

# Management Report Statement of Non-Financial Information 2022





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<sup>(1)</sup> The minimum content of the Consolidated Management Report, as required by Law 1/2010, of July 2, 2010, on Capital Companies and by the Code of Commerce, is included in this Statement of Non-Financial Information.

#### **Annual Corporate Governance Report**

The Annual Corporate Governance Report is available in its entirety on the website of the National Securities Market Commission ([www.cnmv.es](http://www.cnmv.es)) and on the Company's website ([www.merlinproperties.com](http://www.merlinproperties.com)).  
The Annual Corporate Governance Report has also been filed as Other Relevant Information (OIR) with the CNMV.

#### **Annual Report on Director's Compensation**

The Annual Report on Director's Compensation is available in its entirety on the website of the CNMV ([www.cnmv.es](http://www.cnmv.es)) and on the Company's website ([www.merlinproperties.com](http://www.merlinproperties.com)).  
In addition, the Annual Report on Director's Compensation has been reported as Other Relevant Information (OIR) to the CNMV.

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# Letter from the CEO

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Ismael Clemente

**MERLIN remains focused on achieving the highest levels of sustainability and efficiency in its portfolio. To this end, it integrates sustainability throughout the asset life cycle and supports this commitment by obtaining certifications in this area.**

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Dear **MERLIN Properties** shareholders and stakeholders,

This year has provided **MERLIN Properties Socimi, S.A.** (hereinafter, “**MERLIN Properties**”, “**MERLIN**” or the “Company”) with the opportunity to demonstrate its strength, returning to pre-covid levels in its key metrics. Throughout 2022, **MERLIN's** key financial and operating metrics have evolved positively, achieving year-on-year growth in all of them.

**MERLIN Properties** achieved gross rents in 2022 of €453m, as a result of both like-for-like rental growth (+7.3% vs. 2021) and occupancy growth of the portfolio (+60 bps vs. 2021), totalling 95.1% as of December 31st, 2022. The cash flow generation during the period has been solid, with FFO reaching €290m, implying a 6.4% increase on a like-for-like basis. Finally, the disposal of the BBVA branch portfolio, formalized in June, has allowed the Company to reduce the LTV to 32.7% as of December 31st.

I am pleased to present to you the **Management Report - Non-Financial Information Statements 2022** (hereinafter, “NFI”), in which we provide all the relevant information for our stakeholders on environmental, corporate governance and social issues for the year, as well as our main plans for the future.



## Environmental achievements

**MERLIN** remains focused on achieving the highest levels of sustainability and efficiency in its portfolio. To this end, it integrates sustainability throughout the asset life cycle and supports this commitment by obtaining certifications in this area.

In April 2022, **MERLIN** launched its “Pathway to Net Zero” strategy, a roadmap that includes improving the environmental performance not only of the Company and those assets over which it has operational control, but also of the main shareholders responsible for **MERLIN's** emissions throughout its value chain, including suppliers and tenants. This strategy has 5 main pillars of action:

- Operational carbon reduction: 85% reduction in operational carbon from baseline (2018) to 2028.
- Reduction of embedded carbon in all new developments and refurbishments.
- Offsetting residual emissions: offsetting unavoidable footprint through duly certified own initiatives.
- Scope 3 emissions reduction: engage tenants through green clauses in new leases and with pioneering initiatives such as rent reduction for tenants who certify that their operation is net zero.
- Renewable energy: 100% renewable energy supply and photovoltaic solar generation through project “Sun”, which consists of installing photovoltaic panels on the rooftops of the assets.

Also in 2022, **MERLIN's** decarbonization targets included in its “Pathway to Net Zero” have been validated as aligned with Science-Based Targets (SBTi).

In terms of environmental performance data, 2022 has been a sound year. The energy consumption of the asset portfolio on a like-for-like basis was 100,075 MWh, representing a 2% reduction compared to 2021. We have also made significant progress on the portfolio's decarbonization targets, with the corporation's carbon footprint being 2,580 tons of CO<sub>2</sub>, a 23% decrease compared to 2021. We continue with our asset portfolio certification program: 94% of the portfolio is already certified under LEED or BREEAM standards. We have also verified our environmental management systems and energy management system, achieving ISOs 14,001 and 50,001 certifications for 37% of the portfolio.

The aforementioned strong data have been endorsed in the sustainability ratings or scorings. In 2022, the Group improved its score with respect to 2021 in all the sustainability indexes to which it applied. Specifically, **MERLIN** has participated in six sustainability indexes, three of which consist of a questionnaire, GRESB (real estate), CDP (climate change) and S&P Global (general), and the other three are based on the Group's public information, Sustainalytics (ESG risks), Bloomberg (general) and Vigeo Eiris (general). Two milestones are worth highlighting: the inclusion of **MERLIN** Properties in one of the world's most prestigious sustainability ratings, the Dow Jones Sustainability Index, and the exponential improvement in the Sustainalytics rating, which places **MERLIN** in the top 1% of the world's best valued companies.

On June 1<sup>st</sup>, 2022, the Company obtained the conversion of all its bonds into green bonds in accordance with the Green Financing Framework published on April 25<sup>th</sup>, 2022. The reclassification of the bonds to green bonds does not entail changes in any of the bonds KPI's such as their covenants and conditions, interest or maturities.



### Corporate governance achievements

**MERLIN** has a robust governance system, in line with its values of ethics, compliance and transparency, supported through independent third-party validation. The main milestones achieved in 2022 were as follows:

- Improved governance through the creation of a Planning and Coordination Committee, with the aim of strengthening the Company's corporate governance.
- Unification of the Appointments and Remuneration Committees into a single Appointments and Remuneration Committee.
- Approval of a Director Remuneration Policy (2022-2025), together with a long-term incentive plan LTIP 2022-2024 including sustainability criteria.
- Implementation of an Internal Control System over Non-Financial Information (ICNFI) and adaptation of the Internal Control Policy to this new control scheme over non-financial information.
- Promotion of the improvement of the corporate governance system with the approval of new policies (respect for

human rights, biodiversity, human capital management, etc.) and the review of other existing policies.

In terms of risk management, in 2022, **MERLIN** conducted a "zero-based" exercise to identify and assess **MERLIN's** main corporate risks. In this regard, **MERLIN's** latest risk map, updated by the Audit and Control Committee and approved by the Board of Directors in January 2023, has identified a total of 27 key risks. Within **MERLIN's** Risk Management System, all risks have been assessed in terms of impact and probability and in terms of temporality, as well as in terms of speed, persistence, and adaptability.

### Social issues achievements

**MERLIN** creates value for society through the support of various initiatives and activities, having a final impact on the development of the surrounding communities where it operates in different dimensions. This contribution is approached from a dual perspective. On the one hand, at a corporate level and on the other hand at an asset level.

In 2022, the Group donated a total of €223,575 in direct contributions



and €192,374 through the multiplier effect thanks to the collaboration of 32 employees and board members. Together, these contributions have supported 73 foundations and directly benefited 6,646 people. On the other hand, **MERLIN** contributes to local development through its assets, supporting different initiatives and activities, which are organized in four areas: training, social action, promotion of culture and local development, and awareness-raising.

**MERLIN** has measured its contribution to society through the LBG model after joining the internationally recognized London Benchmarking Group (LBG) in Spain.

At the end of 2022, **MERLIN's** workforce consisted of 260 professionals. **MERLIN** manages its relationship with its employees under the strictest labour standards, complying with the principles set forth in the ILO Declaration on Fundamental Principles and Rights at Work. Currently, the Human Capital Policy, the Equality Plan and the Human Resources Processes Manual and the Employee Handbook establish the guiding principles of Human Capital management in the Company.

It is to this team that we owe the milestones achieved by the Company in 2022. It has been a year of great effort and dedication to establish the Company's decarbonization roadmap, with ambitious yet realistic targets, the fine-tuning of the foundations of the corporate governance structure and progress in social matters, through the various initiatives that are implemented in our day-to-day operations at a corporate, asset and local level. We will continue to demand the same level of professionalism and effort from ourselves in the years to come.

Kind regards,



# 02. Business model

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- 2.1 MERLIN Properties. Leading commercial real estate company in the Iberian Peninsula
- 2.2 Mission, vision, and values
- 2.3 MERLIN's structure
- 2.4 Business activities
- 2.5 Main milestones and objectives

## 2.1 MERLIN PROPERTIES. LEADING COMMERCIAL REAL ESTATE COMPANY IN THE IBERIAN PENINSULA

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### MERLIN PROPERTIES IS THE LEADING REIT IN SPAIN AND PORTUGAL, AND AMONG THE 10 LARGEST REITS IN EUROPE

**MERLIN Properties SOCIMI, S.A.**, (hereinafter “**MERLIN**”, “**MERLIN Properties**” or “the Group”) is one of the leading real estate groups listed on the Spanish Stock Exchange (IBEX-35) and mainly engages in the acquisition and management of commercial real estate assets in the Iberian Peninsula.

**MERLIN** is a public company incorporated as a REIT. It mainly engages in the acquisition, active management, operation and selective rotation of quality commercial real estate assets in the “Core” and “Core Plus” investment segment, mainly in Spain and, to a lesser extent, in Portugal. The Group focuses on offices, logistics, shopping centers and data center markets.

**MERLIN Properties** counts with a team of professionals who manage the portfolio of assets that it owns with the aim of maximising the operational efficiency and profitability of each asset.

**MERLIN Properties’** objective regarding returns is based on sustainable shareholder remuneration consisting of annual dividend pay-outs and value creation by increasing the Group’s EPRA NTA.

## Performance in 2022. Main figures

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As part of its commitment to transparency and accountability to its stakeholders, **MERLIN** continues to report on its sustainability performance in three areas: economic, environmental, and social.

Following the impact of geopolitical tensions in recent months, this year has been an opportunity for **MERLIN** to demonstrate its strength as a Group by returning to pre-covid levels. Throughout 2022, **MERLIN**’s key financial and operating metrics have confirmed their recovery path, with year-on-year growth in all of them. Examples of this include occupancy (+60 bps vs 2021), LfL rents (7.3% vs 2021) and cash flow generation (€290m FFO, +6.4% vs 2021).

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Note **MERLIN Properties**, as a member of the EPRA (European Public Real Estate Association), follows best practice standards in reporting that enables investors to more easily compare certain measures that are specific to the real estate sector. The measures are published twice a year and are detailed in the Annex V. In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA), the alternative performance measures are described in the Annex V.

**MERLIN** defines value creation as the increase in shareholder return as a result of increasing the EPRA NTA and the operating profit as a result of increasing the occupancy or rent of the assets in the portfolio.

## Economic performance

### FFO

**0.62 € p.s.**  
(6,4% vs 2021)



### EPRA NTA

**15.67 € p.s.**  
(-2.7% vs 2021)



### LOAN TO VALUE (LTV)

**32.7 %**  
(-651 bps vs 2021)



## Environmental performance



**Index member  
for the second  
consecutive year**

### LEED or BREEAM CERTIFIED<sup>(1)</sup>

**161 ASSETS**  
(+6.6% vs 2021)



### MARKET-BASED INTENSITY OF SCOPE 1 AND SCOPE 2 GREENHOUSE GAS EMISSIONS IN LIKE-FOR-LIKE ASSETS UNDER MANAGEMENT

**0.002 t CO<sub>2</sub>eq**  
(-23.4% vs 2021)



### ENERGY CONSUMPTION IN LIKE-FOR-LIKE ASSETS UNDER MANAGEMENT

**360,268 GJ**  
(-2.3% vs 2021)



### WATER CONSUMPTION IN LIKE-FOR-LIKE ASSETS UNDER MANAGEMENT

**609,417 m<sup>3</sup>**  
(+17.9% vs 2021)



### WASTE GENERATED IN LIKE-FOR-LIKE ASSETS

**6,992 t**  
(+19.6% vs 2021)



## Social performance

### EMPLOYEES

**260**  
(+8.8% vs 2021)



### VALUE DISTRIBUTED TO STAKEHOLDERS<sup>(2)</sup>



**€ 865M**  
(+63.4% vs 2021)



### ECONOMIC IMPACT<sup>(3)</sup>

**€ 3.7M**  
(+408% vs 2021)



<sup>(1)</sup> The certified assets of Barcelona-Zal Port are not included

<sup>(2)</sup> This item includes the payment of salaries, payments to suppliers, investments in communities and operating expenses. Corresponds to indicator 201-1 included in the GRI Standards

<sup>(3)</sup> In accordance with London Benchmarking Group methodology



## MERLIN Properties' portfolio

MERLIN has a diversified portfolio of more than 3.2 million sqm of gross leasable area in the office, logistics warehouse and shopping centre markets.

<b>GROSS ASSET VALUE (GAV)</b>	<b>92,4% SPAIN 7,6% PORTUGAL</b>	<b>OCCUPANCY</b>
<b>11,317 M€</b> (-1.5% vs 2021) ↓	<b>3,182,582 m<sup>2</sup></b>	<b>95.1 %</b> (+60 bps vs 2021) ↑
<b>GROSS RENTAL INCOME</b>	<b>FFO</b>	<b>AVERAGE LEASE PERIOD</b>
<b>€ 453M</b> (+7.9% vs 2021) ↑	<b>290 M€</b> (+6.4% vs 2021) ↑	<b>3.2 years</b>

## 2.2 MISSION, VISION AND VALUES

MERLIN's mission is to be the benchmark REIT in the Iberian Peninsula, thanks to our commitment to long-term value creation and the generation of sustainable and growing dividend for shareholders in an environment of transparency, ethics and responsibility in business and society.

**Ethics and  
corporate  
responsibility**

**Financial  
performance**

**Respect for the  
environment and  
balanced urban  
development**

**Objectivity  
and integrity**

**Respect for  
human rights**

**Asset  
protection**

## 2.3 MERLIN'S STRUCTURE

The strategy and operation are characterised by the following:

1.

**Focus on Core and Core Plus assets in Spain and Portugal**

2.

**An investment grade capital structure**

3.

**Distribution, via dividend or share premium, of 80% of AFFO generated in the period**

4.

**Being one of the most cost-efficient REITs in Europe**

5.

**Implementing best practices in Corporate Governance**

La Its **internal organisational structure** can be summarised as follows:

1. A **Board of Directors** (Board) composed of 13 directors and advised by the Audit and Control Committee (ACC), the Appointments and Remuneration Committee (ARC) and the Sustainability and Innovation Committee (SCI). The Company also has a Planning and Coordination Committee (PCC).

**MERLIN's** Board of Directors, of which members are individually re-elected every two years, is composed of a majority of independent directors and its activities are focused on defining, supervising and monitoring the policies, strategies and general guidelines to be followed by the Group. The Board is responsible for the long-term strategy and for monitoring its implementation.

2. **General Management**, composed of the Chief Executive Officer (CEO) and the Chief Operating Officer (COO), who reports directly to the Board and are also Board members.

3. An **Investment Committee** formed by the management team<sup>(1)</sup>.

## 2.4 BUSINESS ACTIVITIES

**MERLIN Properties** owns a portfolio of real estate assets valued at more than €11.3 billion, comprising 107 office buildings, 55 logistics warehouses and 14 shopping centers. The portfolio has a gross leasable area (GLA) of more than 3.2 million square metres that generates more than €453 million in gross rental income.

<sup>(1)</sup> Management team is understood to be: <https://www.merlinproperties.com/en/corporate-governance/management-team/>



Aquamarina | Madrid

#### OFFICES

**€ 6,388M** GAV  
**107 ASSETS**  
**1,173 m sqm** GLA  
**€ 243M** GRI<sup>(1)</sup>



A2-Azuqueca II | Guadalajara

#### LOGÍSTICA

**€ 1,400M** GAV  
**55 ASSETS**  
**1,484 m sqm**  
GLA  
**€ 74M** GRI



Larios Centro | Málaga

#### CENTROS COMERCIALES

**€ 2,135M** GAV  
**14 ASSETS**  
**461 k sqm** GLA  
**€ 124M** GRI



LOOM Plaza Cataluña 9 | Barcelona

#### LOOM

**12 SPACES**<sup>(2)</sup>  
**2,639** DESKS  
**26,028 sqm** GLA  
**82.1%** OCCUPANCY



Zal Port | Barcelona

#### ZAL PORT (48,5%)<sup>(3)</sup>

**43 ASSETS**  
**736 k sqm** GLA  
**€ 72M** GRI



Tres Aguas | Madrid

#### TRES AGUAS (50%)<sup>(3)</sup>

**1 ASSET**  
**68 k sqm** GLA  
**€ 8M** GRI



Bilbao-Arasur | Bilbao

#### DATA CENTERS

**4 ASSETS**  
**70 MW** (Phase I & II)

<sup>(1)</sup> Gross Rental Income. Note 8.1. Operating leases - tenant

<sup>(2)</sup> Out of the 12 spaces, 9 are owned by **MERLIN**, with a GLA of 21,731 sqm

<sup>(3)</sup> 100% of the asset



## Offices

MERLIN once again **consolidates its leadership position in the office market**, reaching pre-covid levels in key financial and operating metrics, as reflected in the growth in rental income of the like-for-like portfolio (+6.0%), the release spread (5.8%) and the occupancy rate (92.5%), which beats the 91.5% forecast given to the market at the beginning of the year.

### GAV

€ 6,388M

### ASSETS

107

### GLA

1,2 m sqm

### GROSS RENTAL INCOME

€ 243M

### OCCUPANCY RATE

92.5%

### GRI LFL

+6.0%



## MILESTONES 2022

### • Complete refurbishment of Plaza Ruíz Picasso

- The complete refurbishment of Plaza Ruiz Picasso of 36,899 sqm, stands out given the inclusion in the construction process of measures for low CO<sub>2</sub> emissions impacts, both in terms of embodied and operational carbon. Based on the analyses carried out, this pilot project will have a footprint of 375 kg of CO<sub>2</sub>/sqm of embodied carbon<sup>(1)</sup>. The project also includes the refurbishment of the public spaces adjacent to the asset. Work is progressing well and is scheduled for completion in the fourth quarter of 2023. The asset is practically fully pre-let.

### • Refurbishment of the Churrucá Business Park (Cunef Campus)

- Refurbishment of the Churrucá Business Park, which is 100% leased to Cunef. The incorporation to the new facilities has taken place since the 22-23 academic year. This is a 17,166 sqm GLA campus, well connected, with comfortable and accessible classrooms and spaces that combine the highest standards in technology and sustainability and will include photovoltaic panels that will provide the campus power for self-consumption.

### • Complete refurbishment of the Cerro de los Gamos Business Park

- Business Park consisting of 5 buildings with a GLA of 36,105 sqm. The works will be carried out in three phases, with Phase I including the refurbishment of buildings 1 and 4 to be completed in 3Q23. Both buildings have been 100% pre-let. The refurbishment will improve the technical, thermal and aesthetic performance of the enclosures in accordance with the standards required by the LEED energy certificate.

<sup>(1)</sup> Embodied carbon is the carbon included in the building materials, and the carbon generated by transporting these materials and during construction work.



## FUTURE OBJECTIVES

Works also include a series of renovations that will completely change the structural aspect, as well as a complete renovation of the air conditioning and air quality systems that will provide optimal standards of environmental comfort and for work performance.

### • Strong growth of LOOM (flexible offices)

- Opening of 3 new locations at Castellana 93, in Madrid and Plaza Cataluña and Ferretería in Barcelona. Furthermore, **MERLIN** has also expanded space in the Atica, Torre Chamartín and Torre Glòries assets, given the strong demand for flexible office space in the market.

### • Renazca preliminary project boost

- The RENAZCA Project aims to promote a complete refurbishment plan of the Azca complex, located in the heart of the city, creating a place for the enjoyment of all citizens and the subsequent revitalisation of the area, with the aim of making it a destination in the city of Madrid and an example of best practices in sustainability.

### • Expansion and adaptation of new spaces

- **MERLIN** will continue expanding its LOOM network focused on hybrid work, expanding its presence in key Spanish cities.
- Over the course of 2023, the LOOM Castellana 85 and Puerta de las Naciones spaces are expected to open, both have an aggregate capacity of 430 desks.
- Finish works in Plaza Ruiz Picasso and Churruca business park.
- Start of the refurbishment of the third building in the Cerro de los Gamos business park.
- Continuation of the Renazca project.



PLZA | Barcelona

## Logistics

**MERLIN is the undisputed leader in the logistics real estate market throughout the Iberian Peninsula**, thanks to the size, quality of its portfolio and the Group's rapid response to its customers' new requirements. During 2022, a 7.9% release spread was obtained, with comparable rental income growth of 8.6% and almost reaching full occupancy (97.0%).

### GAV

€ 1,400M

### ASSETS

55

### GLA

1.5m sqm

### GROSS RENTAL INCOME

€ 74M

### OCCUPANCY RATE

97.0%

### GRI LFL

+8.6%



## MILESTONES 2022

### • Significant progress of the Best II & III Plans

- Delivery of Cabanillas Park II A: a turnkey logistics warehouse with a 47,155 sqm GLA for Logista in Cabanillas del Campo (Guadalajara), which marks the inauguration of Cabanillas Park II.
- Delivery of Cabanillas Park I-J: 44,653 sqm GLA logistics warehouse for DSV. With the delivery of this warehouse, **MERLIN** successfully completes the development of the Cabanillas Park I logistics park.



## FUTURE OBJECTIVES

### • Continuation of Best II and Best III Plans

- Continuation of the development of the A2-Cabanillas Park II logistics park, with the warehouse B and commencement of works in the A2-San Fernando III warehouse.
- Within the Best II and Best III Plans, the Company still counts with 507,000 sqm landbank: 116,000 sqm in Cabanillas Park II, 180,000 sqm in Lisboa Park, 99,000 sqm in A2-San Fernando III, 97,000 sqm in Valencia and 15,000 sqm in Sevilla ZAL.



## Shopping Centers

MERLIN's shopping centers continue to be a benchmark in the Spanish and Portuguese real estate sector, strategically located in urban centers and dominant in areas with high GDP per capita, which allows the Group to maintain the robustness demonstrated in previous years, recovering to pre-pandemic levels (2019). During 2022, a 5.2% release spread was obtained, with comparable rental income growth of 7.5% and occupancy increase (95.0%, +79 bps).

<div>GAV</div> <div>€ 2,135M</div>	<div>ASSETS</div> <div>14</div>	<div>GLA</div> <div>461 k sqm</div>	
<div>OCCUPANCY COST RATIO</div> <div>11.8%</div>	<div>GRI</div> <div>124 M€</div>	<div>OCCUPANCY RATE</div> <div>95.0%</div>	<div>GRI LFL</div> <div>+7.5%</div>



Almada Forum | Portugal



## MILESTONES 2022

### • Refurbishment of assets

- **MERLIN** is committed to the continuous refurbishment of its shopping centers. As part of the Flagship refurbishment plan, which has already been completed, 6 shopping centers have been completely refurbished to include the best standards in terms of sustainability, technology, accessibility and aesthetics.

### • Completion of the Certification Program

- In 2022, **MERLIN** completed the Shopping Centre Certification Programme, with 100% of shopping CENTERS certified, and obtaining BREAM certification levels above the national average.

### • Award-winning shopping centers

- In 2022, **MERLIN** received the following awards from the Spanish Association of Shopping Centers and Retails Parks (AECC) for the good practices carried out:
  - Award for the Best Medium/Small Shopping Centre to **X-Madrid**.
  - Award for the best sustainability campaign for its “zero waste” initiative in the Marineda City shopping centre in A Coruña. This certificate, awarded by AENOR, certifies that more than 90% of the waste generated at the shopping centre can be classified, thus preventing it from being sent to a landfill.

- In the field of marketing and communication, **MERLIN's** shopping centers have won several awards, most notably those received in the Saler shopping centre for the best large marketing and communication campaign “Escape Mall”, and the best small marketing campaign for “La Falla virtual”.

- Top 3 nomination for Hapik as the best leisure centre at the Mapic Awards for **X-Madrid**.

### • Consolidation and expansion of prominent operators

- **MERLIN** continues to position itself as a benchmark owner for major operators. Noteworthy of mention is City Wave, located in X-Madrid, which has received the award for Best Independent Retailer, confirming the success of this shopping centre in its commitment to offer visitors a differential experience.

### • Support for entrepreneurship and digitalisation

- In 2022, a project was carried out with Lanzadera, the business accelerator, to support entrepreneurship in the retail world.
- Amongst the winners of the Retailtech Hub are La Mas Mona and Kraft Walkers, which have opened their own stores in two **MERLIN** shopping centers; and Gus and Wipass, two technology startups that create solutions to improve customer experience.



## FUTURE OBJECTIVES

### • Refurbishment of Callao 5

- Throughout 2023, works will begin on the total refurbishment of the asset located at Callao 5, with the total remodelling of uses, facilities and formats. It is one of the most special, iconic and representative properties in Madrid, with an unbeatable location and great commercial value in the city. This new mixed-use real estate complex is scheduled to be completed in December 2025.

### • Development of new initiatives to support entrepreneurship and digitalization.

- **MERLIN** will continue to support entrepreneurship and the development of digitalization.



Callao 5 | Madrid

## Net leases

The **sale of the BBVA portfolio in 2022** is noteworthy of mention, which was valued at € 1,773 million (including the derivative) and generated € 83.6 million in gross annual rental income. It was sold to BBVA on 15 June at a premium of 17.1% over valuation. Thanks to the sale, the Company was able to reduce its debt.

## Data Centers

At the end of 2021, **MERLIN launched a new business line, data centers (Mega Plan)**, an attractive asset class with 4 strategic locations in the Iberian Peninsula to develop state-of-the-art data centers.



### MILESTONES 2022

#### • Phase I and Phase II: Launch of the Data Centre Programme

- Obtain 3 licences for data centers in Madrid-Getafe, Barcelona-PLZF and Bilbao-Arasur, where the installed capacity of each module will be 20 MW, 16 MW and 22 MW, respectively.
- Progress on the construction of the 3 locations, with the structure, roofing and closure completed in Bilbao and Madrid and the foundations completed in Barcelona.
- Pre-let signed in Bilbao with the possibility of extension to Madrid and Barcelona.



### FUTURE OBJECTIVES

#### • Continuation of the Mega Plan

- Finishing of the works in Madrid-Getafe, Barcelona-PLZF and Bilbao-Arasur (first building) in the first quarter of 2023.
- Installation of the first 9 MW, 3MW in each location.

#### • Energy efficiency systems

- High energy efficiency of the facilities with a PUE (Power Usage Effectiveness) below the global average and a total energy consumption from renewable sources.
- Innovation as regards the cooling system with zero water consumption.
- Install photovoltaic panels on all assets.



Bilbao Arasur | Bilbao



## MERLIN PROPERTIES HAS DEMONSTRATED AND STRENGTHENED ITS LEADERSHIP POSITION IN THE IBERIAN PENINSULA, POSTING EXCELLENT RESULTS.

### 2.5 MAIN MILESTONES AND OBJECTIVES

In 2022 **MERLIN** posted excellent results in its key financial and operating metrics. As a result, **MERLIN** closed 2022 with total revenues of €460.7m (including gross rents of €452.8m), like-for-like rental income of 7.3% (vs. 2021), EBITDA<sup>(1)</sup> of €334.7m and operating profit (FFO) of €290.5m (€0.62 per share). At year-end, the gross value of the REIT's assets therefore stood at €11,317 million.

**MERLIN** continues strengthening its position in the Spanish and Portuguese market with a diversified portfolio and is committed to the integration of differential solutions that provide added value to the users of its assets, with sustainability and innovation as two of its main pillars.

### Compliance with Value Creation Plans

During 2022, **MERLIN** has made significant progress in the value creation plans for its different asset classes. Within the framework of the Landmark Plan (offices), only Plaza Ruiz Picasso has yet to be completed, with delivery scheduled for the end of 2023, while progress on the Best II and III Plans (logistics) continue on track. The Flagship plan (shopping centers) has been completed.

	2019	2020	2021	2022	2023 and subsequent years
<b>Plan Landmark</b> (in progress)	<ul style="list-style-type: none"> <li>• Torre Chamartín (Fase II)</li> <li>• Torre Glòries (Fase II)</li> </ul>	<ul style="list-style-type: none"> <li>• Marqués de Pombal</li> <li>• Diagonal 605</li> </ul>	<ul style="list-style-type: none"> <li>• Castellana 85</li> <li>• Monumental</li> </ul>		<ul style="list-style-type: none"> <li>• Plaza Ruiz Picasso</li> </ul>
<b>Plan Flagship</b>	<ul style="list-style-type: none"> <li>• Larios</li> <li>• Arturo Soria</li> <li>• X-Madrid</li> <li>• Tres Aguas</li> </ul>		<ul style="list-style-type: none"> <li>• Saler</li> <li>• Porto Pi</li> </ul>		
<b>Plan Best II</b> (in progress)	<ul style="list-style-type: none"> <li>• A4-Pinto II B</li> <li>• A2-Cabanillas III</li> <li>• A4-Seseña</li> </ul>	<ul style="list-style-type: none"> <li>• A2-Cabanillas Park I F</li> <li>• A2-San Fernando II</li> </ul>	<ul style="list-style-type: none"> <li>• A2-Cabanillas Park I G, H</li> <li>• A2-Azuqueca II</li> </ul>	<ul style="list-style-type: none"> <li>• A2-Cabanillas Park I J</li> <li>• A2-Cabanillas Park II A</li> </ul>	<ul style="list-style-type: none"> <li>• A2-Cabanillas Park II B, C, D</li> <li>• A2-Azuqueca III</li> </ul>
<b>Plan Best III</b> (in progress)	<ul style="list-style-type: none"> <li>• Valencia Ribarroja</li> <li>• Sevilla ZAL WIP (2019/2021)</li> </ul>	<ul style="list-style-type: none"> <li>• Zaragoza Plaza II</li> </ul>	<ul style="list-style-type: none"> <li>• Lisboa Park A</li> </ul>		<ul style="list-style-type: none"> <li>• Lisboa Park</li> <li>• Madrid-S. Fernando III</li> <li>• Valencia- Bétera</li> </ul>
<b>Plan Mega</b> (in progress)					<ul style="list-style-type: none"> <li>• Barcelona-PLZF</li> <li>• Madrid-Getafe</li> <li>• Bilbao-Arasur</li> <li>• Lisboa-VFX</li> </ul>

<sup>(1)</sup> EBITDA excluding LTIP and non-overheads

## Sale of the BBVA portfolio

With the sale of the BBVA portfolio, **MERLIN** has completely divested from its Net leases division, which also included the Caprabo assets sold in Q4 2021. The BBVA portfolio was valued at €1,773 million (including the derivative) and generated €83.6 million in gross annual rental income. It was sold to BBVA on June 15th, 2022, for a total amount of €1,987 million, at a premium of 17.1% over valuation.

