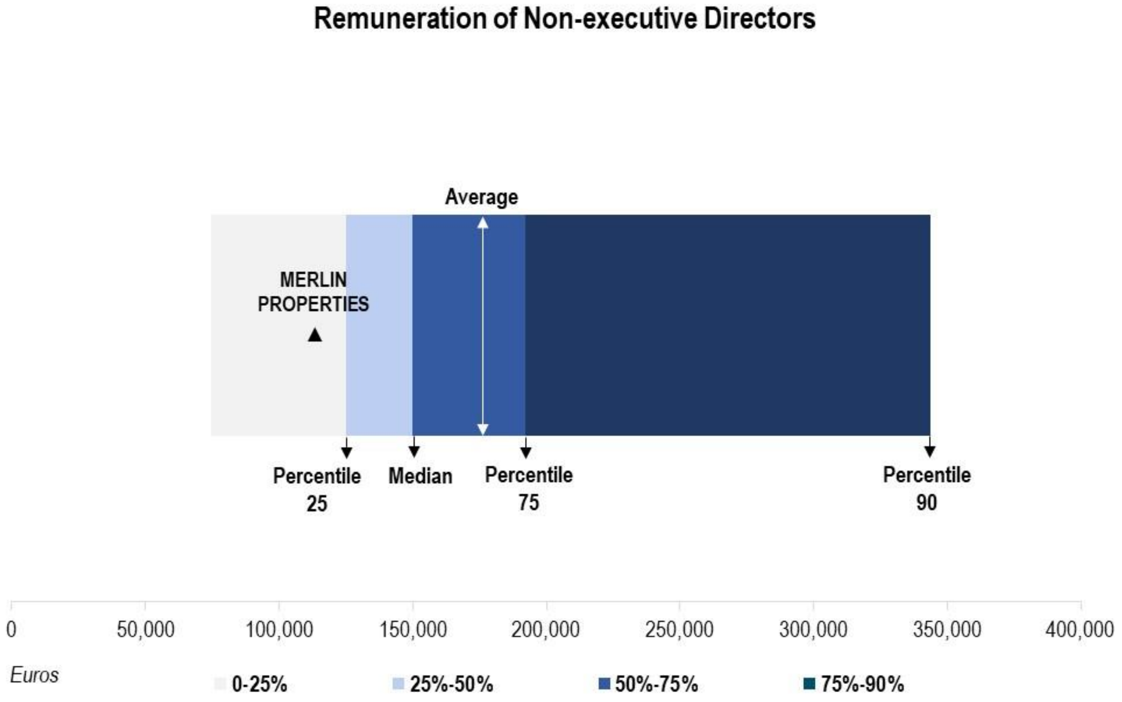
No compensation has been paid in the form of advances, loans, or guarantees.

B) NON-EXECUTIVE DIRECTORS

B.1). ASSESSMENT PROCESS

To assess the appropriateness of the remuneration of the non-executive directors, the Committee assessed a benchmarking for such remuneration in relation to IBEX 35 companies.

Based on the results, the Committee concluded that the remuneration paid to the non-executive directors is competitive.



Source: Willis Towers Watson

B.2). SUMMARY OF THE RESULTS OF THE ANALYSIS PERFORMED

In 2019 the remuneration of the non-executive directors was the same as the one approved by the Annual General Meeting on 26 April 2017, with the particularity of the modification approved in relation to the members of the Audit and Control Committee and the Remuneration and Appointments Committee.

In 2019 non-executive directors received the following amounts:

2019	For belonging to the Board of Directors or its Committees	For chairing (Additional amount)
Board of Directors	€100,000	--
Audit and Control Committee	€35,000	€5,000
Remuneration Committee	€10,000	€5,000
Appointments Committee	€10,000	€5,000

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

The Remuneration Committee is responsible for submitting the Remuneration Policy to the Board as well as for reporting on it. It is also responsible for determining the individual remuneration levels for the executive directors and the other terms and conditions for their contracts, while also providing oversight to ensure that these are being observed.

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

		Executive directors	Audit and Control Committee	Remuneration Committee	Board of Directors	Annual General Meeting
Design of remunerative elements	Directors' Remuneration Policy			Proposes the Remuneration Policy to the Board.	Approves the Remuneration Policy and submits it to a vote at the General Meeting.	Approves the Remuneration Policy at least every three years as a separate agenda item.
	Remuneration for non-executive directors				Proposes the remuneration system to the Annual General Meeting along with the maximum amount of annual remuneration.	Approves the maximum amount of annual remuneration for the non-executive directors as a whole.
	Remuneration for executive directors			Proposes modifying or updating of 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 indexed to the market price.
Implementation of the Remuneration Policy	Remuneration for non-executive directors			Proposes the remuneration for non-executive directors to the Board.		Approves, consultatively, the Annual Directors' Remuneration Report, which includes details on the remuneration earned in the year.
	Remuneration for executive directors	Proposes the distribution of the STIP and the LTIP.	Analyses the calculation of the overheads audited by the external auditor.	Proposes the individual remuneration for the executive directors (fixed, STIP and LTIP) to the Board and reviews the calculation of the overheads.	Approves the individual remuneration for the executive directors, within the limits established in the Remuneration Policy.	
Assessment of the Remuneration Policy				Periodically analyses and reviews the remuneration programmes, assessing their suitability and performance. Oversees observance of the Remuneration Policy.		

