



**ANNUAL REPORT ON DIRECTORS' REMUNERATION FOR
THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**



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Letter from the Chairwoman of the Nomination and Remuneration Commission

Dear Shareholders,

On behalf of the Nomination and Remuneration Commission (hereinafter referred to as the “Commission” or the “Nomination and Remuneration Commission”) and the board of directors (hereinafter referred to as 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”).

Pursuant to the provisions of Act 5 of 12 April 2021 amending the redrafted text of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), this report forms part of the Company's Management Report and will be available on the Company's website and on the website of the Spanish National Securities Market Commission (CNMV) for the legally established term.

This report has been drawn up in a freestyle format, in accordance with the regulatory authorisation set out in Circular 4/2013 (redrafted text), whilst its content respects the minimum requirements specified in the regulations. The report contains the following main sections:

1. Description of the Directors' Remuneration Policy (hereinafter, “the Remuneration Policy”) applicable in 2022, subject to the approval by the Annual General Meeting.
2. A description of how the Remuneration Policy has been applied during 2021.
3. A standardised statistical appendix as set out in Circular 4/2013 on the results of the advisory vote on the last ADDR and a breakdown of the individual remuneration for each director in 2021.

Provided below is the background against which certain decisions related to the directors' remuneration have been taken and which have been considered by the Nomination and Remuneration Commission in the application of the Remuneration Policy.

Remuneration Policy applicable in 2022

Pursuant to the transitional provision one of Act 5 of 12 April 2021 amending the redrafted text of the Spanish Corporate Enterprises Act, the Board of Directors plans to submit a new Remuneration Policy to the Annual General Meeting in 2022. If approved, it would be applicable from the date on which the Annual General Meeting is held.

The key changes that would be introduced with the new Remuneration Policy relate to the contents required by Article 529 novodecies of the Spanish Corporate Enterprises Act, as amended by the aforementioned Act 5/2021. Notwithstanding the foregoing, the Nomination and Remuneration Commission has conducted an internal and external analysis of the adequacy of its current Remuneration Policy. To this end, it has considered MERLIN's strategic priorities in the short and long term and the expectations of its shareholders and proxy advisors, as well as general corporate governance recommendations at a national and international level. Following this analysis, the Nomination and Remuneration Commission has deemed it appropriate to maintain consistency in its Remuneration Policy, albeit with some adjustments that are indicated below.



Bearing in mind the foregoing, the following remuneration policies may apply during the year 2022:

- Between 1 January and the date of the 2022 Annual General Meeting, the Directors' remuneration will be in accordance with the Remuneration Policy approved by the Annual General Meeting held on 17 June 2020 (and subsequently amended by the Annual General Meeting held on 27 April 2021).
- From the 2022 Annual General Meeting date until 31 December 2022, the new Remuneration Policy, which will be submitted to the 2022 Annual General Meeting, will be applicable, once it has been approved (notwithstanding that its validity will be proposed to the Annual General Meeting to be extended until 31 December 2025).

The main changes contained in the new Remuneration Policy regarding the remuneration components of the Executive Directors are as follows:

- The levels of fixed remuneration, remuneration in kind and severance pay are maintained.
- Short-term variable incentive (hereinafter, "STIP"): the weight of non-financial objectives is limited to a maximum of 30% (until now, the weight of these objectives was 40%), increasing to 70% (until now the weight was 60%) the weight of the financial objectives. For the financial year 2022, half of the non-financial objectives will be linked to Environmental, Social and Governance ("ESG") objectives related to the reduction of CO2 emissions per m2 and MERLIN's position in the GRESB, CDP and S&P CSA indices.
- Long-term variable incentive (hereinafter, "LTIP"): At the proposal of the Nomination and Remuneration Commission, the Board of Directors plans to propose at the next Annual General Meeting the approval of a new Long-Term Incentive Plan 2022-2024 for, among others, the Company's Executive Directors. The LTIP, implemented through a one-off performance share plan, will be payable through the delivery of MERLIN shares in 2025 and will be linked (i) to the fulfillment of the objectives set by the Board of Directors for the 2022-2024 period and (ii) to the permanence of the beneficiary in the Company.

In the case of executive directors, the value of the shares to be granted (calculated at the Reference Value – as defined in section 2.2.4) will amount to 200% of the Fixed Remuneration for the CEO and 150% of the Fixed Remuneration for the COO.

- No Extraordinary Incentive will be granted.

MERLIN's results in 2021 and impact thereof on the remuneration vested by the executive directors:

2021 has been a year of recovery for MERLIN Properties, after leaving behind the worst of the effects of the pandemic. The company's financial performance has exceeded forecasts for 2021, having achieved an operating cash flow per share of 58 cents, above the indication given to the market at the beginning of the year (56 cents, and exceeding the level by 4% achieved in 2020). MERLIN has managed to grow in all its key indicators such as occupancy (94.5%, +21 basis points over 2020), comparable rents (+0.2% over 2020) and net asset value according to EPRA methodology, EPRA NTA, (€16.11, +4.2% over 2020) The company's debt level has been reduced to 39.2% (compared to 39.9% in 2020).

In the stock market, 2021 has been a good year in shareholder returns. The share has had an appreciation of 23.5%, closing the year at €9.57. In relative terms, the appreciation of MERLIN's shares is above its reference indices (IBEX-35, +8% or EPRA Europe, +15%).



In addition, the Company has distributed dividends during the year amounting to €0.45 per share. If we add the share appreciation and the distributed dividends, the total return for the shareholder has risen to 28.8%.

Finally, I would like to thank you on behalf of the Commission 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, Chairwoman of the Nomination and Remuneration Commission



1. Summary of Executive Directors' remuneration

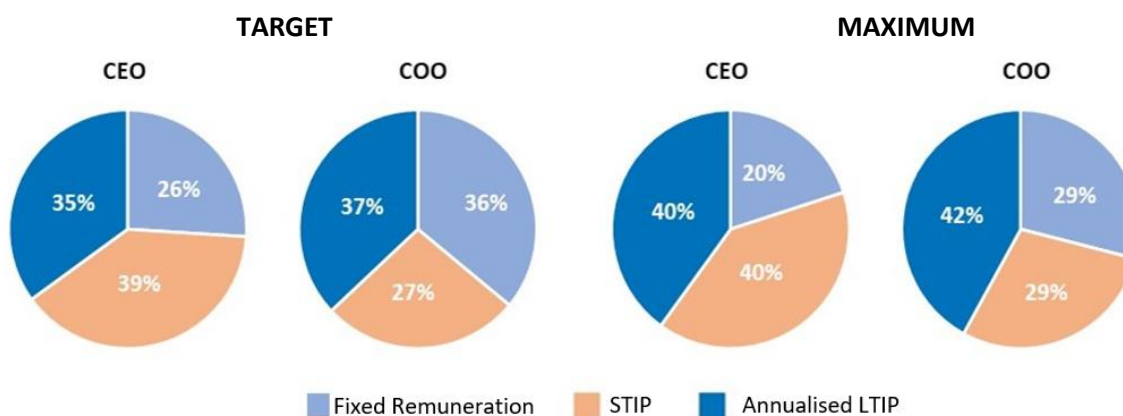
The Executive Directors' remuneration package in 2022

Remuneration items:

| Fixed Remuneration + Remuneration in Kind | Short-Term Variable Remuneration (2022 STIP) | Long-Term Variable Remuneration (2022-2024 LTIP) | Termination Benefits |
|--|--|---|--|
| Fixed remuneration (FR): <ul style="list-style-type: none"> CEO: €1,000,000 COO: €1,000,000 Remuneration in Kind: <ul style="list-style-type: none"> CEO < €14,000 COO < €14,000 | STIP maximum: <ul style="list-style-type: none"> CEO: 200% of FR. COO: 100% of FR. | Maximum annualised LTIP: <ul style="list-style-type: none"> CEO: 200% of FR. COO: 150% of FR. | 2 x (Fixed Remuneration+ STIP assigned in the last 12 months). Post-contractual non-competition agreement included equal to 6 monthly payments of fixed remuneration. |

*For these purposes, the share Reference Value used at the beginning of the 2022-2024 LTIP has been considered.

Pay mix:



Notes to the chart:

- Remuneration in kind has not been considered.
- Target STIP: 75% of the maximum STIP to be paid if the targets set in the 2022 annual budget are met, notwithstanding the fact that 50% of it is deferred for a period of 2 years.
- Maximum STIP: Amount of the STIP in the event that the maximum fulfillment of targets is reached, above the budget, notwithstanding the fact that 50% of it is deferred for a period of 2 years.
- Target annualised LTIP: 2/3 of the maximum LTIP to be paid if the targets set in the business plan established for the 2022-2024 period are met, considering the Reference Value of the MERLIN share at the beginning of the LTIP.
- Maximum annualised LTIP: Amount of the LTIP in the event that the maximum fulfillment of the targets is reached, considering the Reference Value of the MERLIN share at the beginning of the LTIP.