On June 15th, as a result of the share sale of Tree Inversiones Inmobiliarias to BBVA, the Group repaid in advance the mortgage financing associated with the bank branches for a total amount of €670 million and €850 million of the syndicated loan, thus reducing the leverage ratio from 39.2% in 2021 to 32.7%, a reduction of 651 bps.

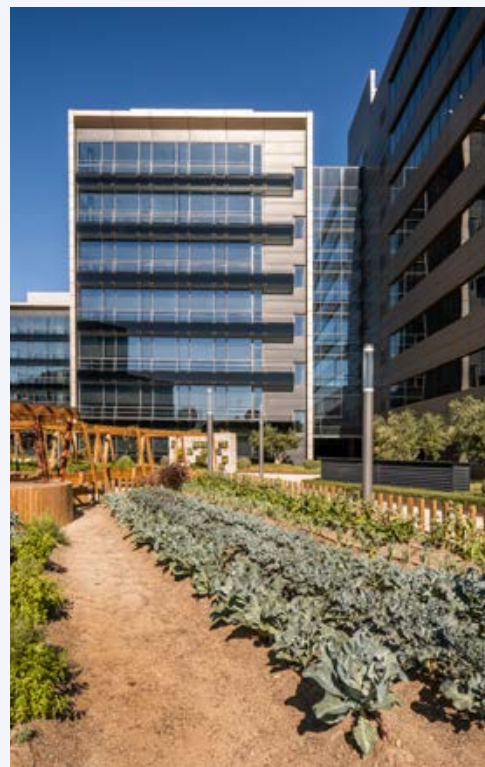


BBVA | La Coruña

## Re-qualification of green bonds

**MERLIN** has converted all of its senior bond issuances (more than €4 billion) into green bonds, integrating the financial strategy into its sustainability strategy by launching a green financing program. To this end, MERLIN has allocated the principal amount of all outstanding bonds into eligible green assets in accordance with the Green Financing Framework.

This new green financing program is a further step in **MERLIN's** strategy to include sustainability as a core pillar, as outlined in the "Pathway to Net Zero" plan.



Adequa | Madrid

## Bond refinancing

**MERLIN** has subscribed, in the Q422, a green corporate financing agreement with leading national and international banks, which it allows it to add €660 million to its available liquidity, ensuring the repayment of all debt maturities until 2026.



LOOM Ática | Barcelona

## Data Centers

In 2022, **MERLIN** moved forward with its entry into a booming market driven by product scarcity, the arrival of submarine cables and the exponential increase in data traffic. The assets located in Madrid-Getafe, Barcelona-PLZF and Bilbao-Arasur are currently under construction. Once Phases I and II are completed, these assets will have a total installed capacity of 70 MW.

As regards with the efficiency of the data centers, a cooling system will be used in which water consumption is eliminated, with a closed system based on glycol as the coolant.

Furthermore, the average PUE (Power Usage Effectiveness) of the facility is only 1.15, well below the global average for data centers (1.59) and the European average (1.46). All the energy consumed by the facilities will come from renewable sources through long-term purchase contracts with renewable energy producers and guarantees of origin with the suppliers.

As part of Project SUN, the photovoltaic solar project launched by **MERLIN** in 2019, given the structure and location of the data centers, photovoltaic panels will be installed on the rooftops of the assets to optimise energy consumption.

As a future objective, **MERLIN** expects to obtain the licence for the Lisbon-VFX asset in order to be able to start construction of this asset.



Data Center Bilbao - Arasur | Bilbao



Data Center Madrid - Getafe | Madrid



Data Center Barcelona - PLZF | Barcelona



A low-angle, vertical photograph of the Torre Glòries in Barcelona, Spain. The tower is a tall, cylindrical structure with a unique facade made of numerous small, rectangular, metallic panels that create a shimmering, textured effect. It tapers slightly towards the top. The background is a clear blue sky with some light, wispy clouds. In the bottom left corner, a small portion of the city of Barcelona is visible, including the Sagrada Família church and the surrounding urban landscape.

# 03. Sustainable growth strategy

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- 3.1 The Market (sector)
- 3.2 Outlook
- 3.3 Trends and opportunities
- 3.4 MERLIN's Strategic Plan
- 3.5 MERLIN's sustainability management
- 3.6 Materiality analysis

Torre Glòries | Barcelona



### 3.1 THE MARKET (SECTOR)<sup>(1)</sup>

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#### THE MARKETS IN WHICH MERLIN OPERATES ARE BENEFITING FROM THE GRADUAL ECONOMIC RECOVERY FOLLOWING THE DEVASTATING EFFECT OF THE PANDEMIC IN 2020.

This economic environment has led to significant increases in trading volumes, which results in higher occupancy in the three asset classes in which we operate.

Moreover, the investment volume overall for all asset classes in Spain has increased exponentially, reaching €15,400 million in 2022 compared to €11,700 million of direct investment in Spain in 2021.

#### Situation of the rental market by geographical area:

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##### Madrid

Madrid is both the largest metropolitan area and the main real estate market on the Iberian Peninsula. In general, the rental market has benefited from the economic recovery. The absorption of office space has reached around 543,000 sqm, up 30% versus 2021, prime rents have increased by +4% to reach 36.50 €/sqm/month, and availability has increased slightly to 9.75%. As regards with the logistics market, it has been a record year in terms of take-up with 1,328,500 sqm contracted, up 32% compared to the previous year. Lastly, shopping centers have practically recovered in terms of sales with footfall still below pre-covid levels.

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##### Barcelona

In the office market, take-up has amounted to 328,000 sqm and prime rents have remained at 27.50 €/sqm/month. It should also be noted that more than 180,000 sqm were delivered during the period, causing the vacancy rate to rise to 10.1%. On the other hand, the logistics market is suffering from a lack of both available land and quality product for e-commerce operators. With regards to shopping centers, the performance in both sales and footfall is still slightly below the one in Madrid.

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##### Lisboa

The performance of the office rental market has been very positive, with 272,000 sqm absorbed (+68%) and a vacancy rate that stands at 7%. Prime rents remained stable during the year, reaching 25 €/sqm/month. In relation to logistics, rents have increased and stand at €5/sqm/month, on the Alverca/Azambuja axis. In addition, take-up in the period has been 250,000 sqm. Lastly, shopping centers have recovered relatively well with sales and footfall at pre-covid levels.

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<sup>(1)</sup> The sources consulted, among others, include the following: "The Office Property Telescope - Spain 2022" - EY; "The reality of the office market - Summary of 2022 and trends for 2023" - Savills; "Marketbeat Madrid - Industrial Q4 2022" - Cushman Wakefield; "The reality of the office market - Summary of 2022 and trends for 2023" - Savills; "CBRE Retail Index Dec 2022" and "Portuguese Real Estate Market" - Cushman Wakefield

## Situation of the rental market by business segment

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### Offices

The Spanish office market recorded an increase in activity in 2022 compared to 2021 although Madrid performed better than Barcelona (30% vs +0.2%). In addition, the vacancy rate rose in both markets to 9.75% in Madrid and 10.1% in Barcelona, although the vacancy rate in the more central submarkets remains low at 5% and 4%, respectively. Prime rents have risen slightly in both markets, although there have been slight declines in more peripheral locations. Similar performance has been observed in Portugal.

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### Logistics

The upward trend in the logistics sector continues to be favoured by consumer habits acquired during the pandemic that are part of the new reality and that are expected to continue to consolidate in the coming quarters. Record year for logistics take-up in Madrid and, to a lesser extent, in Barcelona.

The volume reached by turnkey projects and pre-lets is of particular note given the lack of available logistics platforms that meet current demand requirements. This shortage of quality product has had an impact on the rents of logistics assets.

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### Shopping centers

The gradual recovery in the activity of shopping centers after the pandemic has been reflected in the high levels of sales and footfall in 2022. Although it is true that footfall is still below pre-covid levels due to the fact that there have been few box office releases in cinemas.

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### Data centers

Booming market driven by product scarcity, the arrival of submarine cables and the exponential increase in data traffic. In addition, the strategic geographical position (port of entry for submarine cables connecting to other continents, installed capacity and renewable energy development) of the Iberian Peninsula makes it an attractive location for the development of data centers.



Vía Norte | Madrid

## 3.2 OUTLOOK

In the absence of externalities, the three main asset classes (offices, logistics and shopping centers) are expected to maintain occupancy levels, while rents will continue to benefit from rising inflation as leases are indexed to CPI.

The Group expects 2023 to be a year of transition following the sale of the BBVA portfolio. In this regard, the Group has provided the market with an estimate of its operating profit for 2023 of €0.58 per share. A complementary dividend, additional to the dividend on account of €0.20 per share distributed in December 2022, will be proposed to the Board of Directors in the following meetings, subject to approval by the AGM and to be paid in May 2023.

## 3.3 TRENDS AND OPPORTUNITIES

The Group's operating performance improved during the year, beating the FFO forecast given to the market at the beginning of the year.

**MERLIN Properties** has closed the year with a gross rental income of €452.8 million, an EBITDA of €334.7 million and an FFO of € 290.5 million or € 0.62 per share.

The net asset value amounted to € 7,363 million (€ 15.67 per share), which represents a decrease of 2.7% compared to the previous year, while total shareholder return reached 4.7% boosted by the €1.20 per share dividend paid during the period. The portfolio's resilience can be seen in its strong fundamentals, with growth in LfL gross rental income (+7.3%) and an occupancy rate of 95.1% (+60 bps compared to 2021).

### Offices

Significant increase in LfL gross rental income (+6.0%), thanks to the increase in occupancy (+245 bps), rising inflation and positive release spreads in renewals. Occupancy stood at 92.5%, beating the guidance provided to the market (91.5%) and with a release spread of 5.8%. The main contracts signed in 2022 include 13,890 sqm in Adequa with EDP, 4,221 sqm in Poble Nou 22@ with Generalitat de Catalunya, and 3,838 sqm in Maria de Portugal T2 with Honeywell. In terms of renewals, worth underlining American Express (8,318 sqm in Partenon 12-14), Servizurich (4,201 sqm in Poble Nou 22@) and Liferay (1,805 sqm in Castellana 280).

With regard to the Landmark Plan, only Plaza Ruiz Picasso 11 building has yet to be completed, which will become the smartest building in Madrid provided with the highest ESG standards and is virtually fully pre-let. Worth highlighting IBM's 12,129 sqm lease.

## Logistics

Solid release spread of 7.9% and LfL rental income growth of 8.6%. The occupancy rate stood at 97.0%.

The main contracts signed during the year include Logista with 47,211 sqm in Cabanillas Park II A, DSV with 25,221 sqm in A2-Cabanillas Park I H, Leroy Merlin with 16,100 sqm in A4-Getafe (CLA) and Media Markt with 11,099 sqm in A4 Pinto-I.

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## Shopping centers

Footfall (+19.5%) and sales (+27.7%) continue to improve compared to last year and are almost at 2019 levels. LfL gross rental income have increased by 7.5%, occupancy continues to rise and stands at 95.0% (+79 bps vs 2021) and the release spread stands at 5.2%. The main contracts signed and renewed during the year include Zara (extension) with 3,229 sqm in Saler, Zara (extension) with 1,600 sqm in Artea, Outlet Sport with 1,056 sqm in X-Madrid.

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## Investment and divestment activity

Investment activity in the year most notably included the acquisition of two prime office buildings for €131.5 million. These assets are Liberdade 195, a 16,510 sqm building on Lisbon's most exclusive avenue, and a 3,665 sqm building adjacent to our Plaza Ruiz Picasso 11 development in Azca, Madrid.

As regards with divestments, the sale of the BBVA portfolio in 2022 is noteworthy of mention, which was sold for €1,987 million and generated € 83.6 million in gross annual rental income. It was sold to BBVA on June 15th at a premium of 17.1% over valuation. In addition, the Group sold various assets in 2022 for a total of €112.6 million at a premium of 8.7% over GAV, including four office buildings (33,783 sqm).

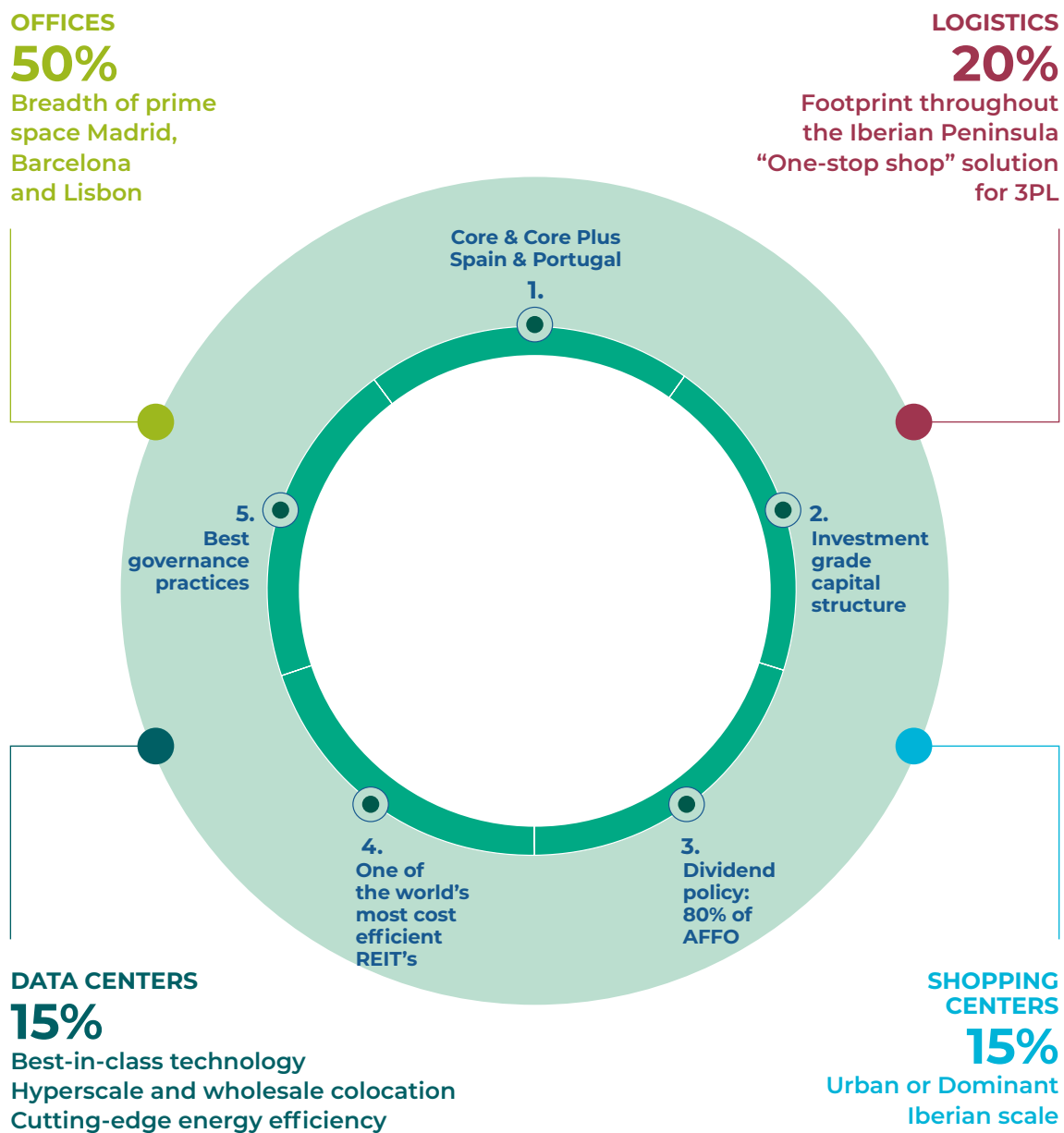
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### 3.4 MERLIN'S STRATEGIC PLAN

MERLIN's strategy aims to generate sustainable shareholder returns through the acquisition, focused management and selective rotation of real estate assets mainly in Spain and, to a lesser extent, Portugal.

In this regard, MERLIN, with the objective of remunerating shareholders with a dividend policy of 80% of the AFFO generated in the year, has set a target mix of the different business segments, investing only in Core and Core Plus assets in Spain and Portugal, while maintaining cost efficiency and best corporate governance practices.



In keeping with industry best practices, the Group is therefore active in four key areas:



#### INTERNAL PORTFOLIO MANAGEMENT

**MERLIN** is committed to internalising the management of its properties by a first-class team with extensive experience in the real estate sector. In doing so, the Company is able to maximise the operational efficiency and profitability of each asset in all stages of the life cycle..



#### PROFITABILITY THROUGH ASSET REFINISHMENT

**MERLIN** strives to realise the full potential of each asset through refurbishment, maximising the value of the portfolio and generating higher returns for shareholders.



#### ENTERING IN A NEW ASSET CLASS

**Data centers.**



#### SUSTAINABILITY, A KEY ASPECT OF THE ASSETS

**MERLIN** continues to aspire to the highest levels of sustainability and efficiency in its portfolio. It does so by integrating sustainability into the entire life cycle of the asset and supporting this commitment by obtaining sustainability certifications.

## 3.5 MERLIN'S SUSTAINABILITY MANAGEMENT

**MERLIN** responsibly manages its activity, ensuring the achievement of sustainable objectives over time and the creation of shared value for its stakeholders. This is done while ensuring strict compliance with the law and with the international benchmarks to which the Group adheres.

In this context, **MERLIN's** commitment can be none other than the achievement of sustainable profitability that guarantees the success of its business project and takes into account the expectations of its stakeholders. In addition, this growth must be achieved without undermining the organisation's environmental performance, minimising any impacts on the environment and committing to the integration of sustainability in the development and refurbishment of assets

## MERLIN's sustainability roadmap

### Sustainability policy

MERLIN Properties considers sustainability to be a lever for the creation of value in the environment in which the Group operates, mainly through its assets. The principles governing MERLIN's sustainability roadmap are as follows:

#### GOALS

#### ACTIONS UNDERTAKEN

### 1 Active management of climate change

- Develop and operate **sustainable assets**
- Mitigate the **carbon footprint** of the whole value chain



- Installation of energy **efficient** systems and equipments



- **Photovoltaic plan** (Project Sun)



- Launch of **Pathway to Net Zero**



### 2 Wellbeing of end users

- Enhance the end-user **experience**
- Create **quality spaces** for tenants
- Contribute towards a more **sustainable mobility**



- Focusing on the **air quality, lighting and accessibility**



- Creation of **MERLIN HUB** for all business park users



- Installation of **electric vehicle chargers** in all Offices and Shopping Centers



### 3 Positive impact in cities

- **Reduce** resources consumption
- **Improve the cities** in which we operate
- Promote **cohesion and integration** through our assets



- Asset management for **peak operational efficiency** (energy, materials and waste, water)



- Launch of **Renazca** to revitalize, integrate and transform the area



- **CSR plan** to boost corporate contribution



This Sustainability Policy was approved by the Board of Directors of **MERLIN Properties**, entering into force on the date of its approval and remains fully valid until such is amended.

The Board of Directors, through its delegated Committees and, in particular, through its Sustainability and Innovation Committee, monitors the correct implementation and fulfilment of all guiding principles and commitments set out.

## Guiding principles

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### RESPONSIBLE GOVERNANCE AND ETHICAL BEHAVIOUR

**MERLIN** is committed to the highest standards, guarantees and transparency in the Group's management and decision-making, and to the success of the business when carrying out its activities, safeguarding ethics and integrity in its operations.

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### TRANSPARENCY WITH STAKEHOLDERS

**MERLIN** considers it a priority to provide complete, accurate and truthful information on the Group's performance and activities, and to maintain sufficient relationship channels with its stakeholders, actively communicating with them and responding to their main demands and expectations.

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### INDEPENDENT EXTERNAL VALIDATION OF COMMITMENTS

**MERLIN** seeks to endorse its commitments by obtaining external validation, which guarantees the effective integration of sustainability in its internal management and assets, and this gives credibility to the practical implementation of the commitments made in the Group's decision-making and activities.

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## Pathway to Net Zero

Following the 2.0°C pact made at COP21<sup>(1)</sup>, **MERLIN** announced its commitment to become a net zero carbon company by 2030, in line with the with science-based targets (SBTi), reporting risks under the TCFD<sup>(2)</sup> recommendations and committed to the SDGs set by the UN.

### Strategy



**100%** renewable energy procurement



On site **solar** energy generation (Project Sun)



**Renewal of heating and cooling** systems



**Energy** efficiency optimization (LED, BMS)



Energy **saving** measures (MAES)

Centro Comercial Saler | Valencia

<sup>(1)</sup> Climate Change Conference in Paris

<sup>(2)</sup> Task Force on Climate-related Financial Disclosures

## 1. Reduce operational carbon



### MILESTONES 2022

- In 2022, **MERLIN** has launched its Road to Net Zero strategy, a roadmap that includes improving the performance not only of the Group itself and those assets over which it has operational control, but of the main agents responsible for **MERLIN's** emissions along its entire value chain, including suppliers and tenant.



### FUTURE OBJECTIVES

- **85% reduction in operational carbon** from baseline (2018) to 2028.

## 2. Reduce embodied carbon in all new developments and refurbishments



### MILESTONES 2022

- **MERLIN** developed a procedure for measuring the embodied carbon footprint for developments and refurbishments. Specifically, in the case of CAPEX awards for amounts over €3 million, the proposal must take into account the calculation of the embodied carbon footprint of the project awarded. This procedure means that an additional sustainability criterion is added when selecting suppliers.
- Additionally, in 2022, the assessment of the embodied carbon of the refurbishment of Plaza Ruiz Picasso 11 was also carried out, which stands out given the inclusion in the construction process of low CO<sub>2</sub> emissions measures, both in terms of embodied and operational carbon. Based on the analyses carried out, this pilot project will have a footprint of 375 kg CO<sub>2</sub>/sqm in the embodied carbon phase, fulfilling one of the premises established in its Pathway to Net Zero.



### FUTURE OBJECTIVES

- **To increase the sample** in the calculation of embodied carbon in our portfolio to be able to set limits for each asset class.



Sant Cugat II | Barcelona

### 3. Offset residual emissions

Offsetting the unavoidable footprint through duly certified own initiatives focused on environmentally based solutions with a positive impact on local and/or underdeveloped communities.



#### MILESTONES 2022

- En 2022 se ha realizado la estimación de la masa forestal necesaria para poder compensar la huella de la Compañía en 2028 (alrededor de 150 hectáreas). Actualmente, el Grupo se encuentra en proceso de búsqueda del terreno que encaje con los requisitos necesarios para poder llevar a cabo el proyecto.

### 4. Reduce scope 3 emissions

Engage tenants through green clauses in new leases and pioneering initiatives such as rent reduction for tenants if they certify that their operations are net zero.



#### MILESTONES 2022

- The Company has made significant progress in establishing a dialogue with our main tenants, which represent around 30% of the total surface area of the portfolio, to engage them in our net zero journey and to share data. On January 1<sup>st</sup> 2023, the new green clause came into force for all contracts, whereby all tenants who wish to benefit from a rent reduction will be required to share their consumption data through a technological platform. This green clause, which will be linked to the tenant's credit risk, will incorporate a series of milestones which, if met, tenants will be able to benefit from a reduction in rent of up to 50 basis points.

### 5. Renewable energy

100% renewable energy supply and photovoltaic power generation through the Project SUN, which consists of installing photovoltaic panels on the rooftops of the assets.



#### MILESTONES 2022

- Significant efforts have been made this year in executing the project, having carried out 19 projects representing an additional 10.9 MW in the year, which implies a total installed capacity of 11.9 MW. The new installations include 10 office assets, 4 logistics assets and 5 shopping centers. Following the completion of Phase I of the Project SUN, the peak installed capacity is expected to be 39.8 MW. Likewise, 100% of **MERLIN's** assets under operational control consume renewable electricity with a guarantee of origin certificate.

## Converting debt into green debt

**MERLIN** counts with a 100% Green Financing Program under which all of its outstanding bonds are reclassified as green bonds, and has assumed a commitment to issue green bonds or other ESG bonds in the future. A Green Financing Framework has therefore been developed based on best practices with strict eligibility criteria including the following:

- A-High levels of asset certification: LEED Gold or higher and BREEAM Excellent or higher.
- Low carbon intensity emissions for buildings under operational control.
- Investments to promote renewable energies and/or improve energy efficiency.

The Framework has received positive feedback from Sustainalytics, which considers it to be in line with the four main components of the ICMA Green Bond Principles 2021 and LMA Green Lending Principles 2021<sup>(1)</sup>.

## 3.6 MATERIALITY ANALYSIS

**MERLIN** updated its materiality analysis on sustainability matters at the end of 2021, carried out on a biannual basis, in which various key issues in sustainability were assessed, either because of their influence on the valuations and perceptions of the stakeholders or because of their direct impact on the medium and long-term success of the Group's strategy.

For **MERLIN**, determining materiality ("double materiality") is a key aspect in establishing the ESG roadmap. Materiality refers to everything that has a direct or indirect impact on creating, preserving or eroding economic, environmental and social value within **MERLIN**.

The analysis of material aspects for **MERLIN** was carried out in accordance with the EFRAC<sup>(2)</sup> guidelines on double materiality:

- **Stakeholder relevance (impact materiality):** Material aspects when the company is related to actual or potential significant impacts on stakeholders or the environment over the short, medium or long term. This includes impacts directly caused by **MERLIN** or those that may occur throughout its value chain..
- **Internal relevance (financial materiality):** This differs from the materiality used in financial reporting and its objective is to identify those material aspects that could have financial effects for the company, i.e. that may generate risks or opportunities that influence future cash flows and, therefore, the value of the company in the short, medium or long term.

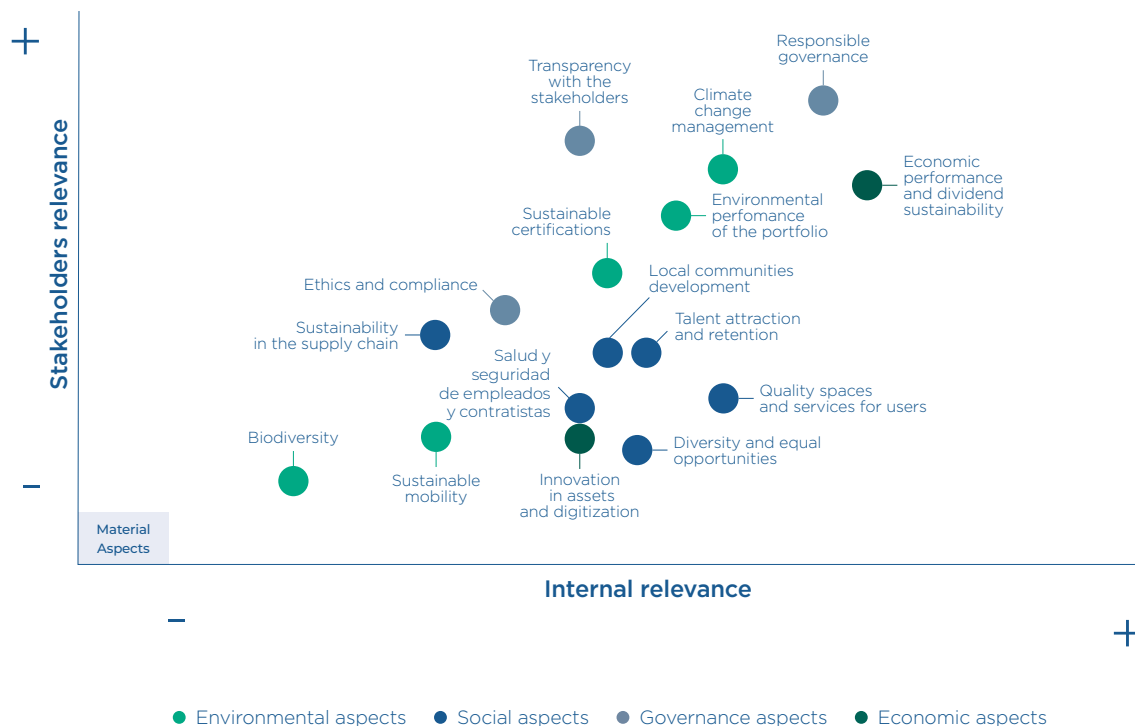
<sup>(1)</sup> ICMA: International Capital Market Association; LMA: Loan Market Association

<sup>(2)</sup> EFRAC: European Financial Reporting Advisory Group

The methodology used to identify and assess the main impacts of **MERLIN Properties** is summarised in the following activities:

- **Real estate companies.** Comparative analysis of the relevance of the material aspects for the main players in the sector in which **MERLIN Properties** operates included in their Sustainability Reports (or others).
- **Internal interviews and corporate documentation.** The main ESG aspects for **MERLIN Properties** were reviewed and discussed during interviews with the different areas involved. Internal documentation and the previous materiality analysis were also reviewed.
- **International sustainability standards.** Analysis of the main relevant aspects defined by international standards on sustainability. For this materiality analysis, GRIs (including the Real Estate sector supplement) and the Sustainable Development Goals were taken into consideration.
- **Press analysis** of news concerning **MERLIN Properties** in 2022.
- **Expectations of stakeholders in ESG matters.** The input of prescribers (DJSI, GRESB, EPRA, SASB) and demands of other stakeholders were taken into account mainly through the launch of a survey, which was answered by 46 representatives of 5 stakeholders: main shareholder, analysts (2), banks (5), main tenants (14) and main suppliers (24).