The Company also receives assistance preparing the various analyses and reports related to the remuneration of directors from external consultants. In this regard, the following external consultants have provided advisory services to MERLIN:

- Garrigues has provided advisory services to the Committee on certain legal aspects related to preparing the proposals that will be submitted at the next Annual General Meeting on the subject of the remuneration of directors.

- Willis Towers Watson and KPMG in relation to (i) the market analyses of director remuneration and (ii) the preparation of this Report.

05. WORK PERFORMED BY THE REMUNERATION COMMITTEE

At the date this report, the Remuneration Committee had the following members and they are the same as those belonging to that Committee on 31 December 2019:

Name	Position	Category	Appointment Date
Mr Fernando Ortiz Vaamonde	Chairman	Independent	6 June 2014
Mr Donald Johnston	Board Member	Independent	11 June 2014
Mr Javier García Carranza	Board Member	Proprietary	15 September 2016
Ms Pilar Cavero Mestre	Board Member	Independent	15 September 2016

The following are the most relevant actions taken by the Remuneration Committee in the context of its responsibilities in relation to the remuneration of Board members and of the executive management team:

2019

- Assessment of fulfilment of the targets to which the variable remuneration is linked, based upon the results obtained in 2018 and in relation to that year; and proposal of settlement of the amounts of the annual remuneration of the executive directors and executive management team.
- Assessment and information on the incorporation of new members as beneficiaries of the Incentive Plan and the proposal for the allocation of ideal quotas.
- Proposal to the Board on the targets to which the variable remuneration is linked for the executive directors and executive management team for 2019.
- Analysis of the amounts of the annual fixed remuneration for 2019 and the STIP for the executive directors and executive management team, with respect to 2018. Report on allocation of the remaining shares of the MSP.
- Report to the Board on the Annual Directors' Remuneration Report, which will subsequently be presented for approval at the Annual General Meeting to be held in 2019.
- Report on the modification of the Remuneration Policy.
- Preparation and implementation of the new 2020-2022 Remuneration Policy

	• Assessment of fulfilment of the targets to which the short-term variable remuneration is linked, based on the results obtained in 2019 and in relation to that year; and proposal for settlement of the amounts of the annual remuneration of the executive directors and executive management team.
2020 (up to the time of publication of this report)	• Assessment of the fulfilment of the targets to which the long-term variable remuneration (LTIP) is linked, proposal of final allocation of ideal quotas and proposal of plan settlement. • Proposal to the Board on the targets to which the variable remuneration is linked for the executive directors and executive management team for 2020. • Analysis of the amounts of the annual fixed remuneration for 2020 and the STIP for the executive directors and executive management team. • Report to the Board of Directors on the Annual Directors' Remuneration Report, which will subsequently be presented for approval at the Annual General Meeting to be held in 2020.

06. ANNEX III 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.

CNMV

B. OVERALL SUMMARY OF HOW REMUNERATION POLICY HAS BEEN APPLIED DURING THE YEAR ENDED

B.4. Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year, indicating the number of votes against that may have been cast:

	Number	% of total
Votes cast	363.145.958	78,372

	Number	% cast
Votes against	150.255.328	40,811
Votes in favor	207.231.468	56,287
Abstentions	5.659.162	1,537

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

Name	Type	2019 accrual period
Mr. Francisco Javier García-Carranza Benjumea	Nominee Chairman	From 1/1/2019 to 12/31/2019
Mr. Ismael Clemente Orrego	Executive Vice Chairman	From 1/1/2019 to 12/31/2019
Mr. Miguel Ollero Barrera	Executive Director	From 1/1/2019 to 12/31/2019
Mr. Emilio Novela Berlín	Independent Director	From 1/1/2019 to 12/31/2019
Mr. George Donald Johnston III	Independent Director	From 1/1/2019 to 12/31/2019
Mr. Fernando Javier Ortiz Vaamonde	Independent Director	From 1/1/2019 to 12/31/2019
Ms. María Luisa Jordá Castro	Independent Director	From 1/1/2019 to 12/31/2019
Mr. John Gómez-Hall	Independent Director	From 1/1/2019 to 12/31/2019
Mr. Juan María Aguirre Gonzalo	Independent Director	From 1/1/2019 to 12/31/2019
Ms. Pilar Cavero Mestre	Independent Director	From 1/1/2019 to 12/31/2019
Ms. Francisca Ortega Hernández Agero	Nominee Director	From 1/1/2019 to 12/31/2019
Ms. Ana García Fau	Independent Director	From 1/1/2019 to 12/31/2019