Following an initial period of expansion and corporate acquisitions (in which there was extraordinary growth), the Remuneration Policy adapted the remuneration mix to a scenario in which MERLIN went from being a company with exponential growth and evolution to one company established among largest real estate companies in Europe and with the largest capitalisation in Spain.



In this new context, the Executive Directors have a variable, flexible and progressive remuneration system, which means that they may not receive any amount for this concept in the event that the threshold is not reached.

Likewise, and in order to ensure that the Executive Directors' remuneration is based on long-term performance that take into account the underlying economic cycle of the Company, the relative weight of the LTIP continues to be relevant within the remuneration package of the Executive Directors.

Executive Directors' remuneration in 2021 (thousands of €)

CEO



COO



The amounts shown in the table are as follows:

| | |
|---|--|
| <p>Remuneration generated in 2021 (CEO: €3,183; COO: €2,281)</p> | <p>Remuneration that has been generated in 2021, regardless of the fact that part of the payment may be deferred to future years and is not considered vested for the purposes of the ADRR. This is the result of adding the Fixed Remuneration, Remuneration in Kind, the total generated STIP 2021 and the generated Extraordinary Incentive.</p> |
| <p>Remuneration vested in 2021 (CEO: €6,938; COO: €6,486)</p> | <p>Remuneration vested in accordance with the instructions set out in Circular 3/2021 of 28 September issued by the Spanish Securities Market Commission (CNMV). This is the result of adding the Fixed Remuneration, Remuneration in Kind, the 2021 Upfront STIP, the Extraordinary Incentive and the portion of the 2017-2019 LTIP linked to the EPRA NAV that was deferred and will be paid upon the formulation of the 2021 annual accounts (these shares have been valued taking into account the average share price of Merlin Properties, SOCIMI, S.A. shares in the last 90 trading sessions of 2021).</p> |

The remuneration generated in 2021 is in line with MERLIN's results in 2021 and shareholder return (28.8% of TSR in 2021), notwithstanding the fact that the share price has not yet returned to pre-COVID levels. Specifically, in relation to the 2021 STIP, the Company has met or exceeded the budgeted objectives for funds from operation or FFO per share, NOI, PBT, leverage level and dividend per share. The indications given to the market at the beginning of the 2021 financial year (€0.56 of FFO per share and dividend per share of €0.30) have also been exceeded. The Nomination and Remuneration Commission also positively assessed the fulfilment of non-financial objectives linked to the Group's digitalisation and technology projects, the sustainability strategy and its communication policy, as well as the performance evaluation of the Executive Directors.

In addition, the Extraordinary Incentive approved at the Annual General Meeting of 27 April 2021 was applicable in 2021. This incentive was linked to the extraordinary achievement of strategic objectives,



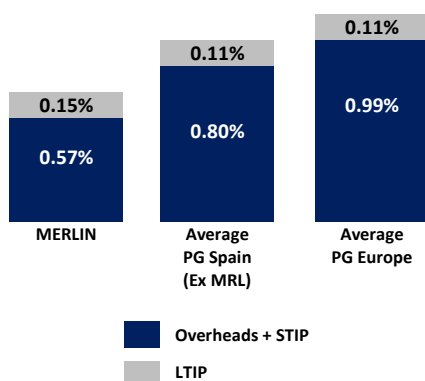
above the estimates included in the Company's budget for 2021. Proof of the stringency of these objectives is that the weighted payout ratio was 37.5%.

It should be remembered that, due to the situation of uncertainty caused by COVID-19, in addition to the waiver of the 2020 STIP by the Executive Directors, the Board of Directors, at the proposal of the Remuneration Commission, agreed in the years 2020 and 2021 to postpone the implementation of a new LTIP, until there was a clearer vision of the possible impacts and it was feasible to identify realistic objectives adapted to the new scenario and to be able to align the interests of shareholders, executives and the company in the resulting new context.

Notwithstanding, 2021 marks the end of the second year of deferral of payment of part of the 2017-2019 LTIP. Specifically, 50% of the incentive linked to the EPRA NAV (489,509 shares for each Executive Director) remained to be paid. In this respect, the requirements set out in relation to the EPRA NAV increase between 31 December 2019 and 31 December 2021, required for 100% of the deferred shares to be paid out, have been met.

Other relevant information

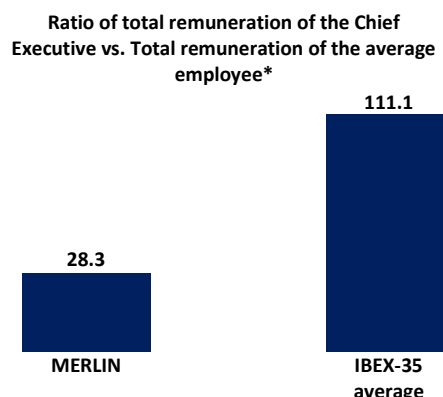
MERLIN continues to be one of the most efficient REITs in Europe, in terms of the ratio of total overhead costs relative to EPRA NAV, as shown in the below chart:



MERLIN data refers to the 2021 financial year while REIT data refers to 2020 financial year.

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

The difference in remuneration between the total remuneration generated by the CEO and the average remuneration of MERLIN's staff is well below the IBEX-35 average:



*Source: MERLIN for MERLIN Properties data and WTW for IBEX-35 data.

This ratio was calculated using the public information available on the date this report was drawn up, or in other words, the total remuneration vested by the lead executive in 2020. 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 2020. The data used for MERLIN are the latest published at year-end 2021.



Main features of the new Remuneration Policy to be submitted in the next Annual General Meeting

What we do:

- Linking a high percentage of the remuneration to the Company's results ("pay for performance").
- The variable remuneration is in line with the interests of both shareholders and Society as a whole and includes objectives linked to the Company's sustainability strategy.
- 2022 STIP:
 - The weighting of the financial objectives to which the STIP is linked currently represents at least 70%.
 - The weight of the non-financial objectives to which the STIP is linked represents, at most, 30%.
 - 2 years deferral of the payment of 50% of the STIP generated, if any.
 - Inclusion of objectives linked to ESG.
- 2022-2024 Long-Term Incentive Plan:
 - Performance period of 3 years.
 - Payment in shares.
 - Primarily linked to objectives aligned with shareholder return.
 - Inclusion of ESG objectives.
 - Obligation to hold 100% of the delivered shares for a term of two years.
- Malus and clawback clauses which are applied to any variable remuneration component.
- Severance pay for termination of the contract and non-competition agreement: limited to 2 years' annual Fixed Remuneration + the STIP assigned in the last 12 months.
- The Executive Directors should maintain a number of shares equivalent to two years of Fixed Remuneration.
- Support from external advisors: the Board of Directors and the Nomination and Remuneration Commission receive external advice for the purpose of reviewing and interpreting market remuneration information, as an additional element to be taken into account in the decision-making process on the design of the Remuneration Policy.

What we do not do:

- There is no guaranteed variable remuneration.
- The Executive Directors do not currently participate in long-term savings schemes such as pension plans, retirement or other such schemes.
- The external directors do not participate in remuneration formulas or systems linked to the Company's results or individual performance. They do not participate in the long-term savings or other such schemes.
- No loans or advances are granted.

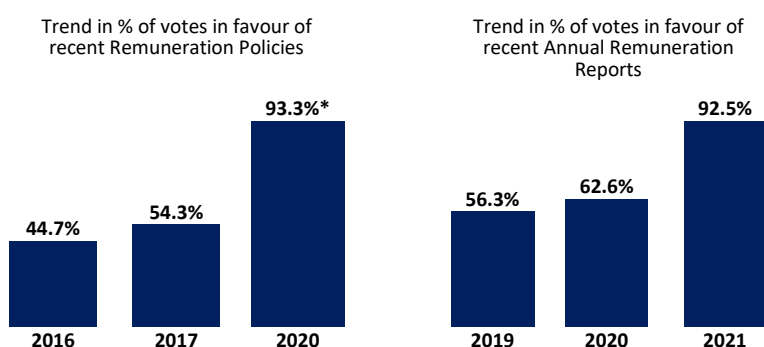


2. The Directors' remuneration in 2022

2.1 Remuneration Policy applicable in 2022

Pursuant to the provisions in transitional provision one of Act 5 of 12 April 2021 amending the redrafted text of the Spanish Corporate Enterprise Act, the Board of Directors intends to submit a new Remuneration Policy to the Annual General Meeting in 2022. If approved, it will be applicable from the date on which the Annual General Meeting is held.