As a result of these actions, the following double materiality matrix was prepared:





Category	Material aspect	Coverage of material aspect	
		Inside the organisation	Outside the organisation
Environmental performance	Climate change management	●	●
	Environmental performance of the assets	●	●
	Sustainable certifications	●	●
	Biodiversity	●	●
	Sustainable mobility	●	●
Social performance	Talent attraction and retention	●	
	Diversity and equal opportunities	●	
	Development of local communities	●	●
	Health and safety of employees and contractors	●	●
	Quality spaces and services for users	●	●
	Sustainability in the supply chain	●	●
Good governance	Responsible governance	●	
	Ethics and compliance	●	●
	Transparency with stakeholders	●	●
Economic performance	Economic performance and dividend sustainability	●	●
	Innovation in assets and digitisation	●	●



Aparcamiento bicicletas en Torre Glòries | Barcelona



A modern multi-story building with a glass facade and balconies, situated next to an urban garden with wooden planters and a stone wall.

# 04. Responsible management

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- 4.1 Governance structure
- 4.2 Risk management
- 4.3 Ethics and compliance

Huerto urbano Adequa | Madrid

**MERLIN HAS A ROBUST GOVERNANCE SYSTEM IN LINE WITH ITS COMMITMENT TO ETHICS, COMPLIANCE AND TRANSPARENCY, WHICH IS BACKED BY INDEPENDENT THIRD-PARTY VALIDATION.**



## MILESTONES 2022

- **Improved governance** through the creation of a Planning and Coordination Committee, with the aim of strengthening the Company's corporate governance by increasing the efficiency of the Board's functioning.
- **Unification** of the Appointments Committee and the Remuneration Committee into a single Appointments and Remuneration Committee.
- **Promoting training on sustainability matters** and reporting requirements for the Board of Directors.
- **Approval of a Directors Remuneration Policy** (2022-2025), that includes sustainability criteria both in the short and long term.
- Implementation of a **System of Internal Control over Non-Financial Reporting (ICNFR)** and adaptation of the Internal Control Policy to this new scheme of control over non-financial information.
- Promoting the **improvement of the corporate governance system with the approval of new policies** (respect for human rights, biodiversity, human capital management, etc.) and the review of other existing policies.



## FUTURE OBJECTIVES

- Continue with the **ongoing improvement of the Governance System** in line with international best practices as a comprehensive system that generates security and value, enabling the improvement of the Group's strategic and operational management.
- **Develop and implement the improvement opportunities** identified in the assessment of the Board and its Committees conducted by an external consultant in 2023.
- Continue to **monitor sustainability reporting**, expanding improvements to existing reports and their incorporation into the rest of the Group's regulated information.
- **Maintain UNE 19601 Criminal Compliance and ISO 37001 Anti-Corruption and Bribery certifications**, with a global scope for all the Group's subsidiaries.
- **Continuously improve the Risk Management System** with a particular focus on climate-related risks and exposure of assets to extraordinary events.
- Closely monitor the **Action Plans established for risk mitigation in 2022** to verify their progress, implementation and mitigation of identified risks.





## KEY INDICATORS FOR THE YEAR

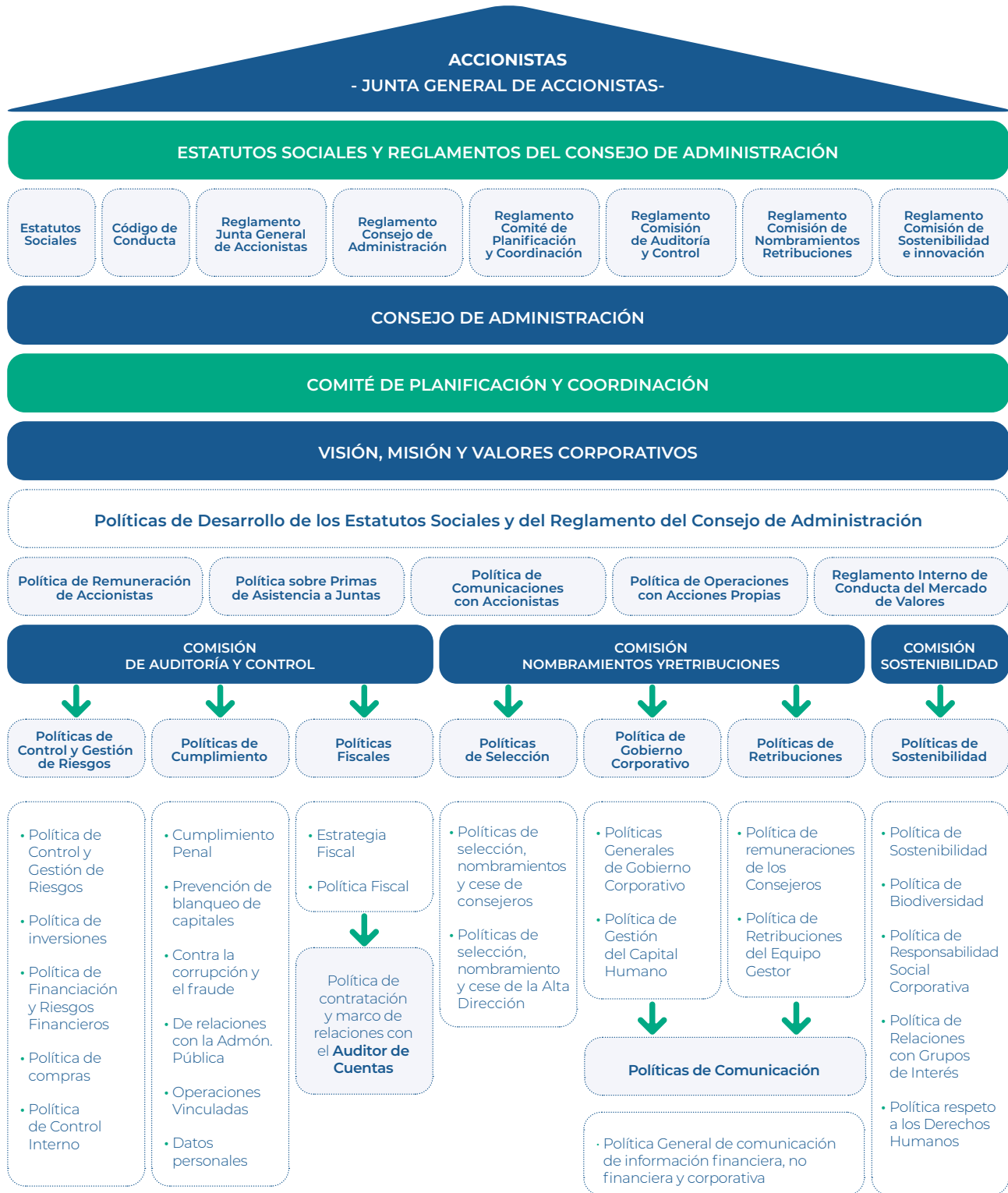
	2022	CHANGES 2021-2022
INDEPENDENT DIRECTORS <sup>(1)</sup>	7/13	-
WOMEN ON THE BOARD OF DIRECTORS	5/13	-
NON-EXECUTIVE DIRECTORS WITH INDUSTRY EXPERIENCE	6/11	-
DIRECTORS PRESENT ON 4 OR MORE BOARDS OF OTHER LISTED COMPANIES	0/7	-
SCOPE OF ETHICS AND COMPLIANCE TRAINING (EMPLOYEES TRAINED)	91 %	-4 percentage points

**MERLIN** has developed a Governance System that sets out the principles that should the Company, all Group companies, and their professionals.

<sup>(1)</sup> Pursuant to section 529 duodecies of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital), an independent director is considered to be a director who, appointed based on their personal and professional qualifications, may perform their duties without being conditioned by their relationships with the Company or its Group, its significant shareholders or management.



## 4.1 GOVERNANCE STRUCTURE



The Board Regulations, the Regulations of its Committees, the General Meeting Regulations, and the main policies of **MERLIN's** Governance System, along with a summary of the remaining policies, are published on the corporate website

<https://www.merlinproperties.com/en/corporate-governance/corporate-governance-normative>

MERLIN uses the CNMV's "Good Governance Code for Listed Companies" as a reference, along with the good governance recommendations generally recognised and accepted by the markets. In 2022, the Board of Directors, in addition to the amendments to the Articles of Association, the Board Regulations and the Regulations of its Committees, which were approved by the shareholders at the General Meeting held on 4th May 2022, has approved the following updates to the Governance System:

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#### INTERNAL CONTROL POLICY

The Board of Directors approved the changes to the current policy at the proposal of the Audit and Control Committee, with the main changes being:

- The ICNFR Model on non-financial information is defined.
- The Board's responsibility for preparing the statement of non-financial information is established.
- The responsibilities of the ARC and the SIC as regards non-financial reporting and coordination with the ACC are set out.

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#### RISK MANAGEMENT AND CONTROL POLICY

The Board of Directors approved the changes to the current policy at the proposal of the Audit and Control Committee, with the main changes being:

- It establishes that the ARC and SIC are involved in identifying and monitoring non-financial risks.
- Coordination between the ARC, SIC and ACC for identifying and monitoring risks is established.

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#### PROCUREMENT POLICY

The Board of Directors approved the changes to the current policy at the proposal of the Audit and Control Committee, with the main changes being:

- Environmental, social and governance risks are included.
- Suppliers must be assessed on ESG matters as part of procurement processes.

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#### FINANCING AND FINANCIAL RISK POLICY

The Board of Directors approved the changes to the current policy at the proposal of the Audit and Control Committee, with the main changes being:

- It establishes the objective of having corporate debt linked to ESG criteria.
- Best market practices (ICMA and EU Taxonomy) are benchmarked.
- A commitment is made to publish an annual allocation report and an impact report.

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#### HUMAN CAPITAL MANAGEMENT POLICY

The Board of Directors approved the initial version of this policy at the proposal of the Appointments and Remuneration Committee, the main content of which is as follows:

- The basic principles for selection, hiring, remuneration, training and assessment are established.
- Aspects such as health and safety, digital disconnection, equal opportunities are included.

## SENIOR MANAGEMENT SELECTION POLICY

The Board of Directors approved the initial version of this policy at the proposal of the Appointments and Remuneration Committee, the main content of which is as follows:

- Senior management is defined in section 1.2. of the Board Regulations.
- The selection process is defined as proposed by executive directors / ARC report / Board approval.
- Succession plans and grounds for termination.

## MANAGEMENT TEAM REMUNERATION POLICY

The Board of Directors approved the initial version of this policy at the proposal of the Appointments and Remuneration Committee, the main content of which is as follows:

- Alignment with the Directors Remuneration Policy.
- Remuneration (fixed, STIP and LTIP): assessment by the ARC and approval by the Board.
- The ARC may rely on support from other committees or external parties for objectives and assessment.
- Malus, clawback and non-competition clauses and notice periods.

## POLICY ON RESPECT FOR HUMAN RIGHTS

The Board of Directors approved the initial version of this policy at the proposal of the Sustainability and Innovation Committee, the main content of which is as follows:

- It reflects the Group's commitment to respect human rights (SDGs).
- It establishes commitments to employees, suppliers, customers and the communities in which it operates.
- It establishes mechanisms for reporting and deliberation in the Group's various governance policies.

## BIODIVERSITY POLICY

The Board of Directors approved the initial version of this policy at the proposal of the Sustainability and Innovation Committee, the main content of which is as follows:

- It establishes a framework for integrating the protection and promotion of biodiversity into the Group's strategy.
- It integrates biodiversity into the Company's internal strategic planning and decision-making processes, and into the analysis, management and reporting of long-term risks.

## SUSTAINABILITY POLICY

The Board of Directors approved the initial version of this policy at the proposal of the Sustainability and Innovation Committee, the main content of which is as follows:

- It sets out the principles governing **MERLIN's** sustainability roadmap:
  - Active climate change management.
  - Maximising the well-being of users of the assets.
  - Generating positive impacts in cities.
- It sets out the guiding principles that underpin the policy:
  - Responsible governance and ethical behaviour.
  - Transparency with stakeholders.
  - Independent validation of commitments.

Its **internal organisational structure** can be summarised as follows:

- A **Board of Directors composed of 13 directors**. MERLIN's Board of Directors is composed of a majority of independent directors and its activities are focused on defining, supervising and monitoring the policies, strategies and general guidelines to be followed by the Group. The Board is responsible for long-term strategy and for monitoring its implementation.
- A **Planning and Coordination Committee** composed of 4 directors, including the Chairman and the Chief Executive Officer, assigned the functions of preparation, coordination, proposal and preliminary review of the agenda and proposed resolutions to be submitted to the Board, without executive functions and without supervisory or control functions.
- A **Lead Director**, who will chair the Board in the absence of the Chairman, coordinates the external directors and is informed and aware of the concerns of investors and shareholders. The lead directors also plays an important role in managing the Whistle-blower Channel.
- An **Audit and Control Committee (ACC)** composed of 6 directors, an **Appointments and Remuneration Committee (ARC)** with 6 directors, and a **Sustainability and Innovation Committee (SIC)** with 4 directors; all of these committees are made up of a majority of independent directors, are informative and advisory bodies, without executive functions, with advisory, reporting and proposal-making powers within their scope of action.
- A **Chief Executive Officer (CEO)** who reports directly to the Board and is a Board member, responsible for carrying out the Company's strategy and operations.
- A **Chief Executive Officer (COO)** who reports directly to the Board and is a Board member, responsible for managing and carrying out the Company's operations.
- An **Investment Committee** formed by the management team.

## Composition and operation of the Board of Directors

The Board, in exercising its functions of submitting proposals to the General Meeting and co-option to fill vacancies, will ensure that, in the composition of the Board, external or non-executive directors represent a majority over executive directors and that these are the minimum necessary. Likewise, the Board ensures that member selection procedures favour diversity of gender, experience, and knowledge and are not affected by any implicit bias that may entail any kind of discrimination, and in particular, that they facilitate the selection of women directors.

In accordance with section 15.5 of the Board Regulations, the Board of Directors and the Appointments and Remuneration Committee, within the scope of their respective powers, will ensure that persons of renowned solvency, competence and experience are elected as candidates, and will exercise the utmost care when inviting persons to fill the position of independent director provided for in section 5 of the Board Regulations.



**Javier García-Carranza**  
Chairman  
Shareholder Related



**Ismael Clemente**  
Vice Chairman  
CEO



**Miguel Ollero**  
Executive Director  
COO



**Donald Johnston**  
Independent Director



**María Luisa Jordá**  
Independent Director



**Ana García Fau**  
Independent Director



**Fernando Ortiz**  
Independent Director



**Francisca Ortega**  
Shareholder Related



**Pilar Cavero**  
Shareholder Related



**Juan María Aguirre**  
Shareholder Related



**Emilio Novela**  
Shareholder Related



**Ana Forner**  
Shareholder Related



**Ignacio Gil-Casares**  
Shareholder Related



**Mónica Martín de Vidales**  
Secretary (Non-Director)



**Ildefonso Polo del Mármol**  
Vicesecretary (Non-Director)

**13** members

**59** average age  
51 to 74 years old

**38.4%** women

**6** years  
of average tenure

**53.8%** independent

**97.6%** attendances  
in person  
13 meetings



More information on the composition, selection, evaluation and compensation of the Board of Directors can be found in the Annual Corporate Governance Report, available on the corporate website ([www.merlinproperties.com/en/corporate-governance/annual-reports/](http://www.merlinproperties.com/en/corporate-governance/annual-reports/)), and on the website of the Spanish National Securities Market Commission ([www.cnmv.es](http://www.cnmv.es)). The bios of all members of **MERLIN's** Board of Directors, including information on their education, work and management experience, and Board tenure, can also be consulted on the corporate website ([www.merlinproperties.com/en/corporate-governance/members-of-the-board-of-directors](http://www.merlinproperties.com/en/corporate-governance/members-of-the-board-of-directors))

## Skills matrix of the Board of Directors

Nombre	Type <sup>(1)</sup>	Age	Gender	1 <sup>st</sup> appt	Senior management	Competencias							
						Other boards	Real Estate	Finance & M&A	Risk audit and control	Digital / Technology	Legal	HR compensation	International experience
Javier Garcia-Carranza (P)	P/D	50-60	♂	2016	•	•	•	•	•			•	•
Ismael Clemente (CEO)	E	50-60	♂	2014	•	•	•	•	•	•			
Miguel Ollero (COO)	E	50-60	♂	2014	•	•	•	•	•				•
Donald Johnston	I	>60	♂	2014	•	•		•	•			•	•
Maria Luisa Jordá	I	50-60	♀	2014	•	•	•	•	•			•	•
Ana Garcia –Fau	I	50-60	♀	2014	•	•		•	•	•		•	•
Fernando Ortiz	I	50-60	♂	2014	•	•		•			•	•	•
Francisca Ortega	D	50-60	♀	2016	•	•		•	•				
Pilar Caveró	I	>60	♀	2016	•	•					•	•	•
Juan Maria Aguirre	I	50-60	♂	2016	•	•	•	•	•				
Emilio Novela	I	>60	♂	2018	•	•	•	•	•				•
Ana Forner	D	50-60	♀	2020	•	•	•	•	•				
Ignacio Gil-Casares	D	>60	♂	2020	•	•						•	•

<sup>(1)</sup> C (Chairman) , E (Executive), I (Independent), P (Proprietary)

## Selection, evaluation and remuneration of Board members

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- The criteria for selecting Board members are established in the **Director Selection Policy** (approved by the Board of Directors, at the initiative of the Appointments and Remuneration Committee), ensuring that proposals for the appointment of directors, which are made individually, are based on objective criteria and focused on the candidate's professional qualities, favouring diversity of gender, experience, age and knowledge. Selection criteria do not take into account aspects such as race, ethnicity, religion or nationality.
- The Commission will choose candidates to fill these positions who are honourable, suitable, reputable, competent, experienced, qualified and committed to the task and must also guarantee the appropriate balance of the Board of Directors as a whole.
- In accordance with the recommendations of the Good Governance Code for Listed Companies, the Company contracts an external consultant every three years, and in accordance with that indicated in the recommendations for good corporate governance of listed companies, to evaluate the functioning and composition of the Board of Directors and its committees.

In 2017 and 2020 the Company received advice from an independent external consultant (Egon Zehnder and KPMG, respectively).

**Subsequently, in 2018, 2019, 2021 and 2022 it was not considered necessary to engage an external consultant to re-assess the functioning of the Board and its committees, whereby the Company carried out a self-assessment process by means of a personal and individual questionnaire sent to all the directors**, in which they were asked for their opinion in relation to the composition, competencies and functioning of the Board of Directors and its committees, and in relation to the Company's Chair and the Chief Executive Officer. In 2022, the Council employed a technological tool that allowed all individual evaluations to be anonymous.

- The remuneration of the Group's Board members and management team is based on the principles of transparency, consistency, competitiveness, profitability and sustainability and the ability to attract the best professionals, as stated in its **Directors Remuneration Policy**.
- The remuneration of the various Board members is determined in accordance with these principles and taking into account factors such as the economic environment, the Company's earnings, the Group's strategy, legal requirements, good corporate governance recommendations and best market practices, including metrics linked to sustainability.
- Each year, the **Appointments and Remuneration Committee** establishes the quantitative, qualitative, financial and non-financial objectives that will determine the remuneration for the year. Non-financial targets include the reduction of CO<sub>2</sub> emissions per square meter and **MERLIN's** position on the GRESB, CDP and S&P CSA ratings.

## 4.2 RISK MANAGEMENT

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

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

The Risk Management and Control Policy (<https://www.merlinproperties.com/en/corporate-governance/corporate-governance-normative/>) was initially approved by the Board of Directors in February 2016, and updated in April 2022 at the proposal of the Audit and Control Committee.

As stated in the policy, **MERLIN** identifies and controls the risks arising from its activities and manages the risks faced by the Group and its subsidiaries.

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

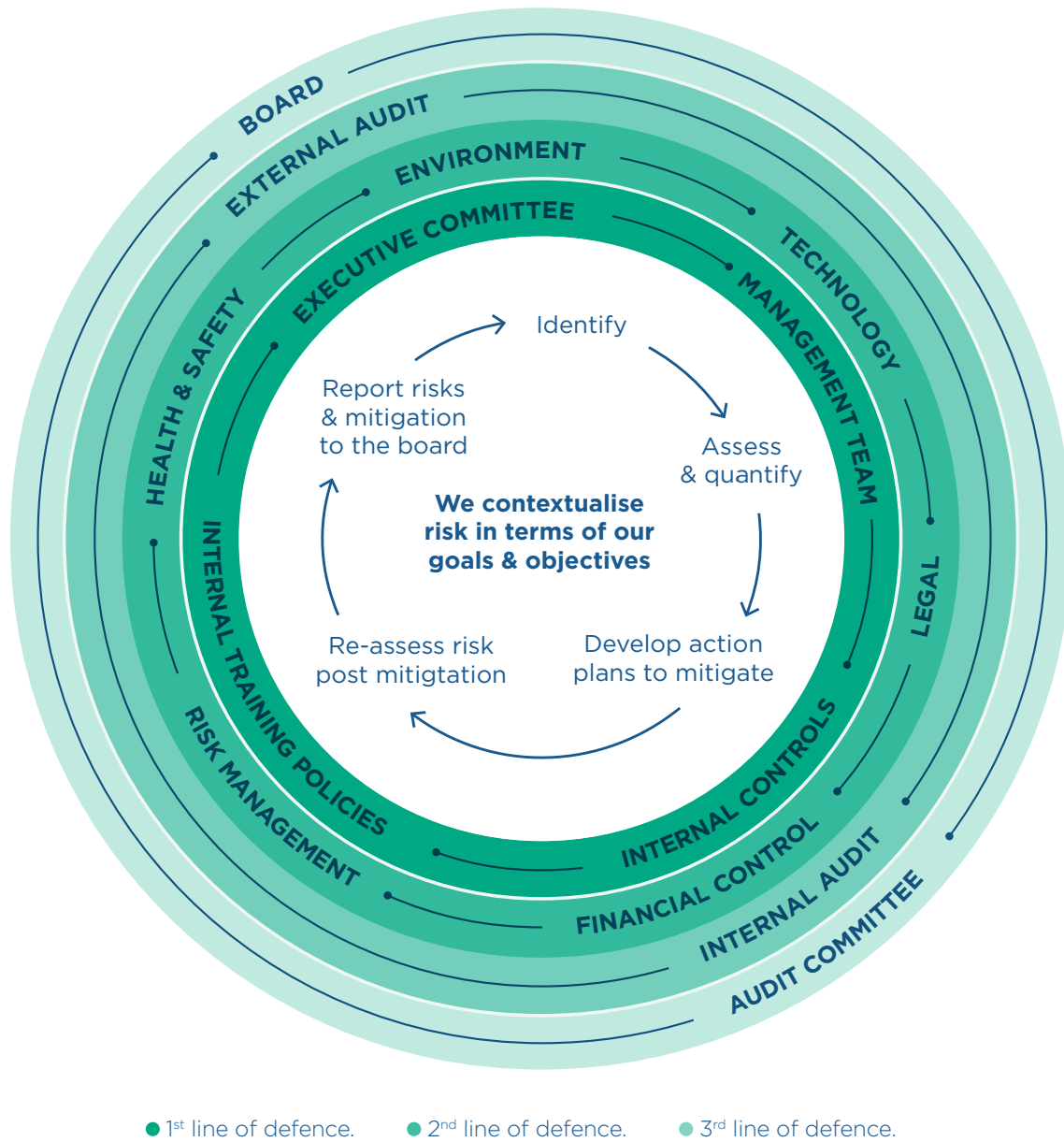
**MERLIN's risk management is a process driven by the Board of Directors and senior management, and each and every member of the organisation is responsible for it within their own purview.**

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

**With the support of the Internal Audit Department, the Committee uses risk management methodologies to monitor the identification and assessment of the risks affecting each area's objectives.**

Through the implementation of the plan, the Committee assesses and concludes on the adequacy and effectiveness of the controls implemented by the Group, issuing recommendations as needed.

## MERLIN's risk management model





In 2022, MERLIN carried out a 'zero basis' exercise to identify and assess MERLIN's main corporate risks:

- **Compare the main competitors** in the sector and review corporate risks and sustainability documentation.
- **Hold working meetings with MERLIN's key staff to identify risks** or update/adjust/ calibrate existing ones to bring them into line with the reality of the business, **MERLIN's** plan and the current environment and market situation.
- **Group and classify the 106 risks identified** based on the reporting categories (business, resources, ESG) of the Risk Management System, identifying a new category related to strategy.
- **Review MERLIN's 2022 materiality matrix** and analyse the consistency of the 106 risks identified with the matrix and the key aspects in relation to GRI reporting and the SDGs.
- **Assess the risks identified (COO/Audit/MRL) based on the impact and probability criteria established** and the other attributes identified:
  - **Impact:** strategic, financial, stakeholder and reputational.
  - **Probability:** timing and occurrence.
  - **Attributes:** speed, persistence and adaptability.
- **Update the Risk Map and digitalise it.**

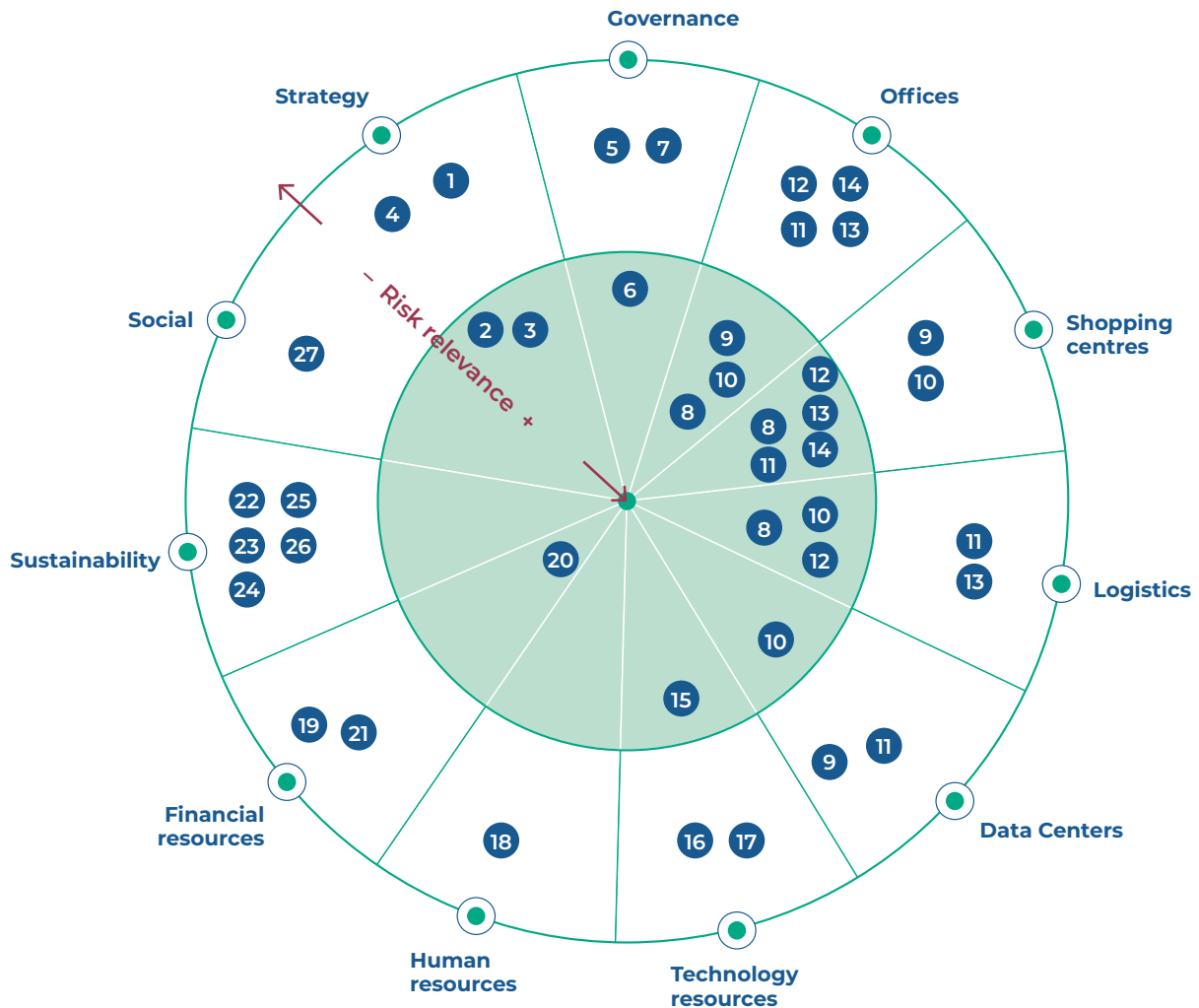
In 2022, **MERLIN's** Risk Map was regularly updated to reflect every six months the perception of the Company's main executives and governing bodies of the risks faced by **MERLIN**.