C.1 Individual remuneration accrued by each director during the fiscal year (including remuneration for executive functions).

a) Remuneration at the company to which this report relates:

i) Remuneration accrued in cash (€k)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance	Other items	Total fiscal year 2019	Total fiscal year 2018
Mr. Francisco Javier García-Carranza Benjumea										
Mr. Ismael Clemente Orrego				1,000	1,450	6,250		6	8,706	2,375
Mr. Miguel Ollero Barrera				1,000	1,400	6,250		4	8,654	2,350
Mr. Emilio Novela Berlín	100		11						111	65
Mr. George Donald Johnston III	100		17						117	112
Mr. Fernando Javier Ortiz Vaamonde	100		15						115	113
Ms. María Luisa Jordá Castro	100		29						129	117
Mr. John Gómez-Hall	100								100	100
Mr. Juan María Aguirre Gonzalo	100		34						134	118
Ms. Pilar Cavero Mestre	100		17						117	110
Ms. Francisca Ortega Hernández Agero										
Ms. Ana García Fau	100		29						129	115

ii) Table of movements of share-based remuneration systems and gross profit on vested shares or financial instruments

Name	Name of the Plan	Financial instruments at the beginning of the fiscal year 2019		Financial instruments granted during the fiscal year 2019		Financial instruments vested during the fiscal year				Instruments accrued and not exercised	Financial instruments at the end of the fiscal year 2019	
		No. instruments	No. equivalent shares	No. instruments	No. equivalent shares	No. instruments	No. equivalent/vested shares	Price of vested shares	Gross profit on the vested shares or financial instruments (€k)	No. instruments	No. instruments	No. equivalent shares
Mr. Ismael Clemente Orrego	LTI 2017-2019				979,018							979,018
Mr. Miguel Ollero Barrera	LTI 2017-2019				979,018							979,018

iii) Long-term savings plans

Name	Remuneration for vesting of rights under savings systems
No data	

Name	Contribution of the year by the company (€k)				Amount of cumulative funds (€k)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Systems with vested economic rights		Systems with non-vested economic rights	
	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2018
No data								

iv) Detail of other items

Name	Item	Amount of remuneration
No data		

b) Remuneration corresponding to company directors for membership on the boards of other group companies:

i) Remuneration accrued in cash (€k)

Name	Fixed remuneration	Attendance fees	Remuneration for membership on Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance	Other items	Total fiscal year 2019	Total fiscal year 2018
No data										

ii) Table of movements of share-based remuneration systems and gross profit on vested shares or financial instruments

Name	Name of the Plan	Financial instruments at the beginning of the fiscal year 2019		Financial instruments granted during the fiscal year 2019		Financial instruments vested during the fiscal year				Instruments accrued and not exercised	Financial instruments at the end of the fiscal year 2019	
		No. instruments	No. equivalent shares	No. instruments	No. equivalent shares	No. instruments	No. equivalent/vested shares	Price of vested shares	Gross profit on the vested shares or financial instruments (€k)	No. instruments	No. instruments	No. equivalent shares
No data												

iii) Long-term savings plans

Name	Remuneration for vesting of rights under savings systems
No data	

Name	Contribution of the year by the company (€k)				Amount of cumulative funds (€k)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Systems with vested economic rights		Systems with non-vested economic rights	
	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2018
No data								

iv) Detail of other items

Name	Item	Amount of remuneration
No data		

c) Summary of remuneration (€k):

Summary should include the amounts relating to all the remuneration items included in this report that have accrued in favor of the director, in thousands of euros.

	Remuneration earned at the Company					Remuneration earned at Group companies				
Name	Total cash remuneration	Gross profit on vested shares or financial instruments	Remuneration from savings plans	Remuneration for other items	Company total fiscal year 2019	Total cash remuneration	Gross profit on vested shares or financial instruments	Remuneration from savings plans	Remuneration for other items	Group total fiscal year 2019
Mr. Francisco Javier García-Carranza Benjumea										
Mr. Ismael Clemente Orrego	8,700			6	8,706					
Mr. Miguel Ollero Barrera	8,650			4	8,654					
Mr. Emilio Novela Berlín	111				111					
Mr. George Donald Johnston III	117				117					
Mr. Fernando Javier Ortiz Vaamonde	115				115					
Ms. María Luisa Jordá Castro	129				129					
Mr. John Gómez-Hall	100				100					

	Remuneration earned at the Company					Remuneration earned at Group companies				
Name	Total cash remuneration	Gross profit on vested shares or financial instruments	Remuneration from savings plans	Remuneration for other items	Company total fiscal year 2019	Total cash remuneration	Gross profit on vested shares or financial instruments	Remuneration from savings plans	Remuneration for other items	Group total fiscal year 2019
Mr. Juan María Aguirre Gonzalo	134				134					
Ms. Pilar Cavero Mestre	117				117					
Ms. Francisca Ortega Hernández Agero										
Ms. Ana García Fau	129				129					
Total	18,302			10	18,312					

D. OTHER INFORMATION OF INTEREST