This new Remuneration Policy will maintain the essential features applied in our existing policy approved by the Annual General Meeting held on 17 June 2020 with the support of 93.3% of the votes cast and will introduce some adjustments to strengthen its alignment with all stakeholders. The Company has also taken into account the levels of support received in the Annual Remuneration Reports submitted in the last three years.



* The Remuneration Policy approved by the Annual General Meeting held on 17 June 2020 was subsequently amended by the Annual General Meeting held on 27 April 2021 with 94.9% of votes in favour.

For the purpose of calculating the % of votes in favour, in accordance with article 148c) of the Spanish Corporate Enterprise Act, the number of votes in favour of the present or represented capital, including treasury stock, has been taken.

The Nomination and Remuneration Commission has conducted an internal and external analysis of the adequacy of its current Remuneration Policy. To this end, it has considered MERLIN's strategic priorities in the short and long term, the market practice and the expectations of its shareholders and proxy advisors, as well as general corporate governance recommendations at a national and international level.

In relation to market practice, the Company has considered the following entities: Altarea Cogedim, Covivio, Gecina Klépierre, Unibail-Rodamco, Aroundtown, Deutsche Wohnen, Vonovia, British Land, Derwent London, Hammerson, Land Securities, Segro e Inmobiliaria Colonial.

In addition, the format of the Remuneration Policy will be in line with the expectations of institutional investors and the highest market standards. A number of new sections will also be included in order to comply with the latest legislative developments, in particular those relating to Article 529 novedecies of the Spanish Corporate Enterprise Act.



Bearing in mind the foregoing, the following remuneration policies may apply during the year 2022:

- Between 1 January and the date of the 2022 Annual General Meeting, the Directors' remuneration will be in accordance with the Remuneration Policy approved by the Annual General Meeting held on 17 June 2020, subsequently amended by the Annual General Meeting held on 17 April 2021. The contents of this Policy are available at the following link:

<https://www.merlinproperties.com/wp-content/uploads/2020/05/Merlin.-Directors%E2%80%99-Compensation-policy-2020.pdf>

- From the 2022 Annual General Meeting until 31 December 2022 (proposing to the Annual General Meeting to be extended until 31 December 2025), the new Remuneration Policy, which will be submitted to the 2022 Annual General Meeting, will be applicable, once it has been approved.

2.2. The Executive Directors' remuneration components in 2022

2.2.1 Fixed Remuneration

The purpose of fixed remuneration is to attract and retain talent, reward the level of responsibility, professional consolidation in the position, and recognise the experience and relevance in the market.

The amount of the annual Fixed Remuneration in 2022 is €1,000,000 for each Executive Director. This amount is paid in full in cash and has not been increased since 2017. This amount absorbs any amount corresponding to being member and attending the Board and Planning and Coordination Committee in case of the CEO.

2.2.2 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 cost of the premiums corresponding to the death and permanent disability policy and the medical insurance will amount, for each of the Executive Directors, to a maximum amount of €14,000 per year, an amount that will be reviewed annually according to the concurrent circumstances and the usual parameters for this type of insurance.

The directors are insured under MERLIN's directors' and executives' third-party liability policy under normal market terms and conditions.

2.2.3 Short-Term Variable Remuneration 2022 (2022 STIP)

Purpose

The STIP seeks to recognise the contribution to the achievement of objectives within the annual budget, as well as to motivate and guide the work of the management team for the year.



Maximum amount

The maximum amount of the Executive Directors' 2022 STIP, in the event that maximum level of fulfillment of metrics is reached above the budget, is as follows:

- CEO: 200% of Fixed Remuneration (€2,000,000).
- COO: 100% of Fixed Remuneration (€1,000,000).

Metrics

In calculating the 2022 STIP, the Nomination and Remuneration Commission has set the metrics and weightings set out below:

| Metric | Definition | Weighting |
|--|--|-------------|
| FINANCIAL OBJECTIVES | | 70% |
| FFO per share | Accounting FFO or Accounting Funds Flow from Operations is calculated as EBITDA less net financial expenses and recurring taxes (excluding taxes on divestments and other extraordinary events). FFO per share is calculated by deducting the company's nonoverheads expenses from accounting FFO, divided by the number of shares outstanding as of the calculation date. | 20% |
| Net operating income (NOI) + other income | The NOI is calculated as the amount resulting from deducting from Gross Income the expenses for incentives and linearisations, as well as property expenses not passed on to tenants and uncollectible expenses. Additionally, other income not derived from gross rentals is included. | 15% |
| Adjusted PBT | Adjusted profit before tax (excluding the impact of valuation of assets and derivatives). | 10% |
| Loan to Value (LTV) | The loan-to-value ratio is calculated as the net debt divided by the value of the portfolio according to the latest available external appraisal plus transaction costs. | 10% |
| Divestments | This is the level of divestments made in accordance with the Company's asset rotation plan. | 15% |
| NON-FINANCIAL OBJECTIVES | | 30% |
| MERLIN scoring in Sustainability Indices | Improvement of the MERLIN score in absolute terms, as well as improvement of the relative position of MERLIN with respect to the comparable average in the Sustainability Indices of GRESB, CDP and S&P CSA. | 8% |
| Reduction of CO₂ emissions | Reduction in the intensity of emissions in terms of kg CO ₂ /m ² compared to the previous year. This is determined on the basis of the latest information available at the date on which the STIP objectives fulfillment is assessed. | 7% |
| Performance assessment | Individual performance of the Executive Directors during 2022. | 15% |
| | | 100% |



Performance scales and objectives assessment

Each metric has associated achievement levels and performance scales associated to the difficulty of achievement and its criticality to the Company's 2022 plans. In the event that the minimum threshold is not reached, the part of the 2022 STIP linked to the corresponding metric will be zero. In the event of achievement of the metrics set in the 2022 Company's budget, 75% of the maximum STIP will be received and, in the case of maximum achievement, 100% of the maximum STIP will be received.

When conducting this assessment, the Nomination and Remuneration Commission will be supported by (1) the Audit and Supervisory Commission, which provides information about the results verified by the company's external auditor and by the internal auditor, as well as (ii) the Sustainability, Ethics and Innovation Commission, which will report on the level of achievement of the ESG associated metrics. The Commission also considers any associated risk for both setting the objectives and assessing their achievement.

When determining the amount of the 2022 STIP for each Executive Director, the Board will take into account, in addition to the fulfilment of the objectives, criteria relating to proportionality, quality of management and talent retention, as well as the application of fair and competitive remuneration, comparable to market standards.

2022 STIP vesting and payment schedule

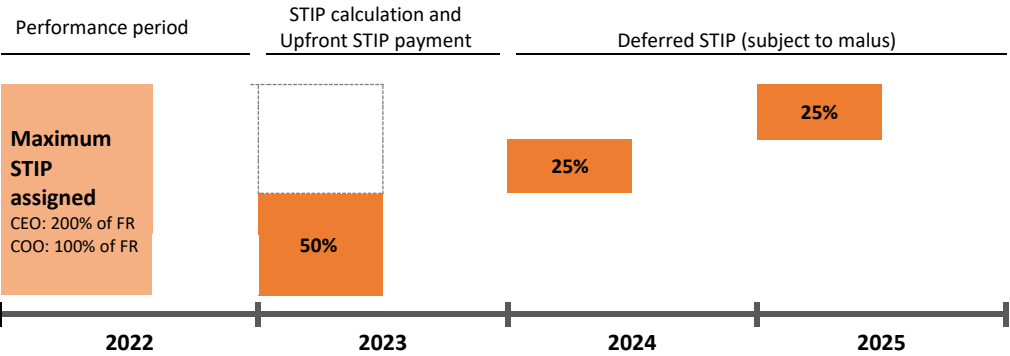
Once the achievement (and level of achievement) of the objectives and the final amount of the 2022 STIP is determined, the generation of the entitlement to this remuneration component and its payment, unless under exceptional circumstances regulated in the Policy, will be governed by the following rules:

- (i) The Executive Directors 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 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"). Under normal circumstances, the STIP Approval Date will coincide with the date on which the annual accounts for the financial year 2022 are formulated (this is, during the first quarter of 2023).
- (ii) The vesting and receipt of the remaining 50% of the STIP (the "Deferred STIP") takes place in accordance with the schedule below, provided that the malus clauses described in section 2.3 do not apply:
 - a) The Executive Directors 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 Directors will vest the right to, and receive in cash 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").



2022 STIP schedule (assuming an 100% achievement of metrics):



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 is aligned with Recommendation 59 insofar as the established deferral allows to ensure that the previously established performance or other conditions have been effectively met, through the malus and clawback clauses described in the section 2.3.

2.2.4 2022-2024 Long-Term Incentive Plan (2022-2024 LTIP)

Purpose

The aim of the 2022-2024 LTIP is to recognise the contribution to strategic achievements on medium and long-term objectives, to motivate and guide the work of the management team for the medium term and to align them with the interests of shareholders and other stakeholders.