**MERLIN's latest Risk Map, updated by the Audit and Control Committee and approved by the Board of Directors in January 2023, includes a total of 27 key risks, as shown below:**



Arturo Soria 343 | Madrid

## Risks: 2023 Risk Map



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

In addition, all risks were assessed **in terms of time frame** (short term —12 months—, medium term —12 to 36 months—, and long term —more than 36 months—), and **in terms of speed, persistence and adaptability**.

- **Short-term** risks most notably include those related to increases in construction costs, raw materials and energy supplies and their impact on the envisaged Capex works and on the operating margin of the tenants.
- On the other hand, **longer-term risks** most notably include those related to changes in consumer behaviour (remote working, e-commerce, etc.), failure to attract and retain talent, risks related to climate change (lack of third-party traction for footprint reduction, inefficiency in energy efficiency investments, natural disasters), and those risks related to regulatory non-compliance (GDPR, occupational risk prevention, etc.).

Nº	Category / Risk description	S/ 2022 v2	Criticidad	Probabilidad	Impacto
<b>Estrategy</b>					
1	Business model definition	↓	●	●	● ● ●
2	Adaptation to a change in the real estate cycle	↑	●	●	● ● ●
3	Delay in the divestments to raise funds	↑	●	● ● ●	●
4	Communication and traceability of the strategy in long-term objectives	↔	●	● ● ●	●
<b>Governance</b>					
5	Inadequate development of <b>MERLIN's</b> Corporate Governance System	↓	●	●	● ● ●
6	Lack of leadership and IT strategy	↑	●	● ● ●	●
7	Sucession plans of key staff (management and staff)	↓	●	●	● ●
<b>Business</b>			OF CC LG DC		
8	Loss of asset value	↑	● ● ● ●	● ● ●	● ● ●
9	Occupancy rate	↑	● ● ● ●	● ● ●	● ●
10	Delays and cost overruns in CAPEX	↑	● ● ● ●	● ● ●	● ● ●
11	Impact of chargeable expences (services and supplies)	↑	● ● ● ●	● ● ●	● ●
12	Diminution of tenant's operating margins	↑	● ● ● ●	● ● ●	● ●
13	Difficulty in accessing financing for tenants	↑	● ● ● ●	● ● ●	●
14	Excessive continuation of non-core assets in the portfolio	↔	● ● ● ●	●	●
<b>Recursos</b>					
15	Cibersecurity breaches	↔	●	● ● ●	● ●
16	Lack of digitalization and automation of processes	↔	●	● ● ●	●
17	Lack of IT politics and procedures formalization	↔	●	● ● ●	●
18	Lack of attracting and retaining talent (loss of attractiveness)	↔	●	● ● ●	●
19	Investment management/strategic divestments	↓	●	●	●
20	Macroeconomic conditions in Spain and Portugal	↑	●	● ● ●	● ● ●
21	Increase in the cost of financing the company	↑	●	● ●	● ●
<b>Sostenibilidad</b>					
22	(Preference) Shifts in clients expectations and requirements	↔	●	● ●	● ● ●
23	(Costs) Increasing repair costs (extraordinary events)	↔	●	● ● ●	● ●
24	Lack of environmental due diligence in investments	↔	●	● ● ●	●
25	Increasing cost of commodities and raw materials due to sustainability criteria	↑	●	● ● ●	●
26	Supply chain sustainability	↑	●	● ● ●	●
<b>Social</b>					
27	Protecting the health of asset users	↔	●	● ●	●

The various key risks identified are therefore classified into several key pillars to achieve the Group's objectives, such as:

- **Strategic and governance risks:** these affect the strategic objectives, leadership, and benchmarking (being the benchmark REIT) and the values of transparency, ethics and responsibility, and they affect the design and implementation of the Group's strategy: definition of the business model, adaptation to a change in the real estate cycle, delay in strategic divestments, inadequate development of the governance system, succession plans for key personnel, etc.
- **Business risks:** these affect the strategic objectives of long-term value creation and the generation of a sustainable and growing dividend, and are achieved mainly through the Group's various assets, grouped into the different business segments (offices, shopping centers, logistics and data centers): loss of value of properties, delays and Capex cost overruns, costs passed on to tenants, reduced tenant margin, etc.
- **Resource risks:** these affect the strategic objectives of generating a sustainable and growing dividend and the values of transparency, ethics, and responsibility, and are achieved mainly through the Group's various internal and external resources (human, technological and financial): macroeconomic conditions in Spain and Portugal, failure to attract and retain talent, reliance on personnel and remuneration, cybersecurity breaches, technological innovation, etc.
- **Social and Sustainability risks:** these affect the Group's long-term sustainability and its interaction with stakeholders, and are achieved mainly through the various actions carried out and policies implemented by the Group to ensure the sustainability of its assets (physical impact due to increased costs as a result of extraordinary events, transition costs due to changes in customer expectations and preferences, sustainability of the supply chain, etc.); for its various stakeholders (customers, suppliers, society, investors, shareholders, and regulatory bodies): protecting the health of the users of the assets.

## Emerging risks

**MERLIN** has also identified two emerging risks. Emerging risks are considered to be those that are relatively new, growing in importance, outside of the company and that will have an impact on the business in 3-5 years, although the consequences of the risk may start to be seen now.

- **Risk of a change in the economic cycle:** the rising inflation experienced in 2022 and the interest rate hikes by central banks are accelerating the risk of an economic recession. In this scenario, which is likely to begin in 2023 — but its duration is currently difficult to predict —, it is logical that real estate asset valuations will be negatively impacted by rising yields.

The Group has therefore anticipated possible downgrades in valuations by managing its debt and signing a green corporate financing agreement with leading national and international banks, which allows it to add € 660 million to its available liquidity, and thus ensuring the repayment of all debt maturities until 2026. The financing agreement was closed at an average cost of MS + 126 bps and extends the average maturity of its debt from 5.2 to 6.1 years, structuring its liabilities so as to be able to meet the requirements of the new cycle.

- **Risk of increased impact from climate change:** One of the major breakthroughs of COP26 was the recognition that we are falling short of the target set under the Paris Agreement of not exceeding a +2°C rise in temperature (compared to pre-industrial levels). It would be preferable to keep to an average of +1.5°C so that weather conditions would not become unpredictable and extreme. By the time COP27 was held in 2022, a 1.1° temperature rise had been reached in 2022. In other words, there is only room for four tenths of a percentage point before the end of the century to meet the most demanding target. The problem is that, according to the latest Emissions Gap Report issued by the UN Environment Agency, if we only meet the minimum requirements, we are looking at a 2.6° temperature rise. COP27 therefore assumes, to a certain extent, that we will no longer be able to avoid the worst of certain extreme weather conditions that will result from exceeding 1.5°C. But rather the objective now is to try to stay within the 2°C threshold.

Aware of the importance of climate risk and its effect on its assets and their users, in 2022 the **MERLIN** Group began a detailed analysis of physical and transition risks in accordance with the **Task Force on Climate-related Financial Disclosures** (TCFD) methodology. This analysis identified the various physical risks to which each of the assets in the portfolio would be exposed based on simulations of different IPCC scenarios and identified the various transition risks that are expected to have a greater financial impact and an impact on the Group's operations. **See the TCFD analysis in Appendix IV.**

## Identification of other risks and action plans

**MERLIN set up its response plans through policies, procedures and controls that are adjusted based on the different risks that affect or may affect the Company.** The Group has therefore defined and identified a series of different types of controls, designated the person responsible for each control, and assesses on a regular basis the risk and its residual component after carrying out and documenting the control. In addition, specific improvement plans have been established for operational, strategic, compliance and reporting risks that are considered to be significant.

**The Audit and Control Committee is committed to the risk management and control process,** approving policies, procedures, and control structures it considers necessary.

**The Company's General Management, the Finance Department and the Company's other business divisions analyse at their regular meetings the situation and evolution of the main risks affecting the Group, taking corrective measures when considered necessary.**

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



Identified risks	Action plans
<b>Business risk management</b>	
<ul style="list-style-type: none"> <li>• Business model definition</li> <li>• Occupancy rate of the assets / Sale of assets under development or being refurbished / Contract renewals</li> <li>• Fluctuating rent levels (real estate cycle; competition from new developments)</li> <li>• Concentration of rents and solvency in top 10 tenants</li> <li>• Effect of inflation (CPI) on tenants</li> <li>• Delays and cost overruns in CAPEX investments (higher material costs, delayed deadlines, licences, etc.)</li> <li>• Decrease in operating margin of tenants and operators (increase in internal costs and raw materials)</li> <li>• Ability to achieve the desired asset mix (location, turnover and asset obsolescence)</li> <li>• Changes in user behaviour (less use of offices; remote working and hybrid models)</li> <li>• Excessive holdings of non-core assets; delay in divestments to raise funds</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Exclusively strategic Board meetings</b> in which the business model and risks are reviewed and the various strategic alternatives are analysed based on the economic situation and the real estate cycle.</li> <li>• <b>Monitoring external factors of the real economy with an impact on the value of the assets</b>, i.e. factors that affect demand (rent renegotiations, unexpected tenant departures, potential future supply, etc.), and factors that affect the return and valuation of assets (interest rates, real estate market yields).</li> <li>• <b>Independent asset valuation every six months, rotation plan for appraisers, review of appraisals by the external auditor</b>, and internal verification of the appraisal: monitoring of the discount rates applied in the appraisal and of the investment alternatives.</li> <li>• <b>Ongoing monitoring of business indicators</b> (occupancy, rent, vacancies, like-for-like, release spread, etc.) of the contracts for each tenant / operator, the concentration of gross rents for the largest tenants, the credit risk of the main tenants and the design of contingency plans for the potential departure of each major tenant.</li> <li>• <b>Implementation of an internal marketing team</b> that provides service to all business segments in the processes of attracting, marketing and renewing asset contracts.</li> <li>• <b>Five-year Investment Plan</b> that will allow the quality of a certain number of properties to be refurbished, which will contribute to an increase in gross rents and maximise the profitability of the current portfolio.</li> <li>• <b>Non-core divestment programme</b>, approved by the Board of Directors and monitored monthly.</li> </ul>

Identified risks	Action plans
<b>Climate change management and operational efficiency</b>	
<ul style="list-style-type: none"> <li>• (Objectives) Failure to comply with GHG emission reduction commitments or errors in their measurement (scope 1 - 2).</li> <li>• (Objectives) Lack of traction/commitment by third parties in reducing the Group's carbon footprint for its assets (scope 3).</li> <li>• (Preference) Change in customer expectations and requirements regarding sustainability, innovation and the environment</li> <li>• (Costs) Increase in repair and maintenance costs (due to storms, snowfall, floods, heat waves)</li> <li>• Inadequate management of inputs (electricity, gas and water) and waste from an asset</li> <li>• (Investments) Inefficiency in energy efficiency investments / obsolescence of assets and replacement by assets with lower emissions</li> <li>• Increasing cost of raw materials/supplies due to sustainability requirements</li> <li>• Suppliers with low quality and ESG (supplier scoring) standards</li> <li>• Lack of environmental due diligence in the acquisition of assets.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Sustainable certification of assets:</b> monitoring the objective of having almost all of its assets LEED and BREEAM certified, and maintaining accessibility certifications at centers.</li> <li>• <b>Independent external validation of GHG emissions</b> (scope 1 and scope 2), as certified by AENOR.</li> <li>• <b>Energy efficiency:</b> monitoring numerous initiatives linked to efficiency (MAEs), including the Photovoltaic Project.</li> <li>• <b>Sustainability index reporting:</b> monitoring and review of the information reported to the various sustainability indexes (GRESB, CDP, and DowJones Sustainability Index), analysing the scores obtained and establishing action plans for continuous improvement.</li> <li>• <b>Study, design and upcoming implementation of a green clause in leases,</b> where lessees who share energy information and reduce their carbon footprint will benefit from rent discounts.</li> <li>• <b>Meters installation in all assets</b> (and in lessee spaces), which allows us to obtain information on energy consumption in real time.</li> <li>• <b>Sustainability Committee,</b> which meets every two weeks, with members from various departments, to continuously monitor all actions related to the Group's sustainability.</li> <li>• <b>Identification of sustainable Capex initiatives</b> to improve the energy efficiency of the assets, making them a priority and subject to special monitoring.</li> <li>• <b>Changes to the Procurement Procedure,</b> requiring an ESG questionnaire from suppliers with contracts for more than € 150 thousand and the calculation of their embodied carbon footprint for those with contracts for more than € 3 million.</li> </ul>

Identified risks	Action plans
<b>Talent creation</b>	
<ul style="list-style-type: none"> <li>• Failure to attract new talent (loss of attractiveness)</li> <li>• Failure to retain existing talent (motivation, ambition, remuneration, career plan)</li> <li>• Inadequate staff structure, composition and sizing (business vs support)</li> <li>• Lack or non-existence of adequate training plans</li> <li>• Failure to comply with occupational risk prevention regulations with employees</li> <li>• Lack of communication and traceability of the strategy in long-term objectives</li> <li>• Inadequate (or non-existent) management of succession plans for key personnel (senior management and other staff)</li> <li>• Failure to comply with inclusion, diversity and equality plans</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Approval of a new Long-term Remuneration Policy</b> that introduces certain changes to adapt it to the new developments in the Ley de Sociedades de Capital and bring it into line with the interests of stakeholders, in particular those of its shareholders.</li> <li>• <b>Short-term Remuneration Incentive Plan:</b> with a weighting of non-financial targets at a maximum of 30%</li> <li>• <b>Variable remuneration in line with the achievement of targets linked to the Company's short- and long-term strategic plans</b> and the interests of shareholders, without being guaranteed, but sufficiently flexible to not pay, or partially pay, this component if the targets set are not achieved.</li> <li>• <b>Succession plans for key personnel</b> reviewed by the Appointments and Remuneration Committee.</li> <li>• <b>Employee evaluation based on objective criteria</b> to ensure appropriate remuneration of each employee's professional value, experience, dedication and responsibility.</li> <li>• <b>Registered Equality Plan and Sexual Harassment Action Protocol</b> disseminated throughout the company.</li> <li>• <b>Outsourced occupational risk prevention plan</b>, with particular emphasis on early detection of COVID-19 infections.</li> </ul>
<b>Management of stakeholders</b>	
<ul style="list-style-type: none"> <li>• Inadequate management of the impact of CSR activity (Corporate/centers)</li> <li>• Inadequate management of the (physical and social) impact of our assets on local communities</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Measurement the ongoing social impact using the London Benchmark Group (LBG)</b> methodology, which allows us to quantify the impact of all actions with social implications.</li> <li>• <b>Implementation of general controls</b> (Strategy and Tax Policy), tax department regulations and a protocol for reviewing compliance with Spanish Law 16/2012.</li> </ul>

Identified risks	Action plans
<ul style="list-style-type: none"> <li>• Failure to comply with local taxation (property taxes, tax on economic activities, duties, no-parking zones, environmental taxes) and its impact on local communities</li> <li>• Failure to comply with occupational risk prevention regulations with third parties</li> <li>• Protecting the health (well-being) of the users of the assets</li> <li>• Inadequate management of data protection and privacy of the users of the assets</li> </ul>	<ul style="list-style-type: none"> <li>• Appointment of a <b>Safety and Health Coordinator</b> for all projects and a <b>Business Coordinator</b> for all works when required, and monthly monitoring of the accident rate.</li> <li>• <b>Implementation of services</b> (MERLIN HUB, urban gardens, etc.), <b>and investments in HVAC</b> to improve mobility and experience and to protect the health of our users.</li> </ul>
Capital management	
<ul style="list-style-type: none"> <li>• Increase in the Company's financing costs (rating, rate hikes, etc.)</li> <li>• Volume of short-term debt</li> <li>• Compliance with financial covenants</li> <li>• Management of strategic investments/divestments</li> <li>• Access to sustainable financing (non-compliance with required KPIs)</li> <li>• Macroeconomic conditions in Spain and Portugal</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Strict financial policy</b>, by continuously monitoring the debt markets (mortgage, corporate banking, bonds), monitoring the leverage ratio, maturities and average cost of debt, maintaining lines of credit open and reports from the external auditor on compliance with covenants.</li> <li>• <b>Investment procedures and control structures</b>: documentation on the operation of the financial models, implementation of modification and integrity controls in all models.</li> <li>• <b>Reconversion of all corporate debt to green financing</b> (corporate bonds and debt), subject to compliance with certain Sustainable ESG KPIs.</li> <li>• <b>Monitoring of the political and regulatory environment</b>: regular reporting of new sector regulations, analysis of drafts of new regulations anticipating impacts and ongoing contact with specialised advisors.</li> </ul>

## 4.3 ETHICS AND COMPLIANCE

**MERLIN** is firmly committed to ethics, transparency and the creation of value for its stakeholders in carrying out its activities.

**MERLIN's Code of Conduct**, which was updated in 2021, is the document that reflects **MERLIN's** commitment to the principles of business ethics and transparency in all areas of activity, establishing a set of principles and guidelines for conduct aimed at ensuring the ethical and responsible behaviour of all Group professionals in the performance of their activities.

All professionals receive annual training on the Code of Conduct and regular internal communications. All new hires must also sign the Code of Conduct. In addition, **MERLIN's** contracts with suppliers and lessees include clauses referencing both **MERLIN's** compliance policies and its Code of Conduct.

As stated in the Code, **MERLIN** has a Whistleblower Channel [canal.etico@merlinprop.com](mailto:canal.etico@merlinprop.com), which is a confidential channel for reporting any violations of the law and the Code of Conduct, and any potential financial, accounting or other irregularities. This channel is available to all professionals, is available to the public and can be accessed by any third party who wishes to do so on the corporate website.

**In 2022, zero complaints were received (4 complaints in 2021).** Those filed in the previous year were investigated following the established procedure, duly processed and reported to the Board of Directors, and the conclusion reached was that there was no need to take action against any **MERLIN** professional<sup>(1)</sup>.

Ethical and honest behaviour is inextricably linked to strict compliance with the regulations in force. Since its inception as a Group, **MERLIN** has had the bodies, policies and procedures in place to guarantee this integrity at all levels. The Group has an integrated, efficient internal control model, aligned with best practices, which ensures compliance with the requirements associated with the regulations given the highest priority, and currently has the following tools for this purpose:

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### CRIME PREVENTION MODEL (CPM)

Which covers all activities and companies with operations that are controlled by **MERLIN**.

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### ANTI-MONEY LAUNDERING MECHANISMS

**MERLIN** has mechanisms in place to comply with the requirements established in anti-money laundering regulations, including a Prevention Manual (updated in 2021), annual external audits, an Internal Control Body (ICB), a Customer Acceptance Policy and a Technical Unit for the prevention of money laundering. All these mechanisms have been adapted to cover the Company's activities in Portugal.

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<sup>(1)</sup> The nature of the complaints received in 2021 was as follows: two concerning employees' interactions with Group suppliers; one concerning the incorrect use of corporate mail; and one concerning the conduct of certain Group suppliers; none of them concern corruption and/or bribery.



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**SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)**

**MERLIN** has an effective and reliable financial control model, based on identifying key risks and selecting relevant processes for financial reporting, the methodology and procedures of which are documented in the ICFR Manual.

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**SYSTEM OF INTERNAL CONTROL OVER NON-FINANCIAL REPORTING (ICNFR)**

**MERLIN** has an effective and reliable model for controlling non-financial information, based on identifying key risks and selecting relevant processes for financial reporting, the methodology and procedures of which are documented in the different ICNFR indicator manuals.

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**PERSONAL DATA PROTECTION MECHANISMS**

The Group has mechanisms in place to ensure that personal data is processed correctly, including a DPO (Data Protection Officer) and the Personal Data Protection Policy.

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Also worthy of note in 2022 is the continuation of the global training for the entire workforce as part of **Regulatory Compliance Training** aimed at all of the Group's professionals, with a high level of participation (over 91%) by staff, executives and Board members. This year, compliance training was included as part of the onboarding process for new employees and global training focused on issues related to the Code of Conduct, sustainability, and the new 2022 policies (in particular the Policy on Respect for Human Rights and the Personal Data Protection Policy).

## Anti-fraud and anti-corruption measures

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In accordance with its Articles of Association, **MERLIN** aims to ensure that its conduct and that of the people related to it comply with and adhere to current law, its corporate governance system and with generally accepted principles of ethical and social responsibility. **MERLIN** has a **Criminal Compliance Management System** that is based on **MERLIN's** firm commitment to the values and principles framed within the rejection of and zero tolerance for any unlawful act.

These principles are set out in the **Code of Conduct** approved by the Board of Directors in 2015 and updated in 2021, and are projected onto the organisation's employees, executives and governing bodies, with a strong message of rejection of and zero tolerance for any unlawful conduct or behaviour that violates the Group's policies, values and principles.

The **Criminal Compliance Policy** helps to reinforce the Company's commitment to good corporate governance in accordance with its values and principles, and on the other hand, to diligently exercise due control within the organisation over the Group's managing bodies, executives and employees to minimise as much as possible the potential risk of bad practices or non-compliance with regulations in the performance of its activities.

Furthermore, the **Anti-Corruption, Fraud and Bribery Policy** (updated in 2021) is based on the principle of zero tolerance for unlawful or criminal acts and, therefore, does not allow any of its employees, regardless of their hierarchical or functional level, to become involved or participate in any transaction or business within its business activity that involves a criminal or fraudulent act or goes against the principles set out in its Code of Ethics; and the Public Authority Relations Policy, which aims to establish the basic principles governing the Group, and the rules of conduct for **MERLIN Group** employees in their interactions with public authorities to establish preventive actions and proactive steps in the fight against corruption and bribery in all areas of its business activity.

As regards **MERLIN's Compliance System**:



- The certification of **MERLIN's Compliance Management System** was renewed in 2022 under the **UNE 19601** standard for all Group companies, including those in **Portugal**. This standard (UNE 19601) is the national standard for best practices in management systems for preventing and detecting crime and is the benchmark standard for criminal compliance systems



- Likewise, the certification of **MERLIN's Anti-Corruption and Bribery System** was renewed in 2022 under **ISO 37,001**, the international standard in best practices against corruption and bribery.

Both certifications accredit that **MERLIN's Crime Prevention and Detection Model meets the standard's requirements and is also effective** in its commitment to ongoing improvement to incorporate the highest standards of compliance.o.

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

## Respect for human rights

In 2022, the Board of Directors approved the **Policy on Respect for Human Rights**, in the interest of expressly placing on record the commitment of the Company and the Group to human rights recognised in Spanish and international law, and establishing the principles to be applied by the Group for human rights due diligence, in accordance with the Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the principles underlying the United Nations Global Compact, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the conventions of the International Labour Organisation, the Sustainable Development Goals (SDGs) adopted by the United Nations, the Company's Code of Conduct, and any documents and texts that may replace or supplement the above.

**MERLIN** and its Group are committed to guiding their actions based on the following principles:

Reject discriminatory practices or practices that undermine the dignity of individuals on the basis of their age, gender, marital status, nationality, religion, disability, race or ethnicity, or any other personal circumstance.	Reject child labour and forced or compulsory labour.
Respect freedom of association and collective bargaining.	Protect the health of workers and provide decent employment.
Respect the rights of local communities and other stakeholders.	Respect the environment and protect natural resources.
Integrity, zero tolerance for corruption.	Implement monitoring and control procedures to identify, with due diligence, potential situations of risk of human rights violations, and establish mechanisms to prevent and mitigate these risks.

To achieve these objectives and commitments, **MERLIN** assumes and promotes the following basic guiding principles that should govern its actions and those of the Group in all areas:

- a) **Promote a culture of respect for human rights** and actions aimed at raising the awareness of the Group's professionals, suppliers, contractors and third parties with which professional relationships are maintained;

- b) **Identify the potential impacts** that the operations and activities carried out by the Group, either directly or through a third party, may have on human rights;
- c) **Assess the effectiveness of the due diligence system** through monitoring indicators, with a special focus on those activities where there may be a higher risk of human rights violations. This assessment will be supported by the Group's internal control systems;
- d) **Complaint and grievance mechanisms**, with sufficient guarantees and adequate resolution procedures, to address potential cases of human rights violations. **MERLIN** has set up an ethics mailbox at the address [canal.etico@merlinprop.com](mailto:canal.etico@merlinprop.com), which can be used to report any indication of irregularities in the actions or conduct of employees, executives or collaborators of the Group companies that could imply a breach of the Code of Conduct or that could be considered an act of discrimination, corruption, extortion, bribery or any other type of offence.
- e) **React** by diligently adopting the appropriate measures if a violation of human rights is detected in the Group's operations or in those of its customers or suppliers, and inform the competent authorities so that they can take the appropriate actions when this violation may constitute an administrative, criminal or any other type of offence

In particular, and with regard to its **Supply Chain**, **MERLIN** will encourage suppliers with which the Group companies interact to also show strict respect for the human rights as recognised in international law and the national laws of each of the countries in which they operate.

**MERLIN** considers its suppliers to be a key partner for compliance with this Policy and, therefore, they assume a shared responsibility with the Group. The Company will therefore promote respect for human rights throughout its supply chain and, in particular, will insist that the commitments contained in this Policy be extended to its suppliers and their employees, always respecting their management autonomy and following the practices and procedures contained in the Group's procurement regulations.

**In accordance with its Procurement Policy, MERLIN carries out ESG assessments of key suppliers of the Group companies**, which include an analysis of fundamental rights and procedures to help those suppliers with which it has contractual relationships to undertake, within the scope of their competencies, to protect human rights.

**MERLIN** will ensure that its business partners are aware of and respect the principles and commitments made in this policy.

In 2022, **MERLIN requested information from 110 suppliers representing 72% of CAPEX as of 31<sup>st</sup> December 2022**, requesting information and details on environmental, social and regulatory compliance matters, including aspects regarding human rights compliance (policies, demands, etc.) for each third party assessed.

**Lastly, no complaints of human rights violations were recorded in 2022.**



# 05. Climate change management and operational efficiency

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- 5.1 Key environmental reporting criteria and concepts
- 5.2 Environmental management and climate change
- 5.3. Development and operation of sustainable assets
- 5.4 Environmental performance of MERLIN Properties' portfolio
- 5.5. Decarbonisation of MERLIN Properties' portfolio
- 5.6 Carbon footprint certification
- 5.7 Validation of MERLIN's commitments by independent third parties
- 5.8 Sustainability ratings
- 5.9 Protection of biodiversity



THE GROUP'S ENVIRONMENTAL SUSTAINABILITY IS A KEY ASPECT TO ENSURE COMPLIANCE WITH ITS OBJECTIVES AT ALL LEVELS AND TO ENHANCE ITS VALUE CREATION, WITH ACTIVE MANAGEMENT OF CLIMATE CHANGE AND EFFICIENCY IN THE USE OF RESOURCES AS KEY PILLARS.



## MILESTONES 2022

- Launch of the **pathway to net zero** carbon emissions.
- Definition of **decarbonisation targets** and approval of these targets by the SBT.
- **Quantification of climate change risks** and their integration into the Group's risk management in accordance with TCFD.
- Implementation of the **green clause** for leases.
- Creation of the **Biodiversity Policy**.
- Adherence to the **SDGs**.



## FUTURE OBJECTIVES

- Creation of the **Group's own carbon sinks** to offset residual emissions.
- **Gradual replacement** of production equipment that uses fossil fuels.
- Expansion of asset management systems to **optimise energy consumption as much as possible**.
- Setting **footprint limits** in the construction phases (embodied carbon).