Description of the LTIP

At the next Annual General Meeting, the Board of Directors (at the proposal of the Nomination and Remuneration Commission) will submit for approval a Long-Term Incentive Plan (2022-2024 LTIP). The 2022-2024 LTIP will be implemented through a one-off performance share plan and will be payable through the delivery of MERLIN shares in 2025, once (i) the fulfilment of the objectives set for the 2022-2024 period has been verified and (ii) the beneficiary has remained in the Company

The 2022-2024 LTIP will be targeted at members of the management team and other employees of the Company, including the Executive Directors, who are invited to participate in the LTIP. To determine the suitability and market levels of the LTIP beneficiaries, the Appointments and Remuneration Commission has carried out an assessment supported by an independent expert (WTW).

This 2022-2024 LTIP will comprise a single cycle with a 3-year performance period (2022-2024). In addition, any shares to be delivered in 2025 will be subject to a two-year holding period, only in the case of the Executive Directors. The total length of the Plan will therefore be 5 years.

Maximum amount of 2022-2024 LTIP granted to Executive Directors

In the event that the 2022-2024 LTIP is approved in the Annual General Meeting and maximum fulfillment of metrics occurs, the maximum total number of shares to be received by the Executive Directors at the end of the LTIP will be as follows:



The maximum annualised amount of the 2022-2024 LTIP allocated to Executive Directors would be the following:

- CEO: 621,761 shares.
- COO: 466,321 shares.

Considering the weighted average trading price of MERLIN shares in the thirty trading days prior to 1 January 2022, equivalent to €9.65 (hereinafter, the "Reference Value"), and that the performance period consists of 3 years, the value of these shares, in annualized terms, amounts to the following amounts:

- CEO: 200% of Fixed Remuneration (600% in total for the 3 years).
- COO: 150% of Fixed Remuneration (450% in total for the 3 years).

Metrics

The metrics to be proposed for the 2022-2024 LTIP are TSR (50%), EPRA NTA (35%), Net Emissions (10%) and Environment and Society (5%).

| Metric | Definition | Weighting |
|---|--|-------------|
| Absolute TSR Relative TSR | The Absolute Total Shareholder Return (TSR) is the share profitability taking into account the sum of the cumulative variation of MERLIN's share price, plus the dividends and other similar items received by shareholders in the 2022-2024 period. Relative TSR measures the development of the MERLIN share's TSR over the 2022-2024 period, relative to the TSR seen in the FTSE EPRA Nareit Developed Europe Index over the same period. | 50% |
| EPRA NTA 31/12/2024 + Dividends (2022- 2024) / share | The EPRA NTA is calculated on the basis of the company's consolidated net equity and adjusting certain items according to EPRA recommendations (including market value of assets and excluding certain items that are not expected to crystallise into a sustained rental equity business). The EPRA NTA assumes that companies buy and sell assets, thereby crystallising certain levels of deferred tax liabilities. On the other hand, the dividends paid and other similar concepts received by the shareholder during the performance period (years 2022, 2023 and 2024) are taken into account. | 35% |
| Net carbon emissions | MERLIN's CO ₂ emissions reduction level as of 31 December 2024, compared to 31 December 2021, calculated for the comparable portfolio of assets over which the Company has operational control (MERLIN net-zero road perimeter). | 10% |
| Environment and society | Progress of initiatives linked to the improvement of the environment and society (Merlin Hub, Renazca, Foundations, Urban Gardens, etc.). | 5% |
| | | 100% |

Performance scales and objectives assessment

For each metric, the Board of Directors, at the proposal of the Nomination and Remuneration Commission, will determine a performance scale that includes a minimum achievement level, below which no incentive is paid and the achievement of which would imply 50% of the theoretical shares assigned. In the event of reaching the aforementioned objectives in accordance with the metrics agreed



by the Board, 2/3 of the theoretical shares assigned would be delivered. 100% of the theoretical shares assigned would be delivered in the event of maximum achievement of the objectives.

In the case of TSR, the payment percentage resulting from applying the performance scale on the Absolute TSR is adjusted (upwards or downwards) by the Relative TSR. This adjustment range can vary between 50% and 150%, according to the following rules:

- If the performance of MERLIN's TSR compared to the FTSE EPRA Nareit Developed Europe Index has not exceeded a certain threshold, the payout percentage derived from the Absolute TSR will be multiplied by 50%.
- If MERLIN's TSR performs worse than the index but above the minimum threshold, the payout percentage derived from the Absolute TSR will be adjusted within a range of 50% to 100%.
- In case it performs the same as the index, no adjustment shall be applied.
- If MERLIN's TSR performs better than the index but does not achieve the maximum level, the payout percentage derived from the Absolute TSR will be adjusted within a range of 100% to 150%.
- If MERLIN's TSR outperforms the index in relative terms above a certain maximum level, the payout percentage derived from the Absolute TSR will be multiplied by 150%.

Under no circumstances may the percentage of the TSR payment out of the total maximum incentive exceed 50%.

The Nomination and Remuneration Commission will conduct an assessment of the objectives on an annual basis and, once the performance period has ended, the level of achievement will be determined. When conducting this assessment, the Nomination and Remuneration Commission will be supported by the Audit and Supervisory Commission as well as by the Sustainability, Ethics and Innovation Commission. The Commission also will consider any associated risk for both setting the objectives and assessing their achievement.

When determining the objectives achievement level, any positive or negative economic effects caused by extraordinary events that may distort the findings of the assessment are disregarded and the long-term quality of the results will be considered in the proposed LTIP.

In order for each of the members to be entitled to receive the corresponding shares, they must have held an employment or commercial relationship with MERLIN on the date the shares of each cycle are awarded (subject to the exceptions considered appropriate) and they must have been associated with MERLIN for at least one year.

The Members will not receive the shares to which they may be entitled until the Nomination and Remuneration Commission has carried out the actions described above and the Board of Directors has approved it.

Vesting and payment schedule

The performance period begins on 1 January 2022 and will end on 31 December 2024. If the objectives are achieved, the shares will be provided in 2025, once the annual accounts for the year 2024 have been formulated and audited.

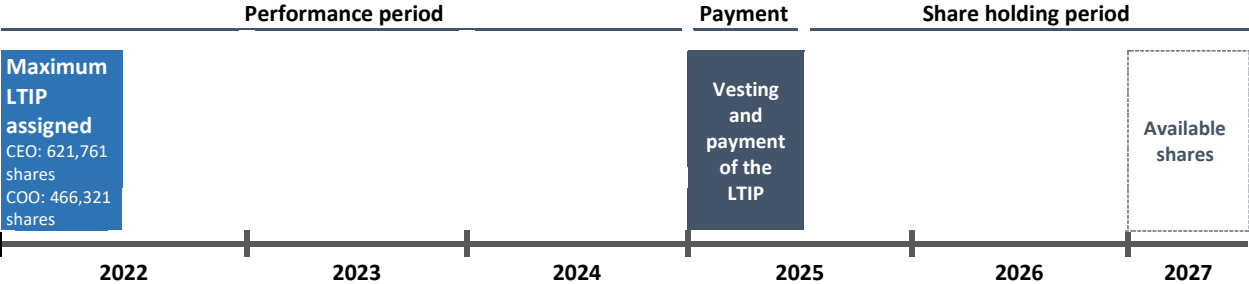


100% of the shares awarded within the scope of the 2022-2024 LTIP to the Executive Directors are subject to a holding period of two years. In addition, in accordance with the new Remuneration Policy to be submitted for approval at the next Annual General Meeting, Executive Directors must (directly or indirectly) hold a number of shares (including those delivered as remuneration) equivalent to two years of their Fixed Remuneration, for as long as they remain on the Board of Directors and perform executive duties.

Until this requirement is met, the holding period for any shares given to Executive Directors under the LTIP, if any, is three years.

The foregoing is not applicable to the shares that the Executive Directors need to sell to pay the costs related to their acquisition or, with prior consideration of the Nomination and Remuneration Commission, to cover extraordinary situations arising that require this.

LTIP Schedule (assuming 100% target achievement and that the shareholding requirement is met):



2.3 Malus and clawback clause

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 that are relevant for the purposes of the STIP or LTIP and are confirmed by the external auditors, or the dismissal of the executive director due to irregular conduct, fraud, non-compliance or serious breaches of their obligations, when said behaviours have been confirmed by a sound judicial pronouncement, the Board of Directors, at the proposal of the Nomination and Remuneration Commission, may reduce by the percentage considered appropriate or even cancel the executive director’s entitlement to the STIP and/or LTIP.

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 or LTIP 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, when said behaviours have been confirmed by a sound judicial



pronouncement, 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 Nomination and Remuneration Commission, 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.