## KEY INDICATORS FOR THE YEAR

### LIKE FOR LIKE DATA

	2022 DATA	2021-2022 EVOLUTION
ENERGY CONSUMPTION (GJ)	360,268	-2%
ENERGY CONSUMPTION (MWH)	100,074	-2%
GREENHOUSE GAS EMISSIONS (TCO <sub>2</sub> EQ) MARKET-BASED	2,580	-23%
GREENHOUSE GAS EMISSIONS (TCO <sub>2</sub> EQ) LOCATION-BASED	14,167	+11%
WATER WITHDRAWAL (M <sup>3</sup> )	609,417	+18%
WASTE (TON)	6,992	+20%
% OF SELF-PRODUCED ENERGY	n/a	n/a
% OF PORTFOLIO (IN TERMS OF GAV) CERTIFIED WITH LEED, BREEAM	n/a	n/a
% OF THE PORTFOLIO CERTIFIED ON ISO 14001 Y 50001	67%	+4.8%

## ABSOLUTE DATA

	2022 DATA	2021-2022 EVOLUTION
ENERGY CONSUMPTION (GJ)	436,344	0%
ENERGY CONSUMPTION (MWH)	121,206	0%
GREENHOUSE GAS EMISSIONS (TCO <sub>2</sub> EQ) MARKET-BASED	2,729	-21%
GREENHOUSE GAS EMISSIONS (TCO <sub>2</sub> EQ) LOCATION-BASED	17,210	+9%
WATER WITHDRAWAL (M <sup>3</sup> )	680,084	+27%
WASTE (TON)	7,512	+21%
% OF SELF-PRODUCED ENERGY	1%	n/a
% OF PORTFOLIO (IN TERMS OF GAV) CERTIFIED WITH LEED, BREEAM	93.6%	+2.5%
% OF THE PORTFOLIO CERTIFIED ON ISO 14001 Y 50001	37%	+0.7%

## 5.1 KEY ENVIRONMENTAL REPORTING CRITERIA AND CONCEPTS

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### a) Methodology

**MERLIN** includes information on environmental performance of its asset portfolio in accordance with the methodology established by EPRA Sustainability Best Practice Recommendations (3rd edition, 2017) and based on the GRI (Global Reporting Initiative) Indexes.

### b) Reporting scope

#### Asset categories

**MERLIN** reports environmental performance information for the office, logistics and shopping centre portfolios<sup>(1)</sup>.

#### Type of surface area control

For more accurate performance management of its assets in terms of energy consumption efficiency, water withdrawal and carbon footprint, **MERLIN** separates the data for these indicators by type of property:

- Assets over which the Group exercises operational control. These are generally “multi-tenant” assets where the Group continuously assesses their environmental impact.
- Assets over which the Group does not exercise operational control. For these “single-tenant” assets, although **MERLIN** is the holder of some of the utility contracts, the consumption management tasks fall to the lessee of the asset.
- **MERLIN's** corporate headquarters and LOOM spaces leased by the Group.

In particular, **MERLIN** reports the information for the environmental indicator of waste management in terms of those assets where it is responsible for waste management, since in some cases this management is carried out by the owners' associations.

#### Reported data

The Group has established the following reporting criteria taking into account the criteria set out above and the condition of the asset:

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<sup>(1)</sup> The Company's policy excludes from the perimeter all assets that are under development or refurbishment. Data center assets are currently excluded from the environmental indicators as they are in the construction phase.

	Energy	Water	Waste	Certificates
Land <sup>(1)</sup>	✗	✗	✗	✗
WIP <sup>(2)</sup>	✗	✗	✗	✓
Assets in operation full year <sup>(3)</sup>	✓	✓	✓	
Assets in operation part of the year <sup>(4)</sup>	✓	✓	✓	✓ ✗

Environmental performance data are reported both in absolute terms and in relative terms, known as intensity, i.e. absolute consumption or emissions divided by the surface area for which the consumption or emissions are reported.

With these considerations in mind, the environmental indicators are calculated taking into account the percentage of GLA (Gross Leasable Area):

- To measure the intensity of assets that are in operation for part of the year, the asset's GLA is weighted by the time it has been in operation. This is a change from the data reported by **MERLIN** in previous years, which included the full GLA.
- Furthermore, in the case of assets that form part of an owners' association, the share of equity is applied to the energy and water consumption data. In these cases, the surface area taken into account in the calculations represents **MERLIN's** share of equity in the asset.
- Lastly, the total GLA of the assets is considered in the calculation of energy and water intensity, except in those cases where **MERLIN** only has control over the management of consumption in the common areas, in which case only the surface area of these common areas is considered.

	Energy % GLA	Water % GLA	Waste % GLA	Certifications % GLA
Offices	<b>73%</b>	<b>76%</b>	<b>62%</b>	<b>95%</b>
Logistics	<b>43%</b>	<b>24%</b>	<b>2%</b>	<b>82%</b>
Shopping Centres	<b>100%</b>	<b>100%</b>	<b>88%</b>	<b>100%</b>

<sup>(1)</sup> Plots of land acquired by the Group on which construction has not yet begun

<sup>(2)</sup> WIP: Assets under construction or refurbishment/renovation

<sup>(3)</sup> Assets in operation for the full fiscal year

<sup>(4)</sup> Assets that are in operation for part of the fiscal year, if the asset is in operation at the end of the fiscal year, the information on certifications is reported



## Absolute scope and like-for-like scope

Based on the EPRA sBPR Guidelines, **MERLIN** reports on a series of environmental indicators or KPIs (integrated in the EPRA Sustainability Performance Measures). These KPIs cover information on energy consumption, GHG or Greenhouse Gases emissions, water withdrawal and waste generations<sup>(1)</sup>.

There are two different types of KPIs: total or absolute KPIs and like-for-like KPIs. Absolute KPIs are calculated in terms of the total asset portfolio, while like-for-like KPIs are calculated considering only assets that have been in continuous operation for the last three years.

Environmental performance data is reported including the degree of coverage of each KPI. Coverage is defined as the proportion of assets for which there is information available to calculate the respective KPI with regard to total assets, calculated both in terms of the number of assets and surface area of the assets.

In 2022, **MERLIN** updated the criteria for calculating its GHG emissions, based on operational control and its share of equity in the assets as established in the GHG Protocol, using the market-based method, based on which the data on emission factors arising from electricity consumption must be obtained from the suppliers from which the electricity has been purchased. The Group previously calculated the emission factor based on the electricity mix for Spain and Portugal (location-based method).

Regarding the type of emissions, they are reported in Scope 1, 2 and 3, as described below

### 1) Scope 1, which includes direct GHG emissions:

- Associated with fuel consumption in fixed installations of assets with operational control.
- Associated with fugitive emissions of refrigerant greenhouse gases.

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### 2) Scope 2, which includes indirect GHG emissions:

- Associated with electricity consumption in installations.
- Associated with thermal energy consumption in installations.

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### 3) Scope 3, which are direct emissions from fuel consumption at fixed installations of assets not under operational control and indirect emissions as a result of the company's activities at sources that are neither owned nor controlled by the company (see Appendix II of this report).

In view of the above, the data for the last two years have therefore been recalculated, for easier year-on-year comparability.

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## 5.2 ENVIRONMENTAL MANAGEMENT AND CLIMATE CHANGE SYSTEMS

As it is responsible for the management of its portfolios, **MERLIN** has implemented an Integrated Management System (IMS) that includes the Environmental Management System and the Energy Management System. The IMS is certified under the reference standards UNE-EN ISO 14001:2015 for the Environmental Management System and UNE-EN ISO 50001:2018 for the Energy Management System.

The Environmental Management System implemented allows the environmental performance of its activity to be controlled, thus ensuring that it has a system in place to identify and comply with all applicable legal requirements of an environmental nature, and to identify and manage the associated environmental risks, demonstrating its commitment to the ongoing improvement of its environmental performance.

The Energy Management System allows the Company to improve energy efficiency, reduce consumption, improve operations and activities, and reduce emissions, demonstrating its commitment to the ongoing improvement of its energy performance and efficiency.

Thus, in 2015 the Company began an ambitious plan for ISO 14001 (environmental management) and ISO 50001 (energy management) certifications to maintain and expand the number of real estate assets that have at least ISO 14001 certification, and subsequently ISO 50001 certification (based on the understanding that it is a natural step to obtain ISO 14001 certification before aspiring to ISO 50001).

This plan includes office buildings, shopping centres and logistics warehouses. In 2022, 89 buildings comprising a surface area of 1,211,745 sqm were certified under ISO 14001, 6 more buildings than in 2021.

The Group also continued the process of implementing an Energy Management System under the ISO 50001 standard, which began in 2017. Currently, 84 buildings are certified comprising a surface area of 1,151,751, 5 more than in 2021.

The target for the assets included in the Energy Management System certified under ISO 50001 is to reduce energy consumption by 8% compared to the figure recorded in 2021 (96.71 kWh/sqm occupied), based on the implementation of ESMs (energy saving measures).

The Group adheres to the precautionary principle through the Environmental Management System, which identifies the most significant environmental impacts of its activities and establishes the mechanisms necessary to identify, assess and control these impacts.

The Group allocates 8.11 FTEs (3.12% workforce) to environmental risk prevention, considering the dedication of the governing bodies, senior management, and prevention and management teams.

With regard to cover for potential environmental risks, the Group has third-party liability insurance that expressly covers any third-party liability arising from contamination or pollution of the atmosphere, soil or water, provided that these harmful actions occurred as a result of an accidental, sudden, unforeseeable, unexpected and unintentional cause.

This insurance also covers the costs of removal, cleaning or disposal of contaminating substances for which **MERLIN** is legally liable due to contamination of third-party sites or facilities.

**In 2022, following an analysis, the Group did not consider it necessary to make provisions for potential environmental risks.**

## 5.3 DEVELOPMENT AND OPERATION OF SUSTAINABLE ASSETS

Integrating sustainability into each of the different phases of the asset's life cycle has always been a priority for **MERLIN** and it has remained constant through the different phases life-cycles:

### Acquisition of new land or buildings

In the due diligence process for investments in land and buildings, **MERLIN** considers environmental and social sustainability aspects such as the property's construction characteristics, the asset's energy efficiency, alignment with the Group's strategy regarding sustainable mobility, or the status of legal compliance and sanctions. Furthermore, as a starting point, the Group's strategy is to prioritise the location of assets in urban environments as this in and of itself ensures that no ecologically critical or endangered areas will be affected.

**MERLIN** is therefore committed to ensuring that:

- **100%** of office and shopping centre assets are located within 10 minutes/1km of public transport.
- **0%** of assets are located in protected or ecologically critical areas.
- **100%** of acquisitions take environmental and social criteria into account.

**MERLIN** has made progress fulfilling these commitments. For example, 100% of the Company's offices and shopping centres are accessible by public transport and all assets are located in urban areas that do not impact protected or ecologically critical areas. **MERLIN** also continues to work on integrating environmental and social criteria in its acquisitions in line with LEED and BREEAM certifications.

### Developments and refurbishments

Sustainability is a factor that enters into the design phase of **MERLIN's** new developments and refurbishments, which raises the value generated by the project from the initial stages. The Company also sets sustainability requirements for contractors, guides the projects for the certification of its assets based on sustainable construction schemes, and reduces and mitigates the negative impacts associated with the construction. In this phase, the Group replaces or installs resource-efficient equipment, systems and devices.

**MERLIN** has developed a new policy that establishes the obligation to calculate the embodied carbon footprint for projects over € 3 million and give an ESG performance rating to suppliers with projects to be carried out for over € 150 thousand.

**MERLIN** also seeks synergies between its assets to minimise and reuse the waste generated during refurbishment. Examples of this include the building materials, false ceilings and light

fixtures that were reused in other assets following the refurbishment of Arturo Soria 343 or the recycling of technical floor plates from Cerro de los Gamos. In 2022, materials from the Plaza Ruiz Picasso building were used for the construction of the Cerro de los Gamos Business Park, Atica 1, Churruca and Campo de las Naciones business park.

The Group's roadmap calls for more circularity among contractors in the development and refurbishment processes and, therefore, the Group plans to include these criteria in the evaluation of the bids submitted in tender processes.

With regard to biodiversity in developments and refurbishments, **MERLIN** studies the ecological value of the environment and proposes measures to preserve it, with priority given to native plant species in landscaped areas around our assets, avoiding exotic species. Likewise, although implicit in

its expansion strategy, the Group avoids deforestation in its developments and refurbishments by acquiring land in urban settings or with previous uses.

**MERLIN** is therefore committed to ensuring that:

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- **100%** of developed/refurbished assets have sustainable construction certification.

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- **100%** of critical suppliers will be evaluated on ESG aspects in 2023.

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**MERLIN** has made progress in living up to these commitments by obtaining **LEED** or **BREEAM** certification for all developments and refurbishments.

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## Management of properties in operation

When operating its assets, **MERLIN** is committed to monitoring and actively managing consumption, taking steps to optimise consumption, working with tenants and operators, reducing negative impacts on the asset's sustainability, evaluating suppliers based on sustainability criteria and certifying assets using recognised systems to measure sustainability performance.

Given that it is during the operating phase when **MERLIN** has the greatest capacity to act, the Group focuses its efforts on maximising the integration of sustainability during this phase. The following sustainability initiatives are currently being implemented in the portfolio in operation:

- **Monitor the environmental performance** of each asset throughout the chain of command and establish specific action plans on a quarterly basis.
- **Approve an investment plan** for the installation of equipment (lighting, temperature, etc.) that improves asset performance.
- **Include green clauses** to encourage energy efficiency in the tenant's operations.
- In line with its sustainability roadmap, **MERLIN continues to install photovoltaic panels on assets in its strategic portfolios (offices, shopping centres and logistics assets) as part of the Project SUN**, through which it aims to position itself as an essential player in the

energy transition as the largest developer of self-generated energy in its sector. Significant efforts have been made this year in implementing the project, having carried out 19 projects representing 10.9 MW additional MW in the year and implying a total capacity installed of 11.9 MW. The new facilities include 10 office assets, 5 logistics assets and 4 shopping centres. Following the completion of Phase I of the Sun Project, the peak installed capacity is expected to be 39.8 MW. .

- Likewise, 100% of **MERLIN's** assets under operational control consume renewable electricity with a guarantee of **origin certificate**.
- In an effort to improve the circularity of its assets, **MERLIN** implements different initiatives to optimise the use of materials, reduce waste generation and manage the generated waste more efficiently. **All assets (offices and shopping centres) therefore have waste sorting systems.**



**MERLIN's** main objective in the operation of its assets is having **100% of assets with photovoltaic panels installed<sup>(1)</sup>.**

## 5.4 ENVIRONMENTAL PERFORMANCE OF MERLIN PROPERTIES' PORTFOLIO

In line with market best practices in sustainability and to ensure that the results obtained are comparable to those reported by other companies in the sector, **MERLIN** reports on the environmental performance of its portfolio in accordance with the EPRA Sustainability Best Practice Recommendations (3rd edition, 2017)<sup>(2)</sup>.






For more information on the environmental performance of **MERLIN's** portfolio, and the methodology used, please refer to **"Appendix I. Environmental performance reporting in accordance with the EPRA Sustainability Best Practices Recommendations (sBPR)"**.

<sup>(1)</sup> This commitment applies to those assets where installation is feasible based on the technical and/or structural characteristics of the assets.

<sup>(2)</sup> The third and most recent edition of the EPRA (European Public Real Estate Association) sBPR Guidelines from 2017 take the GRI (Global Reporting Initiative) Standards as a starting point. These standards are the most important sustainability reporting standard in the world. However, they are intended for a wide range of companies and as such they are generic and broad in nature. As a result, in some cases they do not address the specific characteristics of the real estate sector. Accordingly, the EPRA sBPR Guidelines provide very specific reporting criteria that sum up the requirements in the GRI Standards. Following the recommendations of the EPRA sBPR Guidelines, Appendix I includes a series of tables that provide a full breakdown of the portfolio's environmental performance data.



## Key environmental performance indicators of MERLIN's portfolio<sup>(1)</sup>

	2020		2021		2022	
	Absolute	LfL	Absolute	LfL	Absolute	LfL
 <b>ENERGY</b>	365,134 GJ	336,735 GJ	436,963 GJ	368,763 GJ	<b>436,344 GJ</b>	<b>360,268 GJ</b>
	INT 0.210 GJ/sqm	0.261 GJ/sqm	0.223 GJ/sqm	0.283 GJ/sqm	<b>0.219 GJ/sqm</b>	<b>0.277 GJ/sqm</b>
	101,426 Mwh	93,537 Mwh	121,378 Mwh	102,434 Mwh	<b>121,206 Mwh</b>	<b>100,074 Mwh</b>
	INT 0.058 Mwh/sqm	0.072 Mwh/sqm	0.062 Mwh/sqm	0.079 Mwh/sqm	<b>0.061 Mwh/sqm</b>	<b>0.077 Mwh/sqm</b>
 <b>WATER</b>	480,580 m <sup>3</sup>	467,187 m <sup>3</sup>	535,055 m <sup>3</sup>	516,756 m <sup>3</sup>	<b>680,084 m<sup>3</sup></b>	<b>609,417 m<sup>3</sup></b>
	INT 0.350 m <sup>3</sup> /sqm	0.361 m <sup>3</sup> /sqm	0.377 m <sup>3</sup> /sqm	0.392 m <sup>3</sup> /sqm	<b>0.477 m<sup>3</sup>/sqm</b>	<b>0.463 m<sup>3</sup>/sqm</b>
 <b>WASTE</b>	4,951 tons	4,949 tons	6,195 tons	5,847 tons	<b>7,512 tons</b>	<b>6,992 tons</b>

With respect to the **energy consumption of the Like for Like<sup>(2)</sup>** assets, there has been a 2.3% decrease compared to 2021, mainly due to the implementation of energy saving measures and the control of the facilities, since it was expected that there would be an increase in this consumption compared to 2021 due to the disappearance in 2022 of the health restrictions due to the COVID-19 pandemic and the increase in occupancy in offices, logistics activity and the influx in shopping centres.

In relation to **energy intensity, in the Like for Like portfolio** it was 2.8% lower compared to 2021, and in the absolute portfolio, 1.4% lower compared to 2021.

In relation to performance data, **in Like for Like terms, the volume of water withdrawal** in 2022 in the assets in which **MERLIN** exercises operational control was 609,417 m<sup>3</sup> divided between consumption in office assets (42%), logistics warehouses (7%) and shopping centres (51%). Compared to 2021, there has been an increase of 17.9% mainly due to the increase in inflow in the office and shopping centre portfolio (+19.5%) as a result of the improvement in the COVID-19 pandemic situation and the high temperatures recorded in the summer period.

<sup>(1)</sup> The environmental indicators reported in the infographic only include information on assets over which **MERLIN** exercises operational control.

<sup>(2)</sup> The assets included are those that have been in continuous operation for the last three years.

## Energy consumption

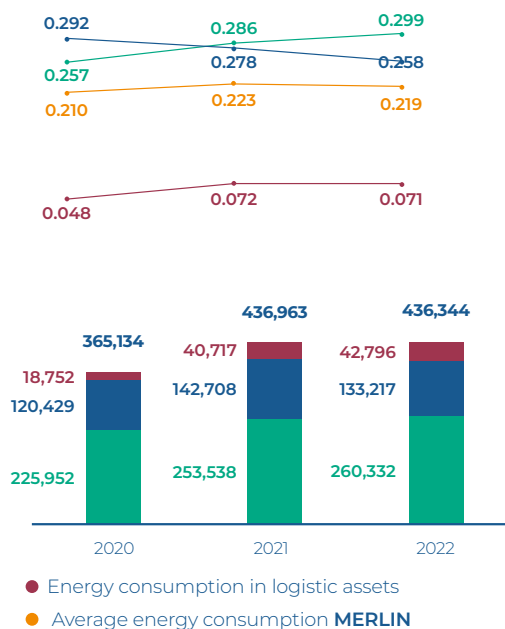
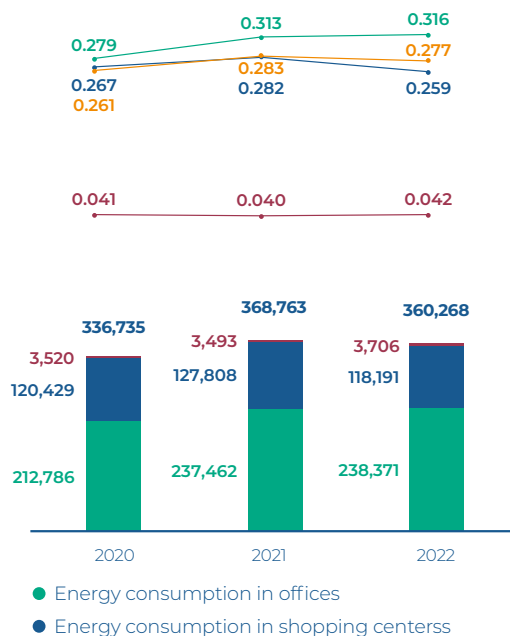
**MERLIN** collects information on energy consumption of its assets under operational control, assets not under operational control, **MERLIN's** headquarters in Madrid and the LOOM spaces in Huertas and Salamanca. The breakdown of energy consumption below includes consumption of electricity, fuel (natural gas and diesel) and district heating & cooling.

### Energy consumption at assets over which MERLIN exercises operational control

#### Energy consumption of MERLIN'S assets under operational control<sup>(1)</sup>

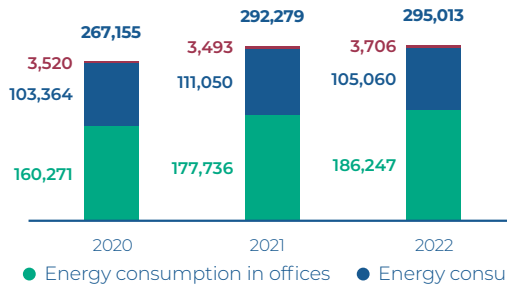
In relation to the assets over which **MERLIN** has the capacity to control and evaluate their energy consumption levels, the Company has information in absolute terms for 56% of the portfolio in terms of surface area.

- Like for Like energy consumption (GJ) and Like for Like energy intensity (GJ/sqm) by asset category.
- Absolute energy consumption (GJ) and absolute energy intensity (GJ/sqm) by asset category.

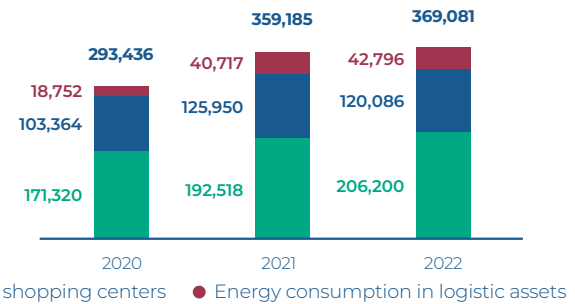


<sup>(1)</sup> The total surface area of the assets has been considered in the calculation of energy intensity, except in those cases where **MERLIN** only has control over the management of consumption in the common areas, in which case only the surface area of these common areas is considered.

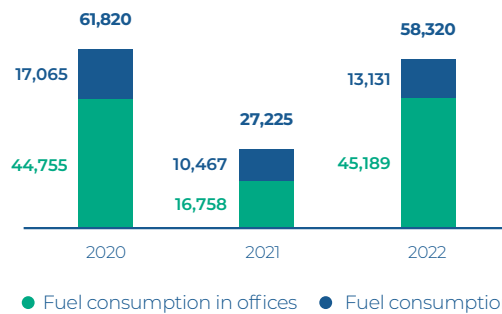
- Like for Like electricity consumption by asset category (GJ).



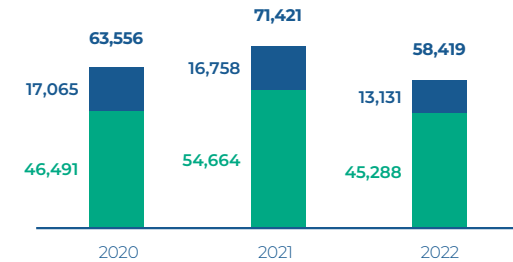
- Absolute electricity consumption by asset category (GJ)..



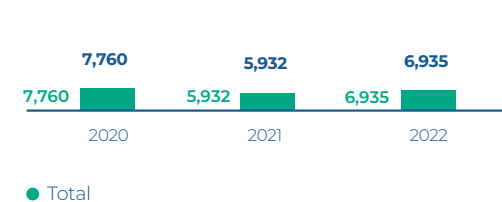
- Like for Like fuel consumption by asset category (GJ).



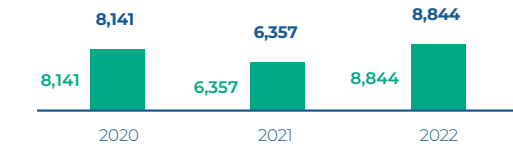
- Absolute fuel consumption by asset category (GJ).



- Like for Like district heating & cooling consumption by asset category (GJ).



- Absolute district heating & cooling consumption by asset category (GJ).



**MERLIN** has maintained its commitment to renewable energy through the production and self-consumption of photovoltaic energy at its assets and by increasing the number of assets that are supplied with renewable energy with a guarantee of origin. Green electricity consumption represents 99.2% of total electricity consumed by assets under operational control in 2022<sup>(1)</sup>.

Additionally, **MERLIN** acquires renewable energy certificates (RECs) within the framework of its LEED and BREEAM certificates. Thanks to this green energy purchase mechanism, the Group acquired a total of 12,627 GJ in 2022, worth approximately \$ 19,727.

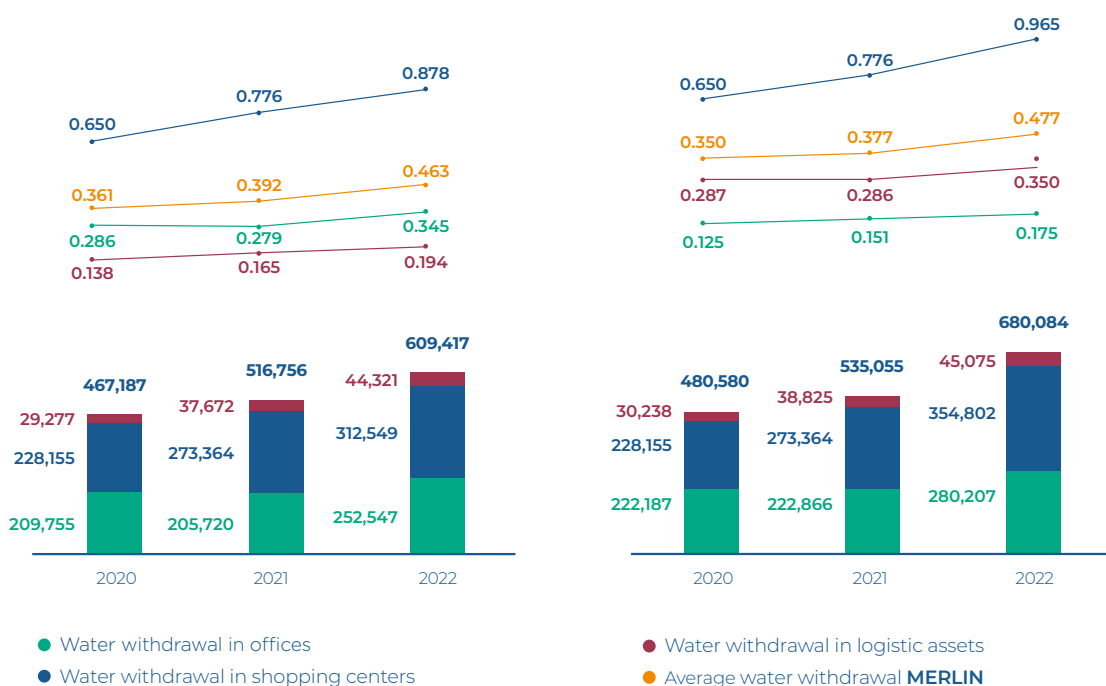
<sup>(1)</sup> The remaining electricity consumption (2,936 GJ, 0.8% of total electricity consumption) corresponds to the electricity that comes from conventional electricity suppliers.

## Water withdrawal

With regards to water withdrawal of the assets under management, **MERLIN** has the information of 54% of the portfolio, in terms of surface area.

### Water withdrawal from MERLIN'S assets under operational control<sup>(1)</sup>

- Like for like water withdrawal ( $m^3$ ) and like for like water withdrawal intensity ( $m^3/sqm$ ) by asset category.
- Absolute water withdrawal ( $m^3$ ) and absolute water withdrawal intensity ( $m^3/sqm$ ) by asset category.

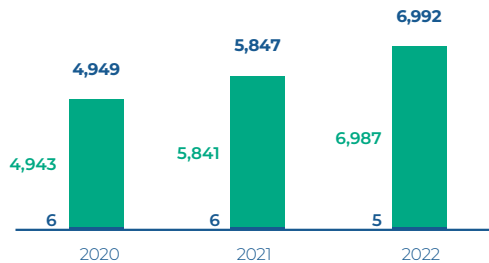


## Waste management

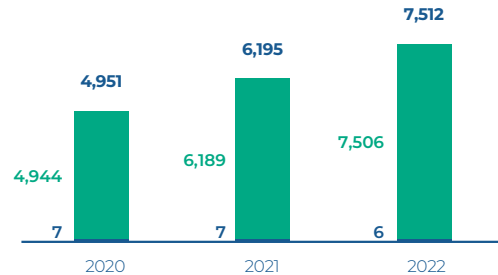
Within the framework of the ISO 14,001 Environmental Management System, **MERLIN** takes a systematic approach to waste management, separating waste at source according to its characteristics (including separation of hazardous and non-hazardous waste). Given the type of activity carried out by the Group, the hazardous waste generated by the assets is negligible in terms of weight compared to non-hazardous waste.

<sup>(1)</sup> The total surface area of the assets has been considered in the calculation of energy intensity, except in those cases where **MERLIN** only has control over the management of consumption in the common areas, in which case only the surface area of these common areas is considered.

- Like for Like waste generation by type of waste (tonnes generated).



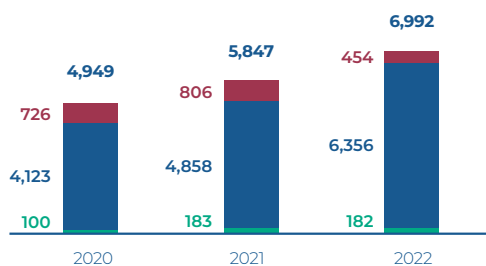
- Absolute waste generation by type of waste (tonnes generated).