2.4 Possible payments in the event of termination

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 granted in the last twelve (12) months prior to the termination. 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
 - Any 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 granted 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 amounts vested due to or on the occasion of the termination of the employment relationship, including variable remuneration, as well as those derived from the post-contractual non-competition agreement, will be made by the company once it has been verified that the director has complied with the criteria or conditions established for their perception.

- **Post-contractual non-compete clause:** The Executive Director undertakes a non-compete obligation for six months from the date of termination of his or her 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 his or her 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:** 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:** 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 vested 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.

2.5 Contractual terms and conditions for the Executive Directors

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:** The 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 favour.
- **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.

2.6 External Directors

For the financial year 2022, the remuneration of external directors (independents, proprietaries or other externals) will be adjusted, if approved by the Annual General Meeting, to the remuneration components and amounts described in the new Remuneration Policy. In this respect, the new Remuneration Policy will contemplate the following remuneration structure for external directors for the year:



| | Board of Directors | Planning and Coordination Committee | Audit and Control Commission | Nomination and Remuneration Commission | Sustainability, Ethics and Innovation Commission |
|----------------------------------|---|-------------------------------------|--------------------------------|--|--|
| Chairman | Fixed Remuneration: €450,000 | Fixed Remuneration: €10,000 | Fixed Remuneration: €10,000 | Fixed Remuneration: €10,000 | Fixed Remuneration: €10,000 |
| Director | Fixed Remuneration: €100,000 Attendance fees: €2,000 | Fixed Remuneration: €20,000 | Fixed Remuneration: €35,000 | Fixed Remuneration: €20,000 | Fixed Remuneration: €10,000 |
| Lead Independent Director | Fixed Remuneration: €35,000 | -- | -- | -- | -- |

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, commission 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 of Directors chairman, commission membership or chairmanship, as the case may be).

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.

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

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 2022.

The maximum annual amount that MERLIN may pay to all external directors (independent, proprietary or other external), due to their position as such, remains at two million six hundred thousand euros (€2,600,000) gross per year (this limit was approved by the Annual General Meeting held on 17 June 2020).

3. Application of the remuneration policy in 2021

3.1 Remuneration Policy applicable in 2021

The Directors' remuneration in 2021 is in accordance with the Remuneration Policy approved by the Annual General Meeting held on 17 June 2020, pursuant to the provisions of Article 529 novodecies of the Spanish Corporate Enterprise Act. It should be noted that there have been no deviations from the procedure for the application of the remuneration policy, nor have any temporary exceptions been applied.

In this respect, the remuneration payable in 2021 to the Executive Directors and the Directors in their positions as such consists of the same components as those described for the current Remuneration Policy in force in 2022, as follows:



- Due to the uncertainty caused by COVID-19, the Board of Directors, following a proposal from the Remuneration Commission, agreed to extend the decision taken in 2020 to postpone the implementation of the LTIP.
- The Annual General Meeting held on 27 April 2021 approved the implementation of an extraordinary incentive for Executive Directors linked to the extraordinary achievement of strategic objectives, over and above the estimates included in the Company's budget for 2021. As will be explained below, this incentive has been partially vested.
- Moreover, 2021 marks the end of the second year of deferral of payment of part of the 2017-2019 LTIP. Specifically, 50% of the incentive linked to the EPRA NAV (489,509 shares for each Executive Director) remained to be paid. In this respect, the requirements set out in relation to the EPRA NAV increase between 31 December 2019 and 31 December 2021, required for 100% of the deferred shares to be paid out, have been met.

The detailed description of the Directors' remuneration system for 2021 is included in section 02 of the ADRR for the financial year ended 31/12/2020. That Report was approved by 92.25% of the votes cast. Therefore, taking into account the high level of approval of this Report, the Company has considered it appropriate to draw up the Annual Report on Directors' Remuneration for the financial year 2021 in similar terms, incorporating the new features introduced in Circular 3/2021 of 28 September of the National Securities Market Commission and introducing improvements to the format of the document.

3.2 The Executive Directors' Remuneration in 2021

3.2.1 Fixed Remuneration

Each Executive Director received €1,000,000 in Fixed Remuneration. This amount was paid fully in cash and has not been increased since 2017.

3.2.2 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.

In 2021 the Company paid the premiums corresponding to the health and life insurance described above, which amounted to €8,148 for the CEO and €5,725 for the COO.

3.2.3 2021 Short-Term Variable Remuneration (2021 STIP)

In calculating the 2021 STIP, the Remuneration Commission has set the following objectives and weightings:



| Metric | Definition | Weighting |
|---|--|-------------|
| FINANCIAL OBJECTIVES | | 60% |
| FFO per share | Accounting FFO or Accounting Funds Flow from Operations is calculated as EBITDA less net financial expenses and recurring taxes (excluding taxes on divestments and other extraordinary events). FFO per share is calculated by deducting the company's non-overheads from accounting FFO, divided by the number of shares outstanding as of the calculation date. | 20% |
| Net operating income (NOI) | This is the amount resulting from deducting from Gross Income the expenses for incentives and linearisations, as well as property expenses not passed on to tenants and uncollectible expenses. | 15% |
| Adjusted PBT | Adjusted profit before tax (excluding the impact of valuation of assets and derivatives). | 10% |
| Loan to Value (LTV) | The loan-to-value ratio is calculated as the net debt divided by the value of the portfolio according to the latest available external appraisal plus transaction costs. | 10% |
| DPS | Dividends per share charged to the financial year 2021. | 5% |
| NON-FINANCIAL OBJECTIVES | | 40% |
| Digitalisation and Technology | Progress in MERLIN's digitalization and technology strategy, with a view to optimizing efficiency in the exploitation and operation of assets and new lines of business. | 15% |
| Performance assessment | Individual performance of the Executive Directors during 2021. | 10% |
| Sustainability strategy and its communication policy | Development of initiatives linked to sustainability and its communication policy to reinforce MERLIN's commitment to the sustainable transition of its activity. | 15% |
| | | 100% |

The Remuneration Commission has monitored these objectives set for the 2021 STIP throughout the year. The aforementioned objectives were finally assessed based on the verified results for the financial year 2021, according to the following process:

- The results for the financial year 2021 and the level of achievement of the objectives were firstly examined by the Audit and Control Commission, based on the results verified by an external auditor.
After this examination, the Nomination and Remuneration Commission determined a proposal for the 2021 STIP that was submitted to the Board of Directors. The Commission also considered the quality of the long-term results and any associated risk in the proposal for variable remuneration.
- Lastly, the Board of Directors approved the proposal for the STIP 2021 submitted by the Nomination and Remuneration Commission. As a result of the foregoing, and according to that stipulated in recommendation 59 of the Good Governance Code, the Board agreed that the amount to be received by the Executive Directors during the first quarter of 2022, as detailed in the following table and based on the following level of achievement of the objectives, would be as follows:
 - All financial objectives, with a total weight of 60%, have been met above their maximum level, so the payment level corresponding to these objectives amounts to 60%.



- In relation to the non-financial objectives, with a total weight of 40%, the Board of Directors has determined that the payment level amounts to 30%.

The overall achievement level of the objectives corresponds to 90% of the weighted payment level. Therefore, the assigned 2021 STIP amounts to 180% of the Fixed Remuneration for the CEO and 90% of the Fixed Remuneration for the COO.

50% of the aforementioned amounts ("Upfront STIP") will be paid together with the amount of the Fixed Remuneration in the calendar month following the date of approval of the 2021 STIP (March 2022).

The vesting and receipt of the remaining 50% of the 2021 STIP (the "Deferred STIP") takes place in accordance with the schedule below, provided that the malus clauses described in section 2.3 above do not apply:

- The Executive Directors will vest the right to, and receive in cash 25% of the 2021 STIP corresponding thereto on the date of the first anniversary of the 2021 STIP Approval Date (March 2023);
- The Executive Directors will vest and receive in cash the right to the final 25% of the 2021 STIP corresponding thereto on the date of the second anniversary of the 2021 STIP Approval Date (March 2024);

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").

| Director | 2022 Upfront payment | Deferred payment (subject to malus) | |
|----------|----------------------|-------------------------------------|----------|
| | | 2023 | 2024 |
| CEO | €900,000 | €450,000 | €450,000 |
| COO | €450,000 | €225,000 | €225,000 |

Pursuant to the instructions for completing the ADRR set out in CNMV Circular 3/2021, the amount of the Upfront STIP is specified in the table in point C.1 of the Statistical Annex attached to this report, notwithstanding the fact that the amount of the Deferred STIP will be included in subsequent years once it has been verified that the malus clauses do not apply.

3.2.4 Extraordinary incentive

In 2021, the Board of Directors considered that, taking into account MERLIN's situation within the socio-economic context of COVID-19, short-term variable remuneration plans should take this context into account, especially as it had been decided not to implement an LTIP in that year.