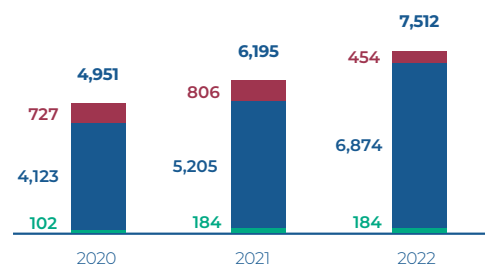
● Hazardous waste generation ● Non-hazardous waste generation

**MERLIN** has information on the final destination of 60% of the waste generated by the assets under operational control in its portfolio. In addition, practically all managed waste undergoes some sort of recovery process. The quantities of waste that undergo different types of treatment on a portfolio-by-portfolio basis are given below.

- Like for Like waste generation by asset category (tonnes generated).



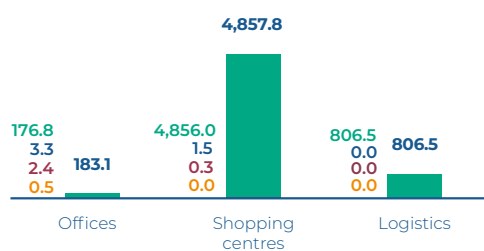
- Absolute waste generation by asset category (tonnes generated).



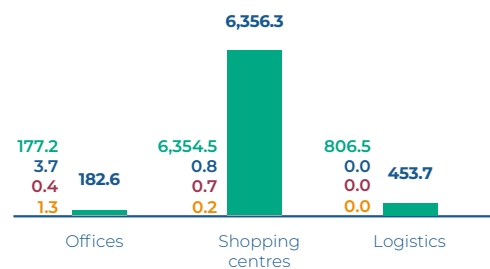
● Waste generation in offices ● Waste generation in shopping centers ● Waste generation in logistic assets

The like for like increase is mainly due to the recovery to pre-covid levels of the footfall in the shopping centres (+19.5%).

- Like for Like total weight of waste by disposal route (tonnes generated) 2021.

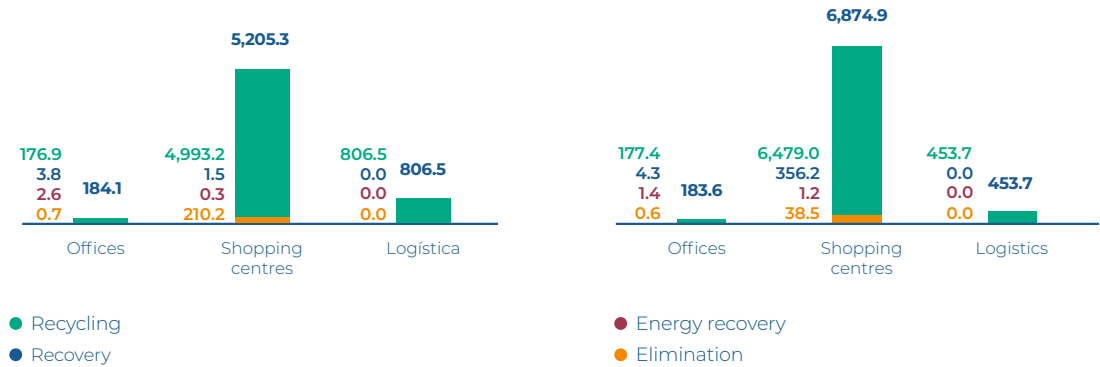


- Absolute total weight of waste by disposal route (tonnes generated) 2021.





- Like for Like total weight of waste by disposal route (tonnes generated) 2022.
- Absolute total weight of waste by disposal route (tonnes generated) 2022.



In the coming years, the Group will remain focused on continuously improving the identification and management of waste, maximising the amount of waste that can be recovered and/or recycled and minimising the volume of waste not classified or sent to the landfill. The Marineda shopping centre, which continues to hold the “Zero Waste” certification awarded by AENOR is notable in this regard.

Due to its activity, **MERLIN** no longer considers food waste to be a material aspect. However, the Group promotes initiatives such as Too Good to Go at its shopping centres, which helps to reduce food waste at its assets.




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## 5.5 DECARBONISATION OF MERLIN PROPERTIES' PORTFOLIO

**MERLIN's** progress over the last few years has enabled the Company to define its emissions reduction strategy or "Pathway to Net Zero" for 2030, thus getting a head start on the European strategy for decarbonisation of the economy and ensuring the present and future survival of the Company and its assets.


**MERLIN's** Pathway to Net Zero is a roadmap that outlines the way to improve not only the performance of the Company and its assets under operational control, but also the behaviour of the key agents responsible for **MERLIN's** emissions along its value chain, including suppliers and tenants.

In 2022, **MERLIN** updated the criteria used for the calculation of emissions, using the market-based method<sup>(1)</sup> as established in the GHG Protocol guidelines.

	2020	2021	2022
	Absolute	Absolute	Absolute
<b>Market-based Scopes 1 y 2</b>	3,069	3,469	<b>2,729</b>
<b>Scope 1</b>	2,541	2,676	<b>2,670</b>
<b>Scope 2</b> Market-based	528	793	<b>59</b>
<b>Intensity</b> tCO <sub>2</sub> eq/m <sup>2</sup>	0.002	0.002	<b>0.002</b>
<b>Scope 3</b>	n/d	n/d	<b>n/d</b>

<sup>(1)</sup> Market-based method calculates emissions based on the electricity that organizations have chosen to purchase. The difference is that the market-based method takes into account the use of renewable energy outside the consumption location as a generator of 0 carbon emissions, while the location-based method assigns the average local grid emission factor to renewable use outside the consumption location.

MERLIN continues to report its emissions under the location-based method<sup>(1)</sup>.

	2020	2021	2022
	Absolute	Absolute	Absolute
<b>Location-based Scopes 1 y 2</b>	<b>12,773</b>	<b>15,824</b>	<b>17,210</b>
<b>Scope 1</b>	<b>2,541</b>	<b>2,676</b>	<b>2,670</b>
<b>Scope 2</b> Location-based	<b>10,232</b>	<b>13,148</b>	<b>14,540</b>
<b>Intensity</b> tCO <sub>2</sub> eq/m <sup>2</sup>	<b>0.009</b>	<b>0.010</b>	<b>0.011</b>
<b>Scope 3</b>	<b>n/d</b>	<b>111,627</b>	<b>133,674</b>

## Scope 1 and scope 2 greenhouse gas (GHG) emissions

The information provided below describes the calculation of the greenhouse gas (GHG) emissions associated with electricity and fuel consumption (natural gas and diesel), district heating & cooling and the refrigerant gas recharges for the cooling systems recorded at assets under operational control, assets not under operational control, **MERLIN's** headquarters in Madrid and the LOOM spaces in Huertas and Salamanca.



For more information on the environmental performance of **MERLIN's** portfolio, and the methodology used, please refer to **“Appendix I. Environmental performance reporting in accordance with the EPRA Sustainability Best Practices Recommendations (sBPR)”**.

<sup>(1)</sup> In both methods, Scope 1 emissions have been calculated considering the factors recommended by the Spanish Ministry of Ecological Transition and Demographic Challenge (MITERD). Likewise, Scope 2 location-based emissions corresponding to electricity consumption have been calculated considering the emission factor of the electricity mix for the countries of Spain and Portugal. The electricity mix emission factor is a ratio that represents the intensity of CO<sub>2</sub> emissions with respect to the generation of electricity consumed. It is therefore an indicator of the relevance of low-carbon energy sources in the country's electricity production as a whole. The scope 2 location-based emissions corresponding to District Heating consumption have been obtained from the emission factor provided by Districlima, and the emissions corresponding to District Cooling consumption have been obtained considering the specific electricity consumption necessary for the chilled water service and the emission factor of the Spanish electricity mix.

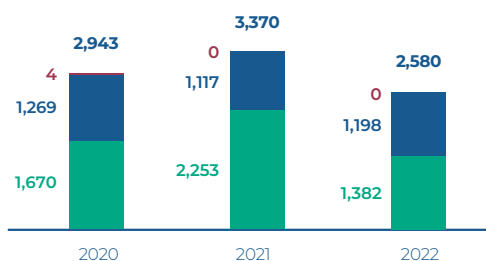
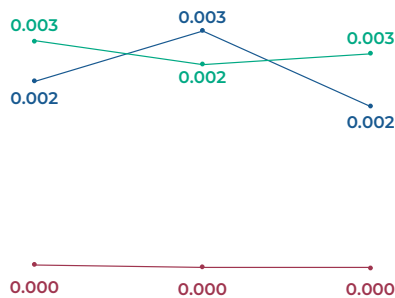
## GHG emissions at assets over which MERLIN exercises operational control (market-based)

First, taking a market-based calculation approach and considering the like-for-like portfolio, the sum of scope 1 and scope 2 GHG emissions was 2,580 tCO<sub>2</sub>eq, 23.4% less than in 2021.

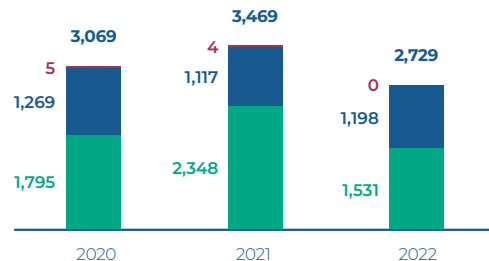
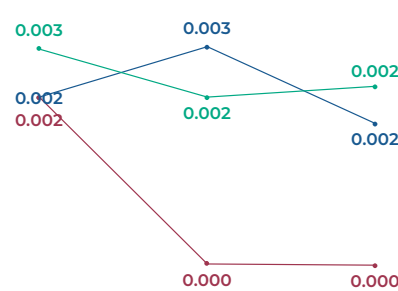
Looking at the portfolio in absolute terms, the sum of scope 1 and scope 2 market-based GHG emissions was 2,729 tCO<sub>2</sub>eq, 21.3% more than in 2021. Broken down by scope, 2,670 tCO<sub>2</sub>eq correspond to scope 1 emissions<sup>(1)</sup> and the remaining 59 tCO<sub>2</sub>eq to scope 2 emissions<sup>(2)</sup>.

### Kpis - scope 1 and scope 2 greenhouse gas (ghg) emissions at MERLIN's assets under operational control<sup>(3)</sup>

- Like for Like GHG emissions (tCO<sub>2</sub>eq) and Like for Like GHG emissions intensity (tCO<sub>2</sub>eq/sqm) by asset category.



- Absolute GHG emissions (tCO<sub>2</sub>eq) and absolute GHG emissions intensity (tCO<sub>2</sub>eq/sqm) by asset category.



● GHG emissions in offices ● GHG emissions in shopping centers ● GHG emissions in logistic assets

<sup>(1)</sup> Includes fuel consumption and refrigerant gas recharges.

<sup>(2)</sup> Includes electricity consumption and district heating & cooling.

<sup>(3)</sup> The scope 1 and scope 2 GHG emissions reported below are for assets over which **MERLIN** exercises operational control. The total surface area of the assets has been considered in the calculation of energy intensity, except in those cases where **MERLIN** only has control over the management of consumption in the common areas, in which case only the surface area of these common areas is considered.

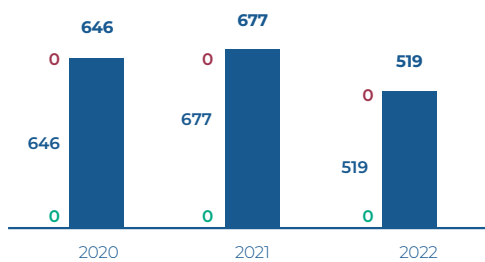
- Total like for Like GHG emissions intensity (tCO<sub>2</sub>eq) .



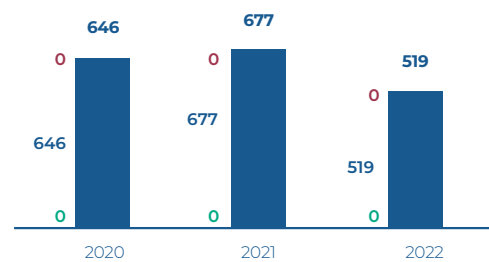
- Total absolute for Like GHG emissions intensity (tCO<sub>2</sub>eq) .



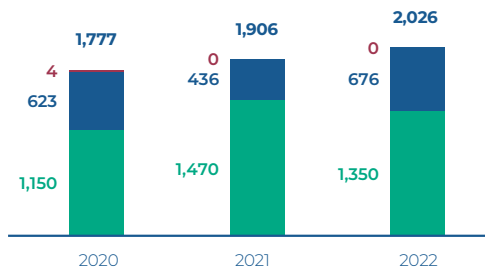
- Like for Like GHG Scope 1 emissions (fuel consumption) by asset category (tCO<sub>2</sub>eq).



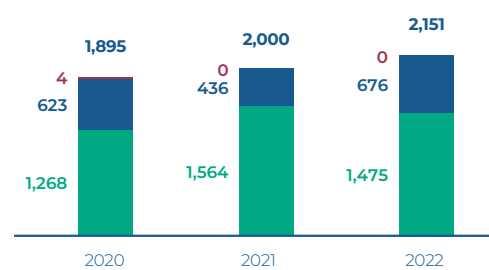
- Absolute GHG Scope 1 emissions (fuel consumption) by asset category (tCO<sub>2</sub>eq).



- Like for Like GHG Scope 1 emissions (refrigerant gases) by asset category (tCO<sub>2</sub>eq).

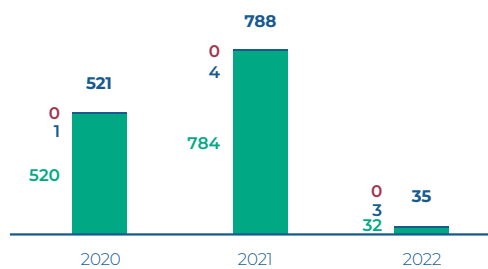


- Absolute GHG Scope 1 emissions (refrigerant gases) by asset category (tCO<sub>2</sub>eq).

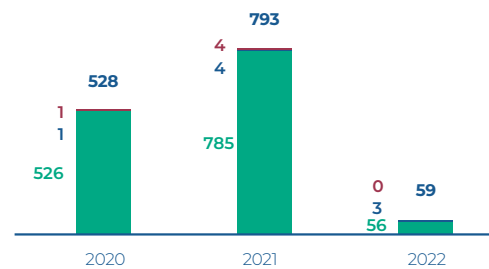


- Scope 1 GHG emissions in offices ● Scope 1 GHG emissions in shopping centers ● Scope 1 GHG emissions in logistic assets

- Like for Like GHG Scope 2 emissions by asset category (tCO<sub>2</sub>eq).



- Absolute GHG Scope 2 emissions by asset category (tCO<sub>2</sub>eq).



- Scope 2 GHG emissions in offices ● Scope 2 GHG emissions in shopping centers ● Scope 2 GHG emissions in logistic assets



## GHG emissions at assets over which MERLIN exercises operational control (location-based)

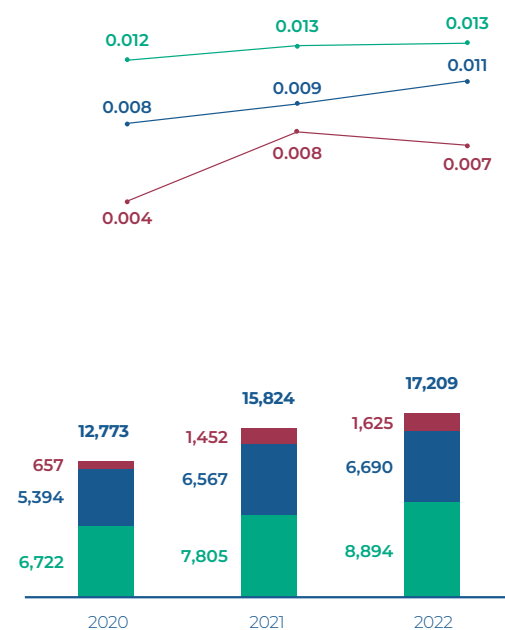
Taking a location-based calculation approach and considering the like-for-like portfolio, the sum of scope 1 and scope 2 GHG emissions was 14,167 tCO<sub>2</sub>eq, 8.6% more than in 2021. Looking at the portfolio in absolute terms, the sum of scope 1 and scope 2 location-based GHG emissions was 17,210 tCO<sub>2</sub>eq, 8.8% more than in 2021. Broken down by scope, 2,670 tCO<sub>2</sub>eq correspond to scope 1 emissions<sup>(1)</sup> and the remaining 14,540 tCO<sub>2</sub>eq to scope 2 emissions<sup>(2)</sup>.

### KPIs - Scope 1<sup>(3)</sup> and scope 2 greenhouse gas (ghg) emissions at MERLIN's assets under operational control<sup>(4)</sup>

- Like for Like GHG emissions (tCO<sub>2</sub>eq) and Like for Like GHG emissions intensity (tCO<sub>2</sub>eq/sqm) by asset category.



- Absolute GHG emissions (tCO<sub>2</sub>eq) and Like for Like GHG emissions intensity (tCO<sub>2</sub>eq/sqm) by asset category.



- GHG emissions in offices ● GHG emissions in shopping centers ● GHG emissions in logistic assets

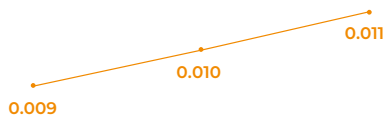
<sup>(1)</sup> Includes fuel consumption and refrigerant gas recharges.

<sup>(2)</sup> Includes electricity consumption and district heating & cooling.

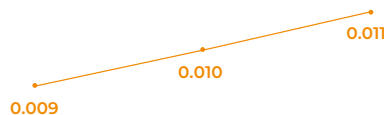
<sup>(3)</sup> Given that, in both methods, Scope 1 emissions have been calculated considering the factors recommended by the Spanish Ministry of Ecological Transition and Demographic Challenge (MITERD), this section does not include Scope 1 data, already reported under the market-based approach.

<sup>(4)</sup> The scope 1 and scope 2 GHG emissions reported below are for assets over which **MERLIN** exercises operational control. The total surface area of the assets has been considered in the calculation of energy intensity, except in those cases where **MERLIN** only has control over the management of consumption in the common areas, in which case only the surface area of these common areas is considered.

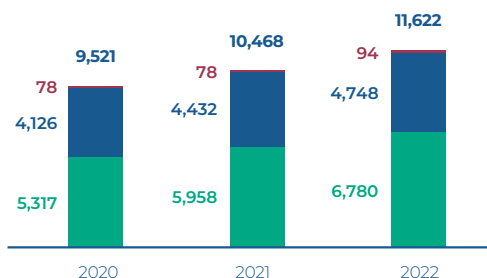
- Total Like for Like GHG emissions intensity (tCO<sub>2</sub>eq/sqm)



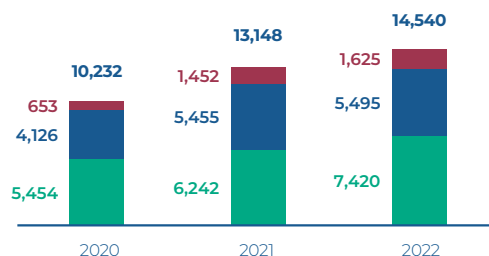
- Total absolute GHG emissions intensity (tCO<sub>2</sub>eq/sqm)



- Like for Like GHG Scope 2 emissions by asset category (tCO<sub>2</sub>eq).



- Absolute GHG Scope 2 emissions by asset category (tCO<sub>2</sub>eq).



● Scope 2 GHG emissions in offices ● Scope 2 GHG emissions in shopping centers ● Scope 2 GHG emissions in logistic assets

## Scope 3 greenhouse gas (GHG) emissions

In line with its “Pathway to Net Zero” strategy, in 2022 the Company extended the calculation of its indirect scope 3 GHG emissions, those resulting from the Company’s activities at sources that are neither owned nor controlled by the Company. **MERLIN** therefore calculated its GHG emissions in the most relevant categories defined in the GHG Protocol based on the Group’s lines of business, as shown below.

As a result of the updated criteria for calculating scope 1 and scope 2 emissions, **MERLIN** has established the following considerations for including indirect GHG emissions in its value chain for the calculation of scope 3 emissions:

- **Emissions associated with assets where MERLIN is a landlord:** emissions from fuel consumption at fixed installations in offices used to air condition lessees’ private areas or at shopping centres where it is used to air condition leased premises. The use of this fuel, the control of its use, and the bills issued are paid by the lessees.
- **Emissions associated with assets in which the complete measurement of the energy consumed in the building is available in the invoice in the name of a Group company,** where it is considered that 88% of such consumption corresponds to the tenants’ own consumption for the development of their activity.
- **Emissions from the utilities of single-tenant assets held in MERLIN’s name.**

Type of emission	GHG protocol category	Emissions (tCO <sub>2</sub> eq)	
		2021	2022
Emissions related to the supply chain	1. Goods and services purchased	6,207	7,372
	2. Capital goods	43,315	41,228
	4. Upstream transport and distribution	937	1,005
Upstream emissions from fuels	3. Fuel and energy-related activities	2,253	2,734
Emissions associated with employee commuting	7. Employee commuting	6,673	8,741
Emissions associated with assets where <b>MERLIN</b> is a landlord	8. Upstream leases	92	118
Emissions associated with assets where <b>MERLIN</b> is a tenant	13. Downstream leases	52,150	72,475
<b>Total</b>		<b>111,627</b>	<b>133,674</b>



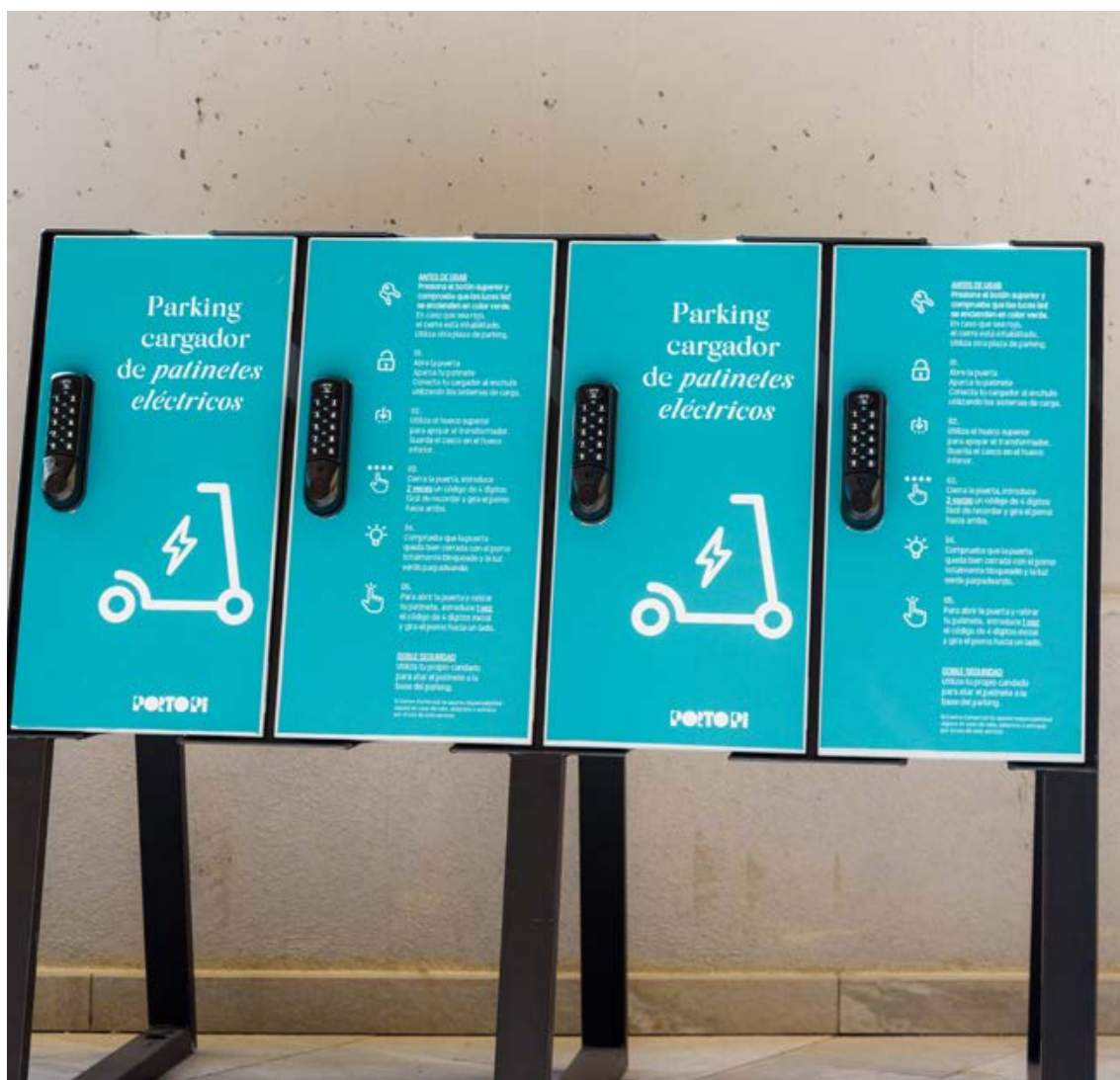
Additional information on the method for calculating scope 3 GHG emissions can be found in “Appendix II. Methodology for calculating scope 3 GHG emissions”.

## 5.6 CARBON FOOTPRINT CERTIFICATION

In accordance with the requirements established in UNE EN ISO 14064-3:2012 standard on greenhouse gases, **MERLIN** has the calculation of its scope 1 and scope 2 carbon footprint verified by an independent third party. Using the GHG Protocol framework, the Group reports all GHG emissions and removals attributable to the operations over which it exercises control and, where applicable, its equity share in the respective facilities.

Based on the gross carbon footprint, **MERLIN** removes its emissions through carbon offset projects, by planting vegetable gardens and vertical gardens in some of its assets and through reforestation projects.

Lastly, **MERLIN** offsets its emissions by obtaining offsets or removal credits from carbon emission reduction projects through voluntary certificate programmes, obtaining offset purchase certificates.



## 5.7 VALIDATION OF MERLIN'S COMMITMENTS BY INDEPENDENT THIRD PARTIES

As stated in the Sustainability Policy, one of the most important steps **MERLIN** takes to support the robustness and practical implementation of the assumed commitments is to have them validated by independent third parties. This is particularly relevant in the operation of the assets, as they are the ones that require a great deal of effort on the Group's part and also where it has more options for having its results independently validated.

This is why **MERLIN** has its portfolio certified under LEED, BREAM, ISO, AEO, AIS and WELL.

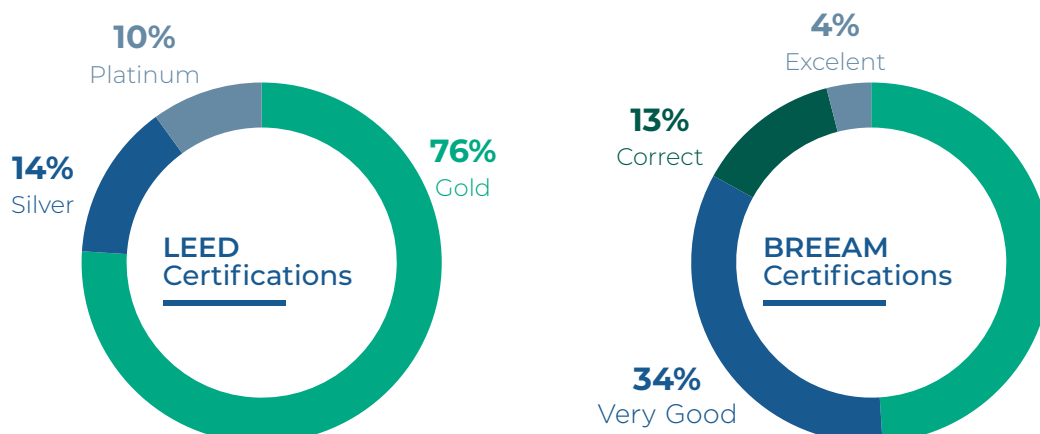
### LEED/BREEAM certifications

**MERLIN** takes on the responsibility of leading the development and operation of sustainable assets with the highest standards of quality and excellence. One component of that leadership is seeking to certify practically all of its main portfolios (offices, logistics assets and shopping centres) **under the market's benchmark sustainable construction standards: LEED and BREEAM.**

In new construction and refurbishment projects, **MERLIN** prioritises LEED certification in the Building Design and Construction category. For assets in operation, **MERLIN** aims to obtain the highest possible rating within the BREEAM in Use and LEED Building Operations & Maintenance standards, which requires a commitment from both **MERLIN** and the tenants.

As part of the certification plan introduced by the Group in 2016, at the 2022 year-end, 93.6% of **MERLIN's** strategic portfolio in terms of GAV was certified under one of the two international benchmark standards for sustainable construction: LEED and BREEAM. **MERLIN** is thus positioned as a REIT of reference in this area, having nearly achieved the goal of certifying 99% of offices, 100% of shopping centres and 97% of logistics assets in terms of GAV.

**MERLIN** obtained or renewed a total of 34 LEED or BREEAM certifications in 2022. With the addition of these certifications, the current status of the portfolio in terms of sustainable construction certifications is as follows:



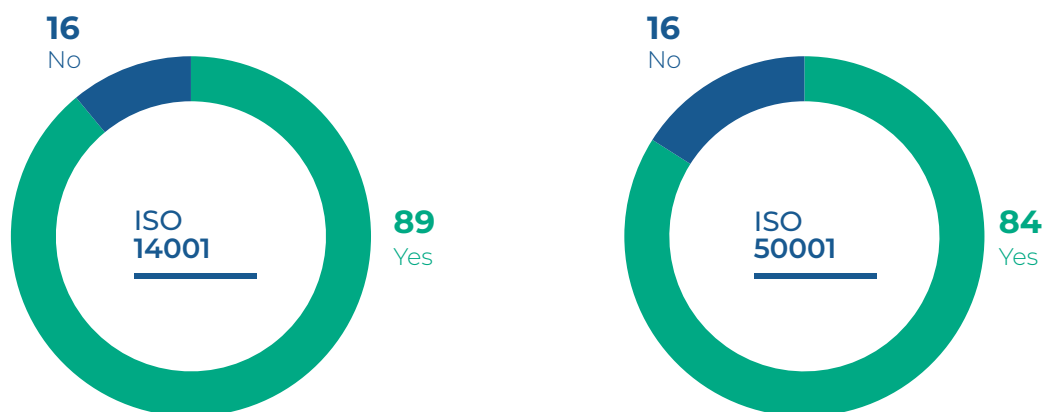


## ISO CERTIFICATIONS

**MERLIN's** commitment to minimising the environmental impacts stemming from the existence and operation of its assets is backed by its Environmental Management System certified under ISO 14001. At the end of 2022, a total of 89 assets (including 78 office assets, 8 shopping centres and 3 logistics assets), representing a surface area of 1,211,745 sqm, or 36.7% of the strategic portfolio's total surface area, were covered under the System. **MERLIN** continues to make progress in the integration of new assets under its Environmental Management System, with the aim of certifying all multi-tenant office assets and as many shopping centres as possible in the coming years.

In addition, the Group seeks to reinforce its commitment to improving the energy efficiency of its assets and introducing measures to optimise consumption by obtaining ISO 50001 certification of its assets. Over the last year, 7 new buildings were certified under this standard, bringing the total to 84 assets (including 75 office assets, 8 shopping centres and 1 logistics asset) covering a surface area of 1,151,751 sqm, which represents 34.8% of the total surface area of the portfolios indicated.

Below is a breakdown by surface area in relation to those assets eligible to be certified under ISO 14001 and ISO 50001.

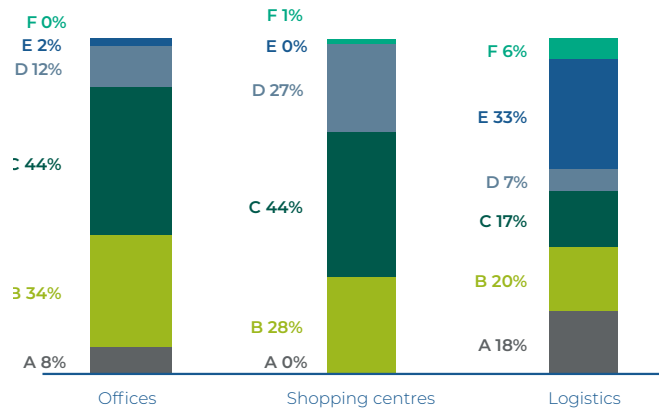


## Energy rating of MERLIN's assets

Pursuant to Royal Decree 235/2013, **MERLIN** continues to make progress in obtaining energy ratings for all of the assets in its portfolio. At the end of 2022, 97% of **MERLIN's** strategic portfolio (offices, shopping centres and logistics assets) had an energy rating.

**MERLIN** also uses these certifications to gauge the energy performance of air conditioning, lighting and domestic hot water systems, which allows the Group to prioritise and optimise the implementation of energy efficiency measures.

### Energy rating of MERLIN's assets (% of surface area)



### Other certifications

In 2022, **MERLIN** continued the process of certifying its assets under recognised industry standards. 33 new office assets obtained **AEO certification**, which certifies the technical quality of office buildings by assessing technical parameters such as architectural features, facilities, equipment and property maintenance.



Furthermore, as reflected in the Sustainability Policy, one of the Group's priorities is the well-being of the users of its assets. **MERLIN** therefore seeks to further support its commitment by obtaining external certifications that allow the Company to advance and improve its performance in this area.



The Company has been certifying its assets under the **AIS certification** system for years, which certifies the degree of accessibility of the assets. Under this system, **MERLIN** has continued to expand its AIS-certified portfolio, which reached a total of 69 assets in 2022.

At the same time, the Group continues to analyse the feasibility of obtaining WELL certification for its assets, aimed at taking measures focused on the health and well-being of the asset's occupants, and has begun the preliminary work on four of its assets to obtain the highest WELL rating. In 2022, the Castellana 85, Madrid, asset was awarded a **WELL Platinum** rating.



In addition, the Group has obtained **WiredScore certification** for 14 of its assets in 2022. This certification measures aspects such as flexibility, infrastructure quality and data transmission speed.



In 2022, **MERLIN** invested a total of €1.2 million to obtain, maintain and extend these certifications, as part of the Group's commitment to effectively incorporate sustainability into the management of its assets.

## 5.8 SUSTAINABILITY RATINGS

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**MERLIN** regularly participates in various sustainability benchmark indices, which reflect the Group's efforts and the effectiveness of the steps taken in both internal management and asset management.

The Group's score increased in 2022 compared to 2021 on all of the relevant sustainability indices. Specifically, **MERLIN** participates in six sustainability indexes; three of them — GRESB (real estate), CDP (climate change) and S&P Global (general) — consist of a questionnaire, while the other three — Sustainalytics (ESG risks), Bloomberg (general) and Vigeo Eiris (general) — are based on the Group's public reporting.

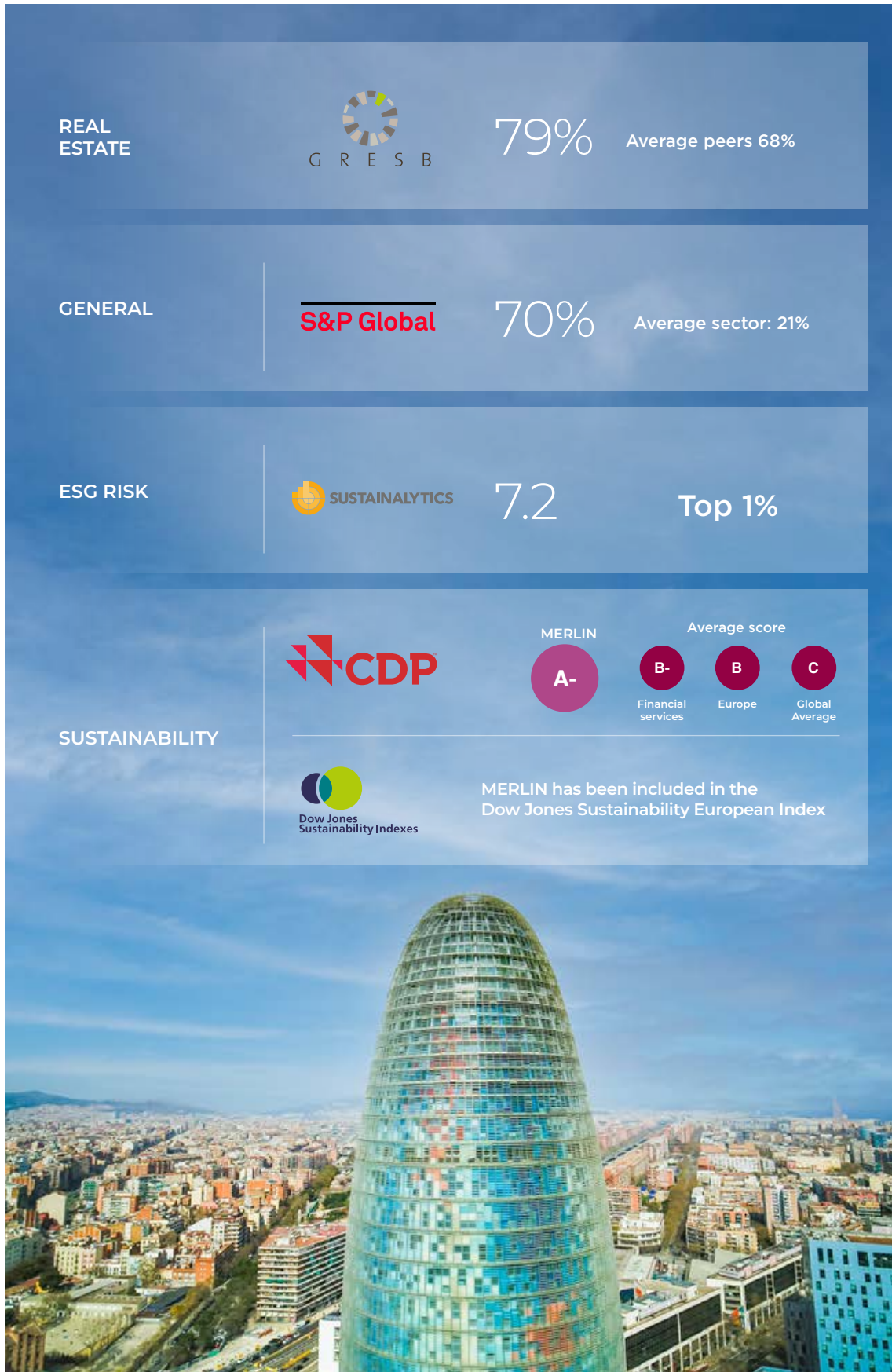
**MERLIN** has reinforced its position on GRESB, an international benchmark that measures the environmental, social and governance performance of companies in the real estate sector, having participated for the fourth year in a row. The Group achieved a score of 79 points out of 100, which places it above the global average and ahead of its peers (companies ranked as comparable to **MERLIN**).

For the third year in a row, **MERLIN** also participated in the CDP questionnaire, which assesses the degree of a company's commitment to climate change. **MERLIN** improved its rating to an "A-", which means that the Group is transparent and manages climate change issues adequately. This rating is higher than the global, European and peer group average assigned by CDP (financial services).

In line with the commitment made last year, **MERLIN** once again actively participated in the S&P CSA questionnaire, obtaining a score 70%, a substantial improvement on the 58% obtained in 2021. This improvement allows the Company to once again be included in the Dow Jones Sustainability European Index for the second year in a row.

With regard to sustainability reporting, **MERLIN** received the Gold Award from EPRA for the fifth year in a row. This award recognises the degree to which its Sustainability Report (formerly CSR) is aligned with EPRA Sustainability Best Practices Recommendations.

Since 2020, **MERLIN** has adapted its Sustainability Report (formerly CSR) to Bloomberg's ESG Disclosure Score, reporting additional information that is more in line with the indicators defined by Bloomberg for this index. **MERLIN** has considerably improved its ESG risk rating in Sustainalytics, positioning itself as a leader both globally and in the real estate and REIT sector, obtaining a total rating of 7.2 points and thus being included among the top 1% of the best rated companies worldwide.



Torre Glòries | Barcelona

## 5.9 PROTECTION OF BIODIVERSITY

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As part of its objective in the field of sustainability, **MERLIN's** Board of Directors approved the Biodiversity Policy in 2022 with the aim of establishing a reference framework to integrate the protection and promotion of biodiversity into the Group's strategy, and to define the guiding principles for developing a sustainable and positive business model with nature, so that its activities protect and promote the development and growth of natural heritage, including, in particular, the protection of animals.

The degradation of ecosystems and the unprecedented decline of biological diversity, unanimously identified by the scientific community as a direct consequence of the impact of human activities, entail serious environmental, economic and social risks, urging action to reverse biodiversity loss.

The Group is committed to assuming a leadership position in the conservation and promotion of biodiversity in its sector of activity and to integrating the United Nations 2050 vision "Living in harmony with nature" into its management, where biodiversity is valued, conserved, restored and used sustainably, maintaining ecosystem services, supporting a healthy planet and delivering benefits essential for all people.

### Guiding principles

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Integrate biodiversity into the Group's internal strategic planning and decision-making processes, and into the analysis, management and reporting of long-term risks.

- **Identify, quantify and evaluate**, on an ongoing basis and throughout the life cycle of the assets, the impacts and dependencies of the activities on natural capital, including the diversity and protection of wild animals, and protected and vulnerable species, respecting them in all lines of action.
- **Protect species and habitats**, both those under threat and those of high biodiversity value, through the adoption of preventive, minimising and enhancing measures.
- **Manage and offset** in quantity and quality the negative impacts produced on the environment, giving priority to nature-based solutions, facilitating the connectivity of populations and encouraging the development of specially protected areas or private conservation.
- **Promote knowledge of and training** in biodiversity for the Group's employees and suppliers.

As a result of **MERLIN's** commitment to the environment, the Group contributes through its daily activities to improving the environment around us. **MERLIN** analyses and minimises its potential negative impacts on biodiversity throughout the life cycle of its assets, especially in developments and refurbishments, proposing measures to preserve the environment and prioritising native plant species in the landscaped areas of the various assets, while avoiding exotic species. Likewise, although implicit in its expansion strategy, the Group avoids deforestation in its developments and refurbishments by acquiring land in urban settings or with previous uses.

Furthermore, **MERLIN Properties** is not materially dependent on ecosystem and/or abiotic services, either in its own operations or in its supply chain, or in the development/rehabilitation of buildings or the management of existing buildings. Point 6.2 provides an explanation of the relationship with its suppliers and the type of employment generated in the communities, and point 4.3 gives a description of the development and operation of sustainable assets.

The actions carried out by the Group in this area are as follows:



Reforesta | Spain



Adequa | Madrid



Torre Chamartín | Madrid

In Spain, **MERLIN** collaborates with the **REFORESTA** Association, contributing to the conservation and recovery of forests, to reverse deforestation and mitigate the effects of climate change. In 2022, the Group continued its financial support for reforestation initiatives by making donations.

**MERLIN** manages several urban gardens, where the Group has begun to promote actions to preserve biodiversity.

With regard to biodiversity in developments and refurbishments, **MERLIN** studies the ecological value of the environment and proposes measures for its conservation. Priority is given to native plant species in the landscaped areas around their assets and exotic species are avoided.

**REFORESTA** 



# 06. Talent creation<sup>(1)</sup>

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- 6.1 Staff loyalty
- 6.2 Employee compensation
- 6.3 Organisation of work
- 6.4 Safety, health and well-being  
of employees
- 6.5 Labour relations
- 6.6 Diversity and equal  
opportunities



## MILESTONES 2022

- Registration of the **Equality Plan**. Communication of the Equality Plan to employees.
- Development of a specific **Human Capital Policy** and a **Protocol Against Sexual Harassment**.
- **Improvements with regard to selection** through the implementation of a new digital tool and the formalisation of the internal vacancies process.
- Expansion of **work-life balance** measures.
- **Encouragement of employee relationships through sport** with the participation of employees in inter-company sports leagues.
- **37% increase** in training hours compared to the previous year.
- **Reduction of the wage gap** compared to 2021



## FUTURE OBJECTIVES

- Create an **Employee Portal** on the corporate website linked to the new digital selection tool.
- Promote **women's empowerment** in business through training and inclusion in associations for this purpose.
- **Improve the flexible remuneration portal** so that employees can access new benefits or discounts.
- Encourage **employees to volunteer**.
- Resume employee **visits to the Company's assets** to enhance ownership.
- **Decrease staff turnover** in those jobs with a higher turnover rate.
- Introduce **new functionalities to the payroll software** that allow for more automated analysis of employee data.



## KEY INDICATORS FOR THE YEAR

	2022	CHANGES 2021-2022
NUMBER OF EMPLOYEES	260	+8.8%
% OF WOMEN EMPLOYEES	45%	-
% OF EMPLOYEES WITH A PERMANENT CONTRACT	98%	-

<sup>(1)</sup> See **MERLIN's** Human Capital Management risks and action plans in Section 3.2. Risk Management

## 6.1 STAFF LOYALTY

In its relationship with employees **MERLIN** adheres to the strictest labour standards, complying with the principles set out in the ILO Declaration on Fundamental Principles and Rights at Work. The Human Capital Policy, the Equality Plan and the Human Resources Processes Handbook and Employee Handbook currently set out the guiding principles for human capital management at the Company.

The risks inherent in the Company's social and personnel issues are discussed with in chapter 3.2. of the report.

### A strong and unique workforce

At the end of 2022, **MERLIN's** workforce consisted of 260 professionals divided into three categories, as follows:



#### DIRECTORS

28 employees (27 men and 1 woman). Team composed by the Chief Executive Officer, Chief Operating and Corporate Officer and by the senior management team and area



#### MIDDLE MANAGEMENT

82 professionals (55 men and 27 women). A team of professionals closely linked to business and projects of great responsibility.

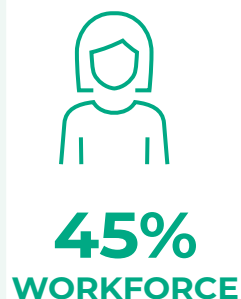


#### OTHER PROFESSIONALS

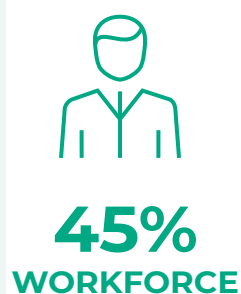
150 employees (61 men and 89 women). Professionals in general support services with a high level of knowledge and experience to carry out their activities.

All of them form a team of highly qualified professionals committed to the Company and its corporate philosophy and values.

## Current profile of MERLIN Properties' employees<sup>(1)</sup>



- I represent **42% of new hires** in 2022.
- I am between **30 and 50 years old** (50% of women).
- I have a **permanent contract** (100% of women).
- I received **27 hours of training** in 2022 .
- I work in **Spain** (94% of women).
- I represent **27% of income-generating positions**.
- I represent **26% of STEM positions**.



- I represent **58% of new hires** in 2022.
- I am between **30 and 50 years old** (59% of men).
- I have a **permanent contract** (97% of men).
- I received **26 hours of training** in 2022.
- I work in **Spain** (94% of men).
- I represent **73% of income-generating positions**.
- I represent **74% of STEM positions**.

## MERLIN's distinctive aspects in relation to its employees

MERLIN's team, which is so critical to the Group's success, is composed of a group of highly qualified professionals with extensive experience in the sector.

MERLIN goes to great lengths to keep its employees motivated and committed and has a high talent retention rate.

<sup>(1)</sup> Data as of 31 December 2022, except for average training hours per employee.

<sup>(2)</sup> The average number of training hours based on the average headcount in 2022. The average number of training hours in 2022 in total terms (including men and women) was 6,654 hours.



**22**  
AVERAGE YEARS OF  
EXPERIENCE OF THE  
MANAGEMENT TEAM

## Excellence

**MERLIN's** staff is made up of a team of top professionals with extensive knowledge of the real estate sector and vast experience, especially the management team.



**44 M€**  
GAV/EMPLOYEE

## Productivity

**MERLIN** has a very competitive GAV per employee ratio, in line with its philosophy of productivity and efficiency.



**8%**  
VOLUNTARY  
TURNOVER RATE

## Talent retention

**MERLIN** strives to offer professionals long-term development opportunities, ensuring their well-being as members of the Company and making all employees feel comfortable and identified with the Group's philosophy and objectives.



**44%**  
OF EMPLOYEES HAVE  
CHOSEN TO RECEIVE  
GROUP SHARES AS  
SALARY IN KIND

## Commitment

**MERLIN'S** professionals are highly committed to the Company. Worth noting here is the percentage of employees who have chosen to receive part of their remuneration in Group shares.



**95%**  
OF EMPLOYEES  
HAVE RECEIVED  
TRAINING

## Independence

**MERLIN** has a proactive and responsible team of professionals who are equipped with the necessary skills and independence to guarantee good decision-making.

## Composition of the workforce

**MERLIN's** staff are the Group's main asset. At 2022 year end, the **MERLIN** Group's workforce was composed of a total of 260 employees, divided into 3 categories in keeping with **MERLIN's** strategy of maintaining a horizontal structure.

	2021			2022		
	Men	Women	Total	Men	Women	Total
Directors	26	1	27	27	1	28
Middle management	51	26	77	55	27	82
Other professionals	52	83	135	61	89	150
<b>TOTAL</b>	<b>129</b>	<b>110</b>	<b>239</b>	<b>143</b>	<b>117</b>	<b>260</b>



LOOM Salamanca | Madrid



			2021		2022		
Country	Category	Age range	Men	Women	Men	Women	
Spain	Directors	<30 years old	-	-	-	-	
		30-50 years old	12	1	13	1	
		>50 years old	13	-	13	-	
	Total		25	1	26	1	
	Middle management	<30 years old	4	3	7	2	
		30-50 years old	24	12	22	14	
		>50 years old	19	10	20	10	
	Total		47	25	49	26	
	Other professionals	<30 years old	8	19	11	14	
		30-50 years old	27	45	18	17	
		>50 years old	16	16	30	52	
	Total		51	80	59	83	
	TOTAL		123	106	134	110	
	Portugal	Directors	<30 years old	-	-	-	-
			30-50 years old	1	-	1	-
>50 years old			-	-	-	-	
Total		1	-	1	-		
Middle management		<30 years old	-	1	-	1	
		30-50 years old	3	-	5	-	
		>50 years old	1	-	1	-	
Total		4	1	6	1		
Other professionals		<30 years old	-	1	-	2	
		30-50 years old	1	2	1	2	
		>50 years old	-	-	1	2	
Total		1	3	2	6		
TOTAL		6	4	9	7		
TOTAL			129	110	143	117	



Adequa | Madrid

**MERLIN** has a team of professionals with permanent contracts and an average age of 43.

From the moment they join the Company, **MERLIN** offers its employees stable contracts to ensure their loyalty and improve its ability to attract talent to the organisation. At 2022 year end, 98% of the Group's employees had a permanent contract.

Type of contract	Time	2021	2022
Permanent	Full-time	224	247
	Part-time	10	9
<b>Total permanent</b>		<b>234</b>	<b>256</b>
Temporary	Full-time	5	4
	Part-time	-	-
<b>Total temporary</b>		<b>5</b>	<b>4</b>
<b>Overall total</b>		<b>239</b>	<b>260</b>

## Average contracts

Annual average number of permanent, temporary and part-time contracts by gender, age and professional classification is as follows:

Contract	Category	Age range	2021		2022	
			Men	Women	Men	Women
Full-time permanent	Directors	<30 years old	-	-	-	-
		30-50 years old	12	1	14	1
		>50 years old	14	-	13	-
	Total		26	1	27	1
	Middle management	<30 years old	3	4	6	3
		30-50 years old	26	11	28	14
		>50 years old	18	10	21	10
	Total		47	25	55	27
	Other professionals	<30 years old	5	12	6	15
		30-50 years old	26	42	28	48
		>50 years old	15	14	18	17
	Total		46	69	52	80
	<b>TOTAL</b>		<b>119</b>	<b>95</b>	<b>134</b>	<b>108</b>
Part-time permanent	Other professionals	<30 years old	-	-	-	-
		30-50 years old	1	4	1	4
		>50 years old	1	2	1	1
	Total		1	5	2	5
	<b>TOTAL</b>	<b>1</b>	<b>5</b>	<b>2</b>	<b>5</b>	
	Other professionals	<30 years old	-	-	-	-
		30-50 years old	-	-	1	-
		>50 years old	-	-	-	-
	Total		-	-	1	-
	<b>TOTAL</b>		<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>
<b>TOTAL</b>			<b>121</b>	<b>100</b>	<b>137</b>	<b>113</b>

## Number of dismissals by gender, age and professional classification

There were 4 dismissals in 2021 and none in 2022.

Dismissals		2021		2022	
Category	Age range	Men	Women	Men	Women
Other professionals	<30	-	1	-	-
	30-50	1	2	-	-
<b>TOTAL</b>		<b>1</b>	<b>3</b>	<b>-</b>	<b>-</b>

The number of voluntary departures has remained more or less stable.

Voluntary departures		2021		2022	
Category	Age range	Men	Women	Men	Women
Directors	>50 years old	1	-	-	-
Middle management	<30	1	-	-	-
	30-50	2	1	1	1
Other professionals	<30	2	2	5	7
	30-50	3	7	2	6
TOTAL		9	10	8	14

### Changes in turnover

The voluntary turnover rate has increased and the total turnover rate has decreased.

The total turnover rate was calculated taking into consideration all employees who leave the organisation either voluntarily, due to dismissal, retirement or death in service. If an employee has had different employment relationships and has left more than once, this is not counted as one but as the total number of departures.

$\text{Total number of departures} / \text{Number of employees at the end of year} = \text{Turnover rate.}$

	2021	2022
Voluntary turnover rate	8%	8%
Total turnover rate for departures	12%	11%

Breakdown by type of departures

Type of departure	2021		2022	
	Men	Women	Men	Women
Voluntary employee departure	10	10	8	14
Employee dismissal	1	3	-	-
End of temporary contract	3	-	6	1
Employee retirement	1	-	-	-
TOTAL	15	13	14	15

## Implementation of work disconnection policies

**MERLIN** instructs all employees not to send emails outside working hours as far as possible. **MERLIN's** Employee Handbook that all professionals receive when they join the Company and that can be accessed through the Employee Portal at any time during their employment relationship, has a chapter dedicated to digital disconnection in 2022. In this chapter **MERLIN** emphasises the importance of having rest periods for the physical and mental well-being of all employees and co-workers, and creates a set of guidelines and criteria to help employees ensure good email habits.

## 6.2 EMPLOYEE COMPENSATION

### Differential remuneration scheme

Remuneration is a key tool for attracting and retaining the best talent. The Company's remuneration scheme is differential; prioritizing performance over any other variable when establishing remuneration and, therefore, employee growth is monitored on an ongoing basis.

100% of the employees benefit from a variable remuneration (bonus), regardless of their professional category. This enables the company to reward the performance and attract and retain the best professionals across all levels.

23% of the employees benefit as well from a long-term incentive plan further reinforcing, key talent retention to guarantee the company's success.

### Employee benefits

In addition to **MERLIN's** remuneration system, the Group offers all its employees employment benefits and alternative remuneration formulas.

In 2022, all **MERLIN** Group employees enjoyed the same conditions and social benefits in kind, which include health insurance (covering the employee, its spouse and children), life and accident insurance, and all employees in Spain have access to a flexible remuneration plan that includes restaurant vouchers, transport vouchers, childcare vouchers, training plans and the option of purchasing shares of the Parent company.

## Wage gap analysis

The total compensation earned per employee by the average number of employees has been taken into account to calculate the average remuneration and the wage gap. The 2022 remuneration includes an extraordinary bonus, granted by the Board of Directors, on a general basis to all employees not included in the group benefiting from the long-term incentive, consisting of a special remuneration of a maximum of 2 monthly payments.

Total compensation earned includes all compensation accrued in a financial year, which would include:

- **Fixed salary.** (Includes all remuneration received by the employee during the year including salary increases, components of collective bargaining agreement, bonuses, sickness or accident benefits, temporary disability compensation and all remuneration agreed as fixed salary in general with employees).
- **Variable remuneration** (including annual bonuses and extraordinary bonuses).
- **Remuneration in kind** (health insurance, life insurance, shares and flexible remuneration)
- **Compensation and severance payments.**

• **Average remuneration and changes in salaries broken down by gender, age and professional classification or equal value .**

Average remuneration by gender (€k)	2021	2022
Men	195	190
Women	59	60

Average remuneration by age (€k)	2021	2022
Under 30 years old	62	55
30 to 50 years old	102	108
Over 50 years old	212	201

Average remuneration by category (€k)	2021	2022
Directors	614	647
Middle management	110	106
Other professionals	41	43
<b>Overall total</b>	<b>133</b>	<b>131</b>

**Gender wage gap<sup>(1)</sup>**

Gender wage gap	2021	2022
Directors	N/A	N/A
Middle management	15%	7%
Other professionals	15%	13%

<sup>(1)</sup> Definition Wage gap=Average pay for men-Average pay for women / Average pay for men x 100



The gap in 2021 and 2022 was 69% and 68%, respectively, considering for their calculation average salary remunerations composed of base salary and variable salary and including Executive Directors.

The salary gap for the Directors category is not reported as there is only one woman in this category. The underlying cause of the salary gap in certain categories is due to the lower presence of women in the workforce, a common situation in the real estate sector, which is accentuated in management and technical positions. To try to mitigate this reality, **MERLIN** is working in the areas presented and registered in the Equality Plan.

## Remuneration of non-executive directors

Average remuneration of non-executive directors, including attendance fees and any other compensation broken down by gender (no variable remuneration or termination benefits).

Average remuneration of non-executive directors by gender (€)	2021	2022
Men	152	166
Women	167	179

## 6.3 ORGANISATION OF WORK

### Organisation of work

**MERLIN** uses the collective bargaining agreement to determine the length of the annual working time, which is 1,765 hours for full-time employees. The Company's working hours are from 9am to 2pm and from 4pm to 7pm from Monday to Friday. Employees have 23 working days of holiday leave and the Company adds extra days onto public holidays to comply with the total number of hours established in the collective agreement.

At **MERLIN**, all employees who meet the conditions set out in the Workers' Statute (Estatuto de los Trabajadores) are eligible for reduced working hours. There are currently 7 employees with reduced working hours, 2 of whom are men.