As a result of the above, at the proposal of the then Remuneration Commission, the Board of Directors considered it advisable to implement a variable remuneration scheme of an exceptional, non-consolidable nor recurring nature, as a way to motivate its Executive Directors, among others, in view of the exceptional circumstances characterizing Merlin's business activity at present and bearing in mind the special level of commitment, initiative, difficulty, effort and dedication that will be required from the members of Merlin's management team in 2021.

The Annual General Meeting held on 27 April 2020 expressly approved the implementation of this extraordinary incentive with 88.78% of the votes cast, in the terms set out in Article 529 novodecies, section 5, in fine.



The objectives and weightings of the extraordinary incentive approved by the Board of Directors, as well as the payout percentage associated with each of them, are described below:

| Weighting | Metric | Definition | Payment percentage |
|------------|--|--|--------------------|
| 50% | FINANCIAL OBJECTIVES | | |
| 50% | Significant operations | Significant transactions, or those of high complexity and singularity, whose result redounds substantially and favourably and/or that generate a particularly relevant value (in quantitative or qualitative terms) for the Company or its shareholders, above the level required in the budget. | 0% |
| 50% | TOTAL SHAREHOLDER RETURN OBJECTIVES | | |
| 25% | Absolute share price | MERLIN's average share value within a minimum level, both in absolute and relative terms (compared to a group of reference companies). | 37.5% |
| | | | 37.5% |

Therefore, bearing in mind that the payment percentage was 37.5%, and that the maximum incentive amounted to one year's Fixed Remuneration, at the proposal of the Nomination and Remuneration Commission, the Board of Directors has approved that the amount to be paid as extraordinary incentive be €375,000 for each Executive Director.

When making this recommendation, the Commission has also considered the quality of the long-term results and any associated risk in the proposal for extraordinary remuneration.

This amount will be paid no later than 30 April 2022, subject to the malus and clawback clauses set out in the Remuneration Policy.

3.2.5 2017-2019 LTIP

The performance period of the 2017-2019 Long-Term Incentive Plan, which was approved by MERLIN's Annual General Meeting held on 26 April 2017, ended on 31 December 2019.

The beneficiaries of the 2017-2019 LTIP included the Executive Directors (the total number of LTIP beneficiaries was 57).

The 2017-2019 LTIP had a term of five years, divided into a first 3-year performance period (2017-2019) and a second period of more than 2 years for payment and delivery of the Incentive, with the last payment date in 2022.

The Incentive, in turn, was divided into the "Incentive Indexed to Market Price" or "IIMP", which was paid in full in cash in 2020, and the "Incentive Indexed to EPRA NAV per Share" or "II EPRA NAV", which was paid in shares according to the following schedule:

- 50% (489,509 shares for each Executive Director) was paid in 2021, after the 2020 annual accounts had been formulated. The delivery of these shares was already reflected in last year's ADRR statistical annex.



- The remaining 50% (489,509 shares) will be paid in 2022, once the 2021 annual accounts have been formulated.

The payment of the II EPRA NAV was subject to the additional condition that the EPRA NAV plus distributions made to the shareholders in 2020 and 2021 must be equal to or higher than the EPRA NAV achieved on 31 December 2019. If this requirement was not met, there were mechanisms for adjusting the amounts to be received for this item.

The EPRA NAV at 31.12.2021 plus distributions to shareholders in 2020 and 2021 (€16.91 per share) was higher than the EPRA NAV achieved on 31 December 2019 (€15.60 per share). In verifying these results, the Nomination and Remuneration Commission has made use of a procedure report issued by the external auditor (Deloitte).

Bearing in mind the above, the value of the 489,509 shares to be provided to each Executive Director is shown in the statistical annex (€4,655,000 for each Executive Director). The value of the shares specified in table C.1.a. ii) corresponds to the average share price of Merlin Properties, SOCIMI, S.A. over the last 90 trading sessions in 2021 (€9.51 per share).

3.2.6 Other relevant information

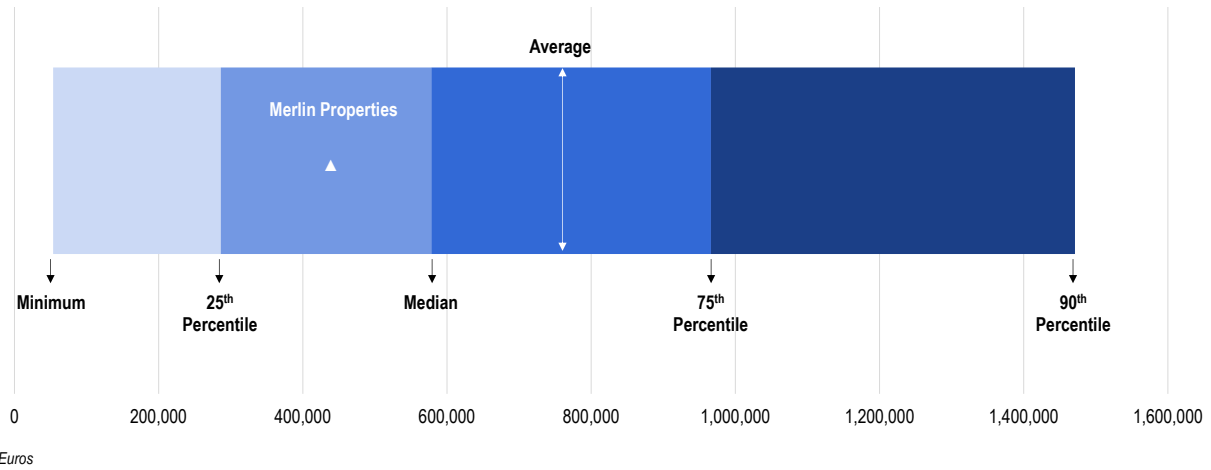
- The Executive Directors did not receive any remuneration other than that described in section 3.2 of this report.
- No malus or clawback clauses were triggered in 2021.
- In 2021 the Executive Directors did not receive any of the potential payments that they could have received in cases of removal or resignation as described in section 2.4 of this ADRR, as no Executive Directors were removed or resigned.
- The contractual terms established with the executive directors for 2021 are those described in the Contractual terms section 2.5 of this Report. No compensation has been paid in the form of advances, loans, or guarantees.

3.3 External Directors

The remuneration for external directors in 2020 was adjusted to the amounts approved in the amendment to the 2020-2022 Remuneration Policy at the Company's Annual General Meeting held on 27 April 2021.

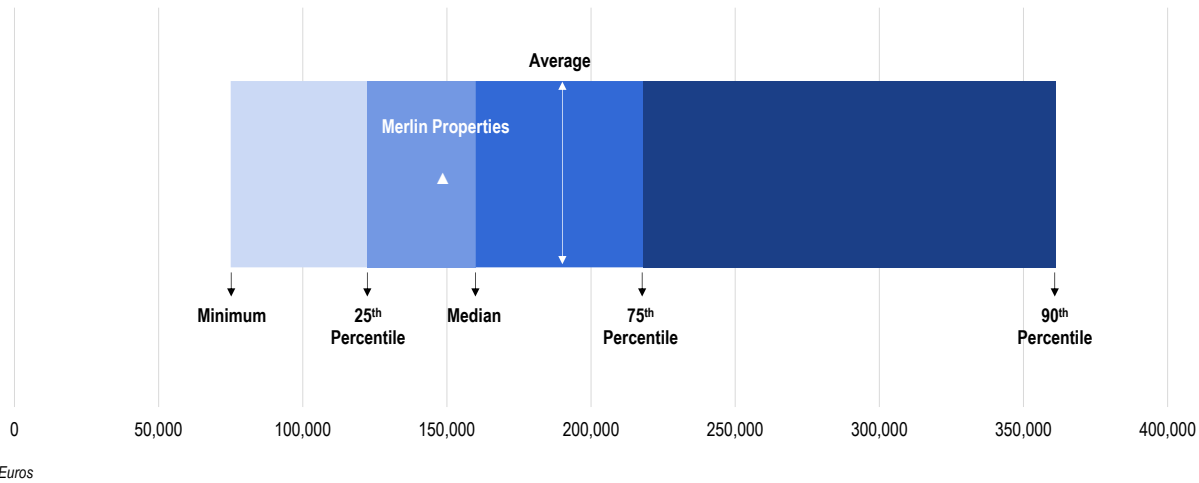
In addition, the Non-Executive Chairman of the Board, Mr. Javier García-Carranza Benjumea, executive of the main shareholder Banco Santander, decided, as in previous years, to waive his total remuneration as chairperson, and did not receive any amount in 2021 in this regard. On the other hand, Mrs. Francisca Ortega Hernández-Agero waived her remuneration until 31 March 2021.

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



* ArcelorMittal was excluded from the calculation, as its Board of Directors is located outside Spain.

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.



* This includes the remuneration which a Director may receive for membership of the Board, the Executive Committee (which does not exist at MERLIN) and one of the other advisory committees of the Board (Audit, Nomination, Remuneration or other committees that may be set up).

The table below summarises the amounts paid (in thousand Euros) to the non-executive directors in 2021:



| Name | Board of Directors | | | Audit and Control Commission | Remuneration Commission | Nomination Commission | Sustainability Commission | Total |
|----------------------------------|--------------------|-----------------|--------|------------------------------|-------------------------|-----------------------|---------------------------|-------|
| | Membership fees | Attendance fees | | Membership fees | Membership fees | Membership fees | Membership fees | |
| | | Meetings | Amount | | | | | |
| Javier García-Carranza Benjumea | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Juan María Aguirre Gonzalo | 100 | 13 | 26 | 40 | 0 | 10 | 0 | 176 |
| Pilar Cavero Mestre | 100 | 13 | 26 | 0 | 10 | 15 | 8 | 159 |
| Ana Forner Beltrán | 100 | 13 | 26 | 35 | 0 | 0 | 0 | 161 |
| Ana García Fau | 100 | 13 | 26 | 35 | 0 | 0 | 11 | 172 |
| Ignacio Gil-Casares Satrustegui | 100 | 13 | 26 | 0 | 10 | 10 | 0 | 146 |
| John Gómez-Hall | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 6 |
| Donald Johnston | 100 | 12 | 24 | 0 | 0 | 10 | 0 | 134 |
| María Luisa Jordá Castro | 100 | 12 | 24 | 35 | 15 | 0 | 0 | 174 |
| Emilio Novela Berlín | 135 | 13 | 26 | 0 | 0 | 0 | 8 | 169 |
| Francisca Ortega Hernández-Agero | 76 | 10 | 20 | 27 | 0 | 0 | 6 | 129 |
| Fernando Ortiz Vaamonde | 100 | 13 | 26 | 0 | 10 | 0 | 0 | 136 |

4. Bodies involved in the process of determining, approving and implementing the Remuneration Policy

The Nomination and Remuneration Commission is responsible for, among other tasks, proposing and submitting the Remuneration Policy to the Board of Directors, and determining the remuneration of the executive directors and the other terms and conditions of their contracts, while also ensuring their observance.

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:



| DETERMINATION AND APPROVAL | Nomination and Remuneration Commission | Board of Directors | Annual General Meeting |
|--|---|---|--|
| Remuneration Policy | Proposes the Remuneration Policy to the Board of Directors. | Approves the Remuneration Policy and submits it to the Annual General Meeting for a vote. | Approves the Remuneration Policy at least every three years as a separate item on the agenda. |
| Remuneration of external directors | Proposes the Remuneration Policy to the Board of Directors. | Proposes the remuneration system and the maximum amount of annual remuneration to the Annual General Meeting. | Approves the maximum amount of the annual remuneration for all the external directors. |
| Remuneration of executive directors | Proposes changes or updates to short- and long-term remuneration systems. | Approves the fixed remuneration and the main terms and conditions of the short- and long-term variable remuneration system. | Approves the remuneration systems for the directors that include payment in shares or stock options or share-linked instruments. |

| IMPLEMENTATION | Nomination and Remuneration Commission | Other Commission | Board of Directors | Annual General Meeting |
|--|---|--|--|--|
| Remuneration of external directors | Informs what the Board proposes to the Annual General Meeting. | | Proposes the remuneration system and the maximum amount of annual remuneration to the Annual General Meeting. | Approves, advisory vote, the ADRR which provides details of the vested remuneration during the year. |
| Remuneration of executive directors | Assesses the level of achievement of the criteria and objectives set for the executive directors for the previous financial year. Proposes the individual remuneration (fixed, STIP and LTIP) for the executive directors to the Board of Directors in accordance with the terms of the Remuneration Policy. Verifies that the remuneration policy is properly applied and that no payments other than those foreseen in the policy are made. | Audit and Control Commission: Analyses the accounting aspects of the STIP and LTIP. Sustainability, Ethics and Innovation Commission: Reviews the ESG metrics set out in the STIP and LTIP. | Approves the individual remuneration of executive directors, within the limits set out in the remuneration policy. | |

In addition, the Nomination and Remuneration Commission ensures that the Remuneration Policy is aligned with the Company's short, medium and long-term situation and strategy, including sustainability, diversity, long-term profitability and risk-taking, and with market conditions, and assesses whether it



contributes to long-term value creation and appropriate risk control and management, and verifies 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. In this regard, MERLIN has benefited from the advice of WTW in connection with (i) the analysis of the market comparison of the remuneration package for Executive Directors and senior management, (ii) the design of the remuneration package for Executive Directors, (iii) the drafting of this Report and (iv) the preparation of the new Remuneration Policy, to adapt it to the new regulation and the recommendations on good governance.

5. Work performed by the Nomination and Remuneration Commission

Introduction:

During 2021, the Remuneration Commission and the Nomination Commission were separated, so the work carried out by the Remuneration Commission in 2021 is set out below.

The reunification of the two commissions was agreed at the board meeting on 26 January 2022 and was reported to the CNMV that same day. The reunification involved incorporating the functions of the Nomination Commission into the Remuneration Commission, allowing the Nomination and Remuneration Commission to have a maximum of 6 members, being the regulation, in all other respects, identical to what was in the Remuneration Commission except for the elimination of the chair casting vote.

The Board of Directors of 23 February 2022 approved the new Regulations of the Nomination and Remuneration Commission that have been communicated to the CNMV and are published on the website.

Composition:

During financial year 2021, the Remuneration Commission acted separately from the Nomination Commission. What is indicated below refers to the year 2021.

In accordance with its regulations, the Remuneration Commission will be formed by external 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 Commission must appoint a chair from among its members, who shall be an independent director. The Commission will also appoint a secretary and may appoint a deputy secretary, neither of whom need to be commission 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 Commission members will be governed by the resolutions of the Board.

In January 2022, it was decided to unify the Nomination Commission and Remuneration Commission, increasing the number of members to a maximum of six (6).

At the time of writing the Report, the composition of the Commission was as follows:



| Name | Position | Category | Date of appointment |
|-----------------------------------|----------|-------------|---------------------|
| M ^a Luisa Jordá Castro | Chair | Independent | 18.06.2020 |
| Ignacio Gil-Casares Satrústegui | Member | Proprietary | 18.06.2020 |
| Fernando Ortiz Vaamonde | Member | Independent | 18.06.2020 |
| Pilar Cavero Mestre | Member | Independent | 27.04.2021 |
| Juan María Aguirre Gonzalo | Member | Independent | 26.01.2022 |
| Donald Johnston | Member | Independent | 26.01.2022 |

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

Functioning:

In accordance with its regulations, the Commission is convened by its chair, either on his own initiative or at the request of the chair of the Board or any of its members. The Commission will meet at least once a quarter, and when called by its chair, which must call a meeting whenever the Board or its chair requests the issuance of a report or the adoption of proposals and, in any case, whenever considered necessary to properly perform its functions. The Commission 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.

Main tasks:

In relation to remuneration, the Commission has been assigned the following key duties: (i) to 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) to 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) to assist the Board in preparing the report on the directors remuneration policy.

As the Remuneration Commission, during the 2021 financial year, it met on eleven occasions (specifically on 19 January, 4 February, 15 February, 22 February, 15 March, 26 May, 9 June, 28 July, 6 September, 26 October and 1 December). In addition, it has met in writing and without a session on 12 July and jointly with the Nomination Commission on 6 and 9 April and has also held several work meetings throughout the year.

All the meetings of the Commission were attended (in person, duly represented or through audiovisual tools) by all the members of the Commission. In particular, the sessions of 22 February, 15 March, 6 and 9 April, 9 June, 28 July and 6 September were held entirely online.

Within the framework of these meetings:

- (i) The executive directors attended to present the metrics of the 2021 STIP and the consequences of the 2017-2019 LTIP in financial year 2021.



- (ii) The external advisors attended for the design and proposal to the Annual General Meeting of the extraordinary incentive.
- (iii) The joint meeting with the Nomination Commission was attended by external advisors to present the status of the work in progress in terms of equality and remuneration audit.
- (iv) The joint meeting with the Nomination Commission was attended by the external advisors to carry out the assessment work of the management team.
- (v) The external advisors attended to support the design of the 2022-2024 LTIP and the new Remuneration Policy.

Actions by the Commission:

- (i) Inform about the metrics and weights to be applied to the 2021 STIP applicable to the management team, including executive directors, as well as the basic lines in terms of volume, objectives, metrics and weights of the short-term variable remuneration of the rest of the workforce;
- (ii) Propose the design of an extraordinary incentive jointly with external advisors, and informs on the Regulation, the beneficiaries and amounts thereof;
- (iii) Start the assessment required by the 2020-2022 Remuneration Policy on the potential beneficiaries of the 2022-2024 LTIP and the design of the 2022-2025 Remuneration Policy, proposing the hiring of an external advisor for said work.
- (iv) Monitor the Equality and Remuneration Audit Plan;
- (v) Report favourably on the proposed assignment of the first 50% of the shares of the 2017-2019 LTIP;
- (vi) Inform about the modification of the Remuneration Policy in order to include the remuneration of the members of the commission that assumes sustainability functions in similar terms to that received by the members of other commissions;
- (vii) Prepare the Commission's self-assessment during financial year 2020;
- (viii) Supervise the Annual Report on Directors' Remuneration for the year 2020 and report on it;
- (ix) Supervise the Annual Corporate Governance Report for the year 2020 and report on it, in aspects of its competence; and
- (x) Approve the Activities Report of the commission in relation to the year 2020.

Finally, given that during the year 2021 the redrafted text of the Spanish Corporate Enterprise Act was published by Act 5 of 12 April, which modifies issues related to the remuneration of directors, we proceeded to review and identify the amendments to be implemented by the Company in order to work on their incorporation and approval by the Annual General Meeting to be held in 2022.



Action plan for 2022:

The Commission, in its functions in matters of remuneration, has planned the following actions for the 2022 financial year:

- (i) Review and report the level of achievement of the metrics set for the year 2021, both regarding short-term variable remuneration and the extraordinary incentive, as well as, consequently, the resulting remuneration;
- (ii) Analyse and, where appropriate, propose the review of the distribution between fixed, short-term variable and long-term variable, as well as the eventual increase, if any, of the remuneration of the executive directors and the management team;
- (iii) Propose the objectives, metrics and weightings for the variable remuneration for the year 2022 applicable to the Executive Directors and management team;
- (iv) Determine the proposal of the metrics, weighting and performance scales of the new LTIP;
- (v) Carry out the necessary actions to modify and adapt or prepare a new Remuneration Policy that conforms to the new legal regulation, conducting the necessary actions to apply until 31.12.2025;
- (vi) Monitor the Equality and Remuneration Audit Plan;
- (vii) Punctually comply with its duties in relation to the aspects on which it must report or propose; and
- (viii) Improve and establish procedures for the preparation, control and improvement of the information to be received by the Commissions and, consequently, the information that it sends to the Board of Directors, with the ultimate goal of having a better knowledge of the bases, peers and reasons that justify the determination of the variable remuneration of which the management team is a beneficiary.

6. Alignment of the remuneration system with the risk profile and with long-term, sustainable results

The Remuneration Policy has the following features that enable its exposure to excessive risks to be reduced and align it with the Company's long-term sustainable results:

Adopting measures related to the employees' categories whose professional work has a significant impact on the Company's risk profile

- The Nomination and Remuneration Commission supervises the examination, analysis and application of the remuneration policy for MERLIN's executives whose work could have a significant impact on the Company's risk profile.
- There is no guaranteed variable remuneration.
- The variable remuneration is only payable after the date the relevant annual accounts have been formulated, once the achievement level of the objectives can be determined. The financial objectives are verified by the Company's external auditor.



- As part of the process to evaluate the STIP and LTIP, the Nomination and Remuneration Commission considers the quality of the long-term results and any other related risk.
- The full term of the LTIP is 5 years, (three years of performance period and a 2-year retention period for any shares provided).
- The Remuneration Policy sets out certain cases in which the Board of Directors, at the proposal of the Nomination and Remuneration Commission, may reduce the percentage as it deems appropriate or even cancel the STIP or the LTIP entitlement during the deferral period, by applying the malus clauses.
- Moreover, the Remuneration Policy states that if certain events or circumstances occur during the two (2) years following the payment of the executive directors' STIP or LTIP, MERLIN may require the executive director in question to return up to 100% of the amounts received by the executive director under the STIP and LTIP, net of taxes.
- The Company's Audit and Control Commission participates in the decision-making process related to the STIP and the LTIP by verifying the economic-financial and non-financial information that may affect the objectives set out for such remuneration.
- The Nomination and Remuneration is composed of 6 members, two of whom are also members on the Audit and Supervisory Commission. The fact that the same Directors are members of these two Commissions ensures that the risks related to remuneration are taken into account in the discussions held by both Commissions and in their proposals submitted to the Board, both in the determination and assessment process of the STIP and LTIP. Additionally, a member of the Nomination and Remuneration Commission is also a member of the Sustainability, Ethics and Innovation Commission, which allows the remuneration system to be designed considering the implications that, where appropriate, may arise in ESG matters.
- Regarding the measures required to avoid conflicts of interest by the directors, according to the provisions in the Spanish Corporate Enterprise Act, the Regulations of MERLIN's Board of Directors includes a series of obligations related to its duties of loyalty and to avoid situations of conflict of interest. Furthermore, the Regulations of the Nomination and Remuneration Commission stipulate that, whenever deemed necessary or advisable, expert advice may be sought from a third party that may assist the Commission in relation to technical or particularly relevant aspects, although the Commission will have to take into account any potential conflicts of interest that may exist when contracting such third parties.

Consistency with MERLIN's strategy and long-term and sustainable results

- The design of the remuneration policy, consistent with the Company's strategy and aimed at obtaining long-term results, is as follows:
 - a. The total remuneration of the Executive Directors and the management team is composed of different remuneration components consisting mainly of (i) the Fixed Remuneration, (ii) the STIP and (iii) the LTIP. For Executive Directors, under normal conditions the LTIP has an annualised weighting of equal or greater than 40% of total remuneration in a maximum metrics achievement scenario (fixed + short-term variable + long-term variable). Vesting of the 2017-2019 LTIP share incentive that was deferred for two years was completed in 2021. In order to ensure that this remuneration is aligned with MERLIN's long-term performance beyond the three-year period 2017-2019, the award of the shares was subject to the condition that the EPRA NAV at 31/12/21



was higher than the EPRA NAV at 31.12.2019, which was the case.

- b. The long-term variable remuneration plans are part of a multi-annual framework in order to ensure that the assessment process is based on long-term results and that the company's underlying economic cycle is taken into account. This remuneration is granted and paid in shares based on the creation of value, so that the executives' interests are in line with those of the shareholders.
 - c. Under the new LTIP, 100% of the shares to be awarded under the Plan to Executive Directors will be subject to a two-year retention period. In addition, if an Executive Director does not fulfil the commitment to permanently hold the shares, the retention period of the shares that, if any, they receive due to any variable remuneration component will be increased up to 3 years.
- A suitable balance between the fixed and variable components of the remuneration: Executive Directors have a variable remuneration scheme that is fully flexible, which includes a minimum threshold below which no incentive is payable. The short and long-term variable remuneration percentage can be relevant in the event of maximum achievement of the metrics. In any case, this percentage with respect to the total remuneration (considered for these purposes as Fixed Remuneration, STIP and LTIP) will not exceed 80%.
 - Receipt of the 15% of the 2021 STIP was linked to progress on the sustainability strategy and communication policy. For 2022, 15% of the STIP is linked to the reduction of CO₂ emissions per m² and MERLIN's position in the GRESB, CDP and S&P CSA indices. In addition, 15% of the LTIP for 2022-2024 is linked to the reduction of CO₂ emissions (10% of the total) and the progress of initiatives linked to the improvement of the environment and society (5% of the total).

7. Annex Statistic of the Annual Report on Remuneration of Directors for listed companies (Circular 4/2013 of the CNMV), corresponding to Merlin Properties SOCIMI, S.A.

Comments to table C.2:

Change in directors' remuneration between 2020 and 2021:

- Due to the economic crisis caused by COVID-19 and as a sign of the commitment of the directors to the Company, on 8 April 2020 the Board of Directors agreed to reduce by 25% the individual fixed remuneration for directors in their position as such.

Changes in the remuneration of Mr. Ismael Clemente and Mr. Miguel Ollero:

- The increase in the remuneration vested between 2019 and 2018 is mainly due to the payment of the 2017-2019 LTIP linked to the TSR.
- The increase in the remuneration vested between 2020 and 2019 is due to the fact that the Executive Directors waived the 2020 STIP.



- The increase in the remuneration vested between 2021 and 2020 is due to the payment of the 2017-2019 LTIP linked to the EPRA NAV, once the 2 years of deferral have elapsed and the requirements for its payment have been verified.

Changes in the remuneration of Mr. Emilio Novela Berlín:

- In relation to the variation between 2019 and 2018, the indicated figure shows the variation between the remuneration actually accrued in 2018 and in 2019. These figures are not comparable given that the Director was appointed on 7 May 2018 and, therefore, the remuneration corresponds to the period from 7 May to 31 December 2018. As of 2019, the Director was a member of the Board for the full year.