## Total hours of absenteeism

A total of 41 employees took sick leave at **MERLIN** in 2022, one employee more than in 2021.

The number of occupational accidents has decreased mainly because the sick leave taken due to COVID was classified as an occupational accident and the number of infections from one year to the next has decreased considerably.

The sick leave taken due to illness has remained more or less the same.

There was an increase in parental leave taken for the birth of a child, which increased from 8 cases in 2021 to 13 in 2022.

2021	Working days			Number of cases		
Type of absenteeism	Men	Women	Total days	Men	Women	Total cases
Occupational accident	68	47	115	4	6	10
Non-occupational accident	44	-	44	1	-	1
Common illness	273	208	481	10	11	21
Parental leave	372	122	494	5	3	8
<b>Overall total</b>	<b>757</b>	<b>377</b>	<b>1,134</b>	<b>20</b>	<b>20</b>	<b>40</b>

2022	Working days			Number of cases		
Type of absenteeism	Men	Women	Total days	Men	Women	Total cases
Occupational accident	8	6	14	1	1	2
Non-occupational accident	-	42	42	-	2	2
Common illness	420	239	659	13	11	24
Parental leave	687	429	1,116	8	5	13
<b>Overall total</b>	<b>1,115</b>	<b>716</b>	<b>1,831</b>	<b>22</b>	<b>19</b>	<b>41</b>

### Absenteeism rates:

Absenteeism rate	Men	Women	Total
2021	2.5%	1.5%	2.1%
2022	3.3%	2.6%	3.0%

The absenteeism rate is expressed as the ratio of days on which employees are absent on medical or parental leave to scheduled working days.

## Work-life balance measures

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The measures taken by the Group that are designed to facilitate work-life balance and promote the sharing of responsibility by both parents most notably include the following:

### HOLIDAYS

In addition to the holidays established in the collective bargaining agreement, **MERLIN** gives extra days off that coincide with public holidays during the school calendar, thus helping with work-life balance. In addition, **MERLIN** provides flexibility so that employees can take their holiday leave without having to take it at a specific time of year.

### FLEXIBLE WORKING HOURS

**MERLIN** gives its employees flexibility regarding when they arrive at work and when they leave to help with work-life balance. Remote working is not established as standard practice but **MERLIN** has the necessary resources to enable its employees to work remotely if necessary.

### REDUCED WORKING HOURS

In the Welcome Handbook, **MERLIN** encourages both parents, regardless of gender, to apply for reduced working hours to care for a child under 12 years of age.

### COMPENSATION

**MERLIN** compensates 100% of the salary of all employees who apply for parental, sick or accident leave, irrespective of gender. All **MERLIN** employees have access to childcare vouchers through the Flexible Remuneration Plan.

### EVENTS

Once a year **MERLIN** organises an activity for employees' children. This activity takes place on a working day that is also a public holiday for schools to help employees with work-life balance.

### ORGANISATION OF WORK

**MERLIN** ensures that work meetings are always held during the working hours of all employees who are required to attend the meeting. If training is provided when an employee is on sick leave or parental leave, this training will be repeated so that the employee is not at a disadvantage as a result of having been absent..

## 6.4 SAFETY, HEALTH AND WELL-BEING OF EMPLOYEES

**MERLIN** seeks to ensure the well-being of its employees by creating healthy work environments that maximise their well-being through design, the heating, ventilation and air conditioning equipment used, light output, and ergonomics, among others, meeting employees' needs in terms of their thermal, visual and acoustic comfort, and indoor air quality.

**MERLIN** has an external Occupational Risk Prevention Service that inspects the offices where employees work on an annual basis to assess the risks and the adequacy of the facilities in terms of safety and occupational risk prevention. All offices have been assessed this year and all recommendations of the Occupational Risk Prevention Service have been implemented to improve the health and safety of employees at work. **MERLIN** offers its employees an annual medical check-up, the possibility of getting the flu vaccine and the possibility of getting a Covid-19 antigen test as part of its social benefits.

Included within the welcome package, all employees receive mandatory training regarding occupational risk prevention, providing information regarding the most relevant risk related to their position and mitigation measures.

In addition, emergency drills are conducted every year and the headquarters are evacuated. Employees who are part of the Emergency Brigade are in charge of helping other employees to comply with the Occupational Risk Prevention Plan and to evacuate the building in a timely manner. The drill at the Paseo de la Castellana 257 offices was carried out in November 2022, without incident.

As part of their remuneration in kind, **MERLIN** provides its employees with high-cover health insurance that is 80% reimbursed. This health insurance is both for employees and their direct family (spouse and children). All employees, without differentiation between professional categories, have the same health insurance with the same coverage. **MERLIN** organises a training session once a year to raise awareness of company health insurance so that employees and their families can get the most out of their health insurance. This session also analyses the coverage and new features that the insurance company presents each year.

In addition, **MERLIN** implements other health and wellness measures for all employees with regard to nutrition and physical well-being, such as providing fruit in the workspaces, or the possibility of access to physiotherapy services at the corporate offices.

The Company communicates with employees regularly on healthy lifestyles, promoting physical activity, a balanced diet and digital disconnection, among other things.

The accident rates were as follows:

Rate	2021			2022		
	Men	Women	Total	Men	Women	Total
Number of occupational accidents with sick leave	4	6	10	1	1	2
Lost time injury frequency rate (LTIFR) <sup>(1)</sup>	3%	6%	5%	1%	1%	1%
Severity rate <sup>(2)</sup>	32%	27%	29%	2%	3%	3%
Lost workdays (TLW) <sup>(3)</sup>	6	4	5	9	7	8
Occupational diseases (TOD) <sup>(4)</sup>	-	-	-	-	-	-
Absenteeism (TA) <sup>(5)</sup>	3%	2%	2%	3%	3%	3%
Number of deaths due to occupational accidents or diseases	-	-	-	-	-	-
Number of occupational diseases	-	-	-	-	-	-



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<sup>(1)</sup> Frequency rate: Frequency of accidents in relation to the total time worked by employees during the reported period.

<sup>(2)</sup> Severity rate: Number of days not worked due to accidents occurring during working hours, per thousand hours worked.

<sup>(3)</sup> TLW: Total lost workdays - impact of occupational diseases and accidents, reflected in the days off of affected workers.

<sup>(4)</sup> TOD: Total occupational diseases - frequency in relation to the total time worked by all employees during the reported period.

<sup>(5)</sup> TA: Total absenteeism - a measure of actual days lost by an absent employee, expressed as a percentage of total scheduled working days for employees during the same period.

## 6.5 LABOUR RELATIONS

### Organisation of social dialogue

**MERLIN** has several public documents such as the Code of Conduct, the Whistleblower Channel, the Equality Plan and the Protocol against Sexual Harassment. All these codes and procedures ensure that social dialogue is guaranteed, channelled and of the highest quality standards.

In addition, **MERLIN** is an organisation with a small number of employees, so social dialogue is direct, simple and effective. Executive directors and senior management are available to all employees without having to go through a chain of command. Their mobile phones and email addresses are made available to all employees and conflict resolution is streamlined. **MERLIN** carries out an employee satisfaction survey every two years. In 2021, matters relating to social dialogue were among the most highly rated.

In terms of communication channels, the Human Capital Area sends communications to the entire organisation through emails, and programs such as Microsoft Forms are also used to launch surveys on different social actions and to be able to carry out these actions depending on how well they are received by the organisation's employees. Employees have access to various corporate information and documentation through the Employee Portal.

### Employees subject to collective bargaining agreements

All employees in Spain are subject to a collective bargaining agreement, and their salary set out in this collective agreement is higher than that of their peers. None of the employees in Portugal are subject to collective bargaining agreements. The same legal conditions apply to employees in Portugal as to those in Spain, provided that they are more advantageous than those under Portuguese law.

### Balance of collective bargaining agreements

**MERLIN** compensates 100% of the remuneration of employees on medical or parental leave so that the employee does not receive less pay for being on sick or parental leave. If an employee is on sick leave, they will therefore receive the same salary as if they were working. The same will apply in cases of parental leave.

### Mechanisms to promote employee involvement in management

**MERLIN** conducts a Biannual Satisfaction Survey for all employees and also a Semi-Annual Satisfaction Survey for certain departments of the organisation where turnover is higher.

The most highly rated questions were on the working environment, employee camaraderie and training. They scored 8.4 out of 10.



To improve employee satisfaction, in 2022 the Company officially announced that employees would have more flexibility regarding when they arrived at work and when they left. In addition, a chapter on work-life balance was published in the Employee Handbook to make all employees aware of these measures regarding flexible working hours.

In addition to the Satisfaction Survey, the Company has various ways of communicating with employees.

The Employee Portal is a website and an app to which all employees have access. This is a communication channel used for administrative purposes. Through the Employee Portal employees can check their pay slips, download employment documents, access the work calendar, access employee discounts and post announcements for other colleagues to see. They also have access to the employee telephone directory, which includes the department to which each employee belongs and a photo of each employee, making it much more personal and easier to reach everyone, especially for employees who have only been with the company for a short time.

**MERLIN** opts for in-person work at the office, which is the Company's main form of work organisation, as it promotes communication, collaboration and a sense of belonging.

**MERLIN** is able to detect the different interests of employees through emails, with Microsoft Forms surveys, to undertake actions of social interest such as the Sports Leagues or the No School Day.

**MERLIN** encourages dialogue and employee participation in the Company's decision-making process. For example, through the Donations and Sponsorship Protocol, the Company allocates part of the funds earmarked for donations to those foundations that employees are directly involved with, thus taking into consideration the employees' favourite foundations to collaborate with them.

## Employees with disabilities

**MERLIN** is also committed to including and integrating people with disabilities into its workforce.

As mentioned throughout the document, **MERLIN** guarantees ease of accessibility to its assets and backs this commitment up by obtaining AIS certification.

In this context, the Company currently has a total of 7 disabled employees on its staff, all of whom have permanent contracts — 5 of them part-time and 2 full-time —, representing 2.7% of **MERLIN's** workforce. These staff members are fully integrated and perform necessary and valued functions at the Company. The Company exceeds the requirements under the current law in this area (Spanish General Disability Act [Ley General de la Discapacidad], former Spanish Social Integration of Disabled Persons Act [Ley de Integración Social de los Minusválidos]) through direct hiring.

Professional category	2021	2022
Heads of business, departments or senior technicians	-	1
General services	5	6
<b>Total</b>	<b>5</b>	<b>7</b>



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## 6.6 DIVERSITY AND EQUAL OPPORTUNITIES

**MERLIN** promotes equal opportunities, especially in access to employment, training, promotion and working conditions. As stated in its Code of Conduct and its Protocol against Sexual Harassment, **MERLIN** rejects any and all discrimination in the workplace on the basis of race, colour, nationality, social origin, age, gender, marital status, sexual orientation, ideology, political opinions, religion or any other personal, physical or social condition of an individual. The Group provides professionals with a whistle-blowing channel to report any discriminatory conduct or harassment in the workplace. No such complaints were received in 2022.

In terms of gender equality, in 2021 **MERLIN** worked on its Equality Plan in compliance with Royal Decree Law 6/2019. The Equality Plan was finally approved after a process of analysing the Group's situation in terms of equality and the negotiation and drafting of the Plan by the Negotiating Committee, and came into force on 18 January 2022, with its validity extended for a period of four years, until January 17th 2026. The Equality Plan was registered by the Directorate General for Employment on August 18th 2022.

The Equality Plan applies to all **MERLIN Properties** employees and lays down the guiding principles of the Group's conduct in this area, along with a series of objectives and metrics, some of which include addressing the under-representation of women throughout the organisational structure, promoting women's participation in training activities to enhance leadership and compensation by **MERLIN** for sick leave and parental leave. **MERLIN** is also committed to promoting equal parental leave for both parents. The Group also supports all types of diversity beyond gender among the workforce. **MERLIN** employs professionals of different nationalities but is equally committed to local employment. In 2022, 90% of the workforce was Spanish, 6% Portuguese and 4% from other European or South American countries.

**MERLIN** has 7 employees with different abilities (2.7%), which exceeds the legal requirement of 2%. These employees have indefinite contracts and perform functions which are necessary and valuable to the Group.

## Professionals joining the Group

**MERLIN** seeks out the best individuals to add differential value through their work, which contributes to the Group's success, providing them with stable, high-quality employment.

In 2022, **MERLIN** hired a total of 52 new professionals to the staff, which represents a recruitment rate of 20%. In addition, 9 employees moved into new positions within the Group, demonstrating its commitment to internal mobility and talent retention.

Category	Age range	Men	Women	Total
Directos	>50 years old	1	-	1
Middle management	<30 years old	2	-	2
	30-50 years old	2	1	3
Other professionals	<30 years old	17	9	26
	30-50 years old	7	10	17
	>50 years old	1	2	3
Total		30	22	52

## Talent retention mechanisms

**MERLIN** believes that employee commitment is essential and therefore seeks to ensure that employees identify with the corporate philosophy, values and objectives. The Group works to motivate and reward employees through three main lines of action:

### 1) Performance-based remuneration:

**MERLIN** employees receive fixed annual remuneration along with annual variable remuneration tied to the fulfilment of the Group's objectives and to each employee's individual performance.

In addition, all Group employees receive life and accident insurance for themselves and health insurance for the employee's entire family unit. The workforce also benefits from flexible compensation options (**MERLIN Flex**) for training, childcare vouchers, transport vouchers, restaurant vouchers and shares of the Group. In addition, employees have access to discounts in different categories such as accommodation, theatre and pharmacy.

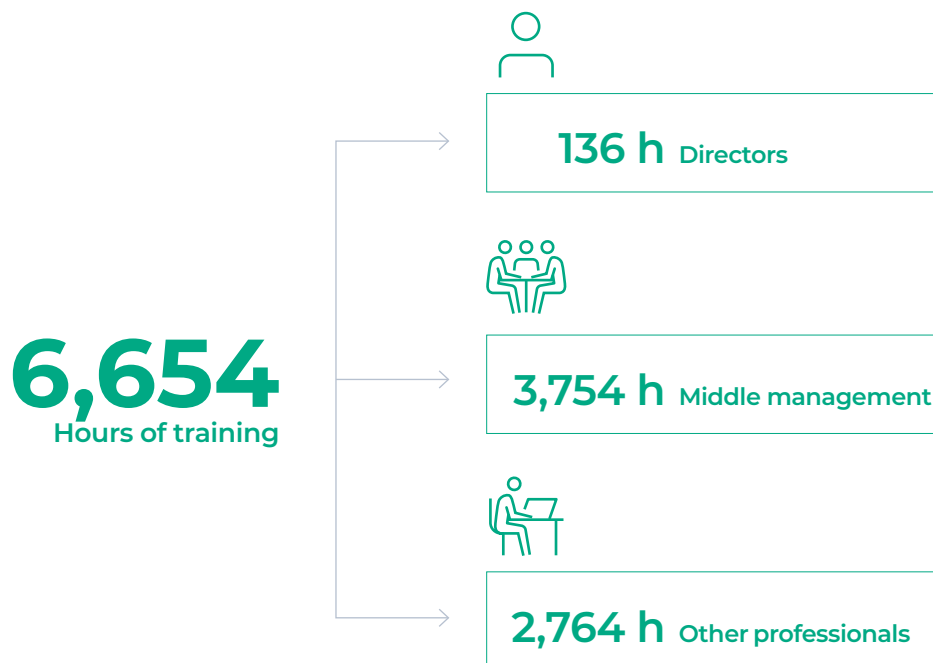
## 2) Continuing professional development:

**MERLIN** offers all professionals the opportunity to get involved in different projects and to assume new responsibilities throughout their professional careers. Training is a fundamental part of career development and, therefore the Group ensures that training is available to all employees.

A total of 6,654 hours of training were provided in 2022, an increase of 37% compared to the previous year. This represents a total investment of € 87,239 in training in 2022.

Age range	Men	Women	Total
<30 years old	250	562	812
30-50 years old	2,267	933	3,200
>50 years old	1,030	1,613	2,642
<b>Total</b>	<b>3,546</b>	<b>3,108</b>	<b>6,654</b>

### Hours of training by professional category:



The hours of training increased by 37% compared to 2021. In addition, 95% of employees received some kind of training. Employees received an average of 27 hours of training per employee.

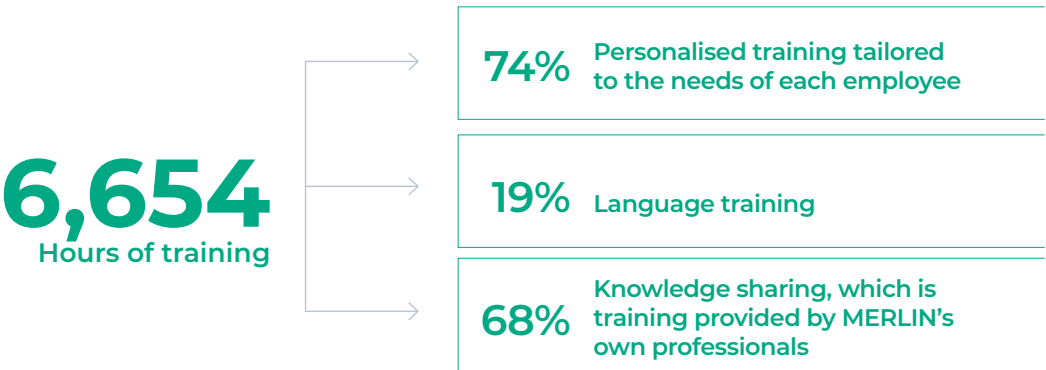
Likewise, **MERLIN** offers its employees on-the-job training to enhance their development process. This training consists of three tools:

**Personalised training:** **MERLIN** gives its employees the opportunity to select the courses that best suit their specific needs. If necessary, **MERLIN** provides guidance, through the experience of its staff members, so that employees can choose those courses that best suit their needs.

**Knowledge sharing:** **MERLIN** considers it a priority to strengthen and share the knowledge accumulated both in terms of the tools developed and the management procedures honed. The Group therefore provides annual in-house training courses given by **MERLIN** staff to their colleagues.

**Language Training Plan:** **MERLIN** extended the scope of its Language Training Plan, offering language courses through online and/or face-to-face classes to all Group employees.

As in the past, the training activities focused mainly on the following categories:

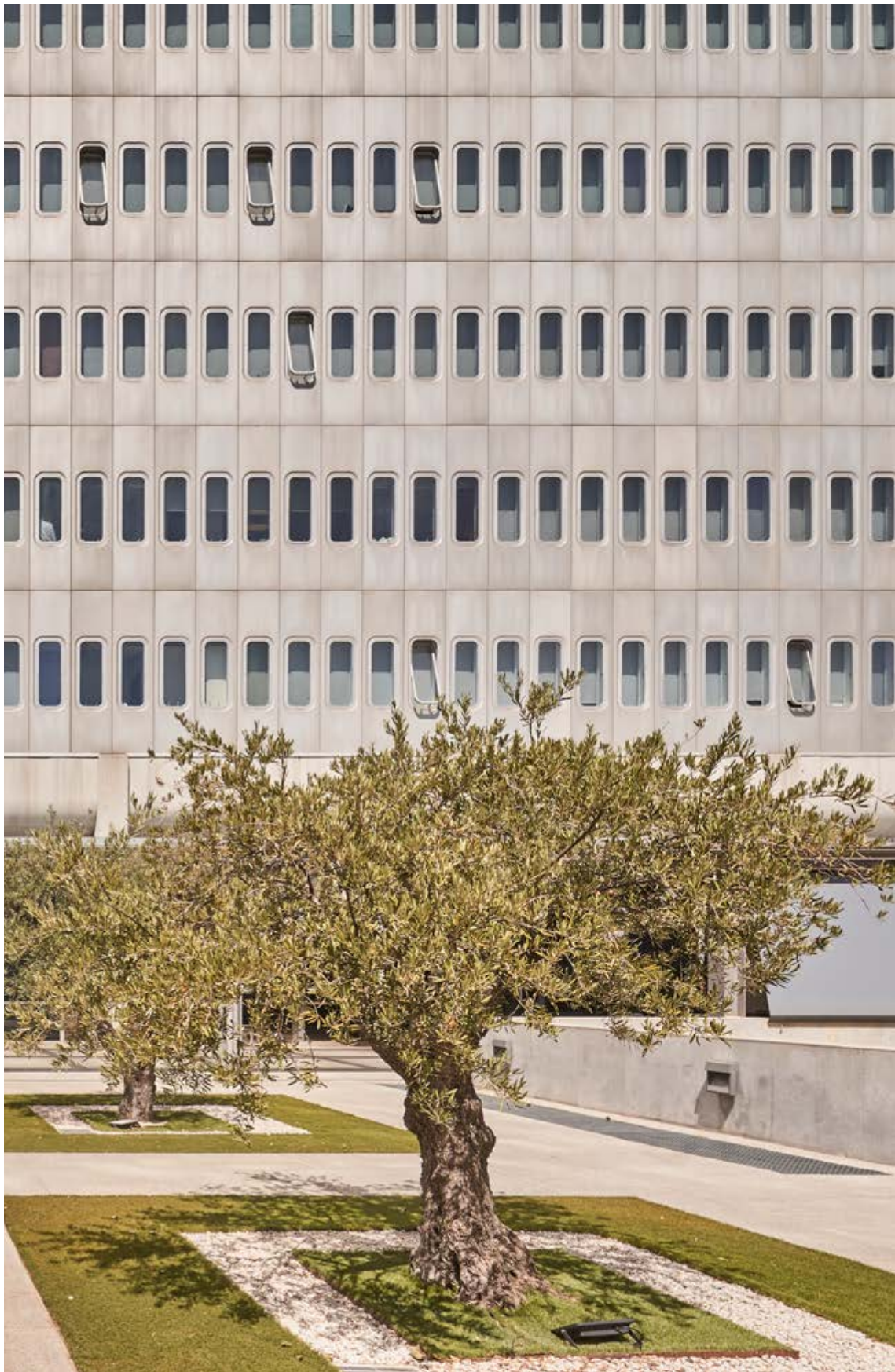


Personalised training includes various types of courses, the most representative of which are: 3 Master's programme in Business Management and Administration, 2 Management Development Programmes, 1 Master's programme in Urban Planning and 1 Master's programme in Technical Management.

**3) Direct relationship with employees:**

The horizontal nature of the Group's organisational chart fosters direct relationships between employees and, in particular, between those with varying levels of responsibility. In 2022, **MERLIN** reinforced communication channels and initiatives such as the Employee Portal, and made improvements to the platform to facilitate communication between employees and management, with emails sent on a regular basis, face-to-face meetings between employees and visits to the Group's various assets.





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# 07. Management of stakeholders

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- 7.1 Stakeholder management model
- 7.2 Supply chain
- 7.3 Maximising the well-being  
of users of the assets
- 7.4 Development and relationship  
with the environment



## 7.1 STAKEHOLDER MANAGEMENT MODEL

### Transparency with stakeholders

**MERLIN** considers it a priority to provide complete, accurate and truthful information on the Group's performance and activities, and to maintain sufficient relationship channels with its stakeholders, actively communicating with them and responding to their main demands and expectations.

The Company's relationship with stakeholders is regulated in the Stakeholder Relations Policy. One of the key principles of the policy is the transparency of the information shared with stakeholders, which must be complete, correct and truthful. In keeping with this principle and with the recommendations of the CNMV's Good Governance Code published in June 2020, aside from this policy **MERLIN** also has a general financial, non-financial and corporate reporting policy that serves as a framework for preparing and monitoring the financial, non-financial and corporate information shared with stakeholders.

This policy is also intended to guide the Group in prioritising and integrating the various stakeholders in the decision-making process by encouraging their participation.

As a result of this prioritisation exercise, **MERLIN** has identified investors, employees, tenants, end users and the communities surrounding our assets as our main stakeholders. Other stakeholders have also been identified, such as regulatory bodies, government agencies, analysts, suppliers and the media, with which the Group has an occasional or regular relationship.

To ensure a consistent and smooth relationship with stakeholders, **MERLIN** provides them with various communication channels, some general, some specific but always based on the relevance of each stakeholder, and they are managed by the Investor Relations and Marketing Departments.

The various communication channels most notably include the different corporate reports and presentations published periodically by the Group with information on its activities and performance, and the General Shareholders Meeting, which in 2022 was held in person with the option of attending online. During the year **MERLIN** continued to have a presence at 24 of the sector's most important events and conferences, held meetings with more than 400 investors, gave 6 asset tours to those investors who requested them and organised a Capital Markets Day in Barcelona where more than 35 investors attended in person.

The table below shows the main stakeholder relations channels, and the concerns and expectations they convey to **MERLIN** through these channels:

Main stakeholders	Relevant aspects in the Company	COMMUNICATION CHANNELS						
		Face-to-face meetings	Conferences, workshops, events and roadshows	Corporate website	Periodic reports and corporate presentations	Satisfaction surveys	Telephone and email contact	Communication agency
Investors	<ul style="list-style-type: none"> <li>• Long-term dividend.</li> <li>• Share value.</li> </ul>	●	●	●	●		●	
Analysts	<ul style="list-style-type: none"> <li>• Relevant information.</li> <li>• Company's operations.</li> <li>• Share price performance.</li> </ul>	●	●	●	●		●	
Employees	<ul style="list-style-type: none"> <li>• Labour uncertainty and stability.</li> <li>• Working conditions.</li> <li>• Working hours.</li> </ul>	●	●	●	●	●	●	
Tenants	<ul style="list-style-type: none"> <li>• Personalised service.</li> <li>• Portfolio flexibility.</li> </ul>	●		●		●	●	
Suppliers	<ul style="list-style-type: none"> <li>• Maintenance, development and remodelling of the Company's assets.</li> </ul>	●					●	
Local communities	<ul style="list-style-type: none"> <li>• Economic and social impacts of assets on local communities.</li> </ul>	●	●				●	
Regulatory bodies	<ul style="list-style-type: none"> <li>• Significant events of the Company.</li> <li>• Compliance with current law and periodic reporting obligations.</li> </ul>				●		●	
Public Administration	<ul style="list-style-type: none"> <li>• Compliance with current law governing the Company's properties (permits, licences, etc.).</li> </ul>	●					●	
Media	<ul style="list-style-type: none"> <li>• Transactions and significant events.</li> </ul>	●	●	●	●		●	●



## Shareholder return

In 2022 **MERLIN** had relatively stable performance within the REIT sector, with the share price falling by 8.3% in the period, although compared to the sector the stock market performance has been exceptionally good (EPRA Index -38.8% and European comparables<sup>(1)</sup> -28.6%). The Company achieved a cash flow per share (FFO per share) of € 0.62 per share and an EPRA NTA of € 15.67.

A total of € 562 million (€ 1.20 per share) was paid out to shareholders during the year, which includes an interim dividend of profit for the year of € 0.95 per share. Total shareholder return measured as the change in EPRA NTA per share and the dividends per share paid out during the year was 4.7%, as shown in the table below. Alignment with shareholders is reflected in the percentage of staff who are shareholders of the Company (44%) and the 1.4% of shares held by the management team<sup>(2)</sup>. The management team owns 8 times their base salary in **MERLIN** shares, demonstrating a strong commitment and total alignment with shareholders.

	Per share (€)	€ millones
<b>EPRA NTA 31/12/2021</b>	<b>16.11</b>	<b>7,567</b>
NTA growth in 2022	-0.44	-205
<b>EPRA NTA 31/12/2022</b>	<b>15.67</b>	<b>7,363</b>
Dividend per share (DPS)	1.2	564
NTA growth + DPS (shareholder return)	16.87	7,927
<b>Shareholder rate of return</b>	<b>4.70%</b>	<b>4.70%</b>

## Treasury shares

As of 31<sup>st</sup> December 2022, the Parent company has treasury shares amounting to €17,166 thousand. The changes in 2022 were as follows:

	Number of shares	Thousands of €
<b>Balance as of 1 January 2021</b>	<b>4,836,503</b>	<b>54,149</b>
Additions	374	3
Disposals	(1,951,386)	(21,847)
<b>Balance as of 31 December 2021</b>	<b>2,885,491</b>	<b>32,305</b>
Additions	6,625	122
Disposals	(1,355,932)	(15,261)
<b>Balance as of 31 December 2022</b>	<b>1,536,184</b>	<b>17,166</b>

<sup>(1)</sup> European comparables include Inmobiliaria Colonial, Gecina, Unibail-Rodamco, Segro and British Land

<sup>(2)</sup> Including related persons

The shareholders at the Annual General Meeting held on 10 April 2019 revoked the unused portion of the authorisation granted by the shareholders at the General Meeting of April 2018 and authorised the acquisition of treasury shares by the Parent company itself or by Group companies pursuant to section 146 et seq. of the Ley de Sociedades de Capital, complying with the requirements and restrictions established in current law during the five-year period.

The disposals of treasury shares, amounting to € 15,261 thousand (average cost of € 11.20 per share), relate mainly to the second and last delivery of shares under the 2017-2019 Incentive Plan (see Note 15) in the amount of € 14,133 thousand and to the delivery of shares to employees as part of the flexible remuneration plan in the amount of € 864 thousand.

The Group has a liquidity agreement for securities listed on the Lisbon Stock Exchange (Euronext Lisbon), having made net sales of 9,740 shares in 2022, with a value of € 142 thousand.

As of 31 December 2022, the Parent company held treasury shares representing 0.327% of its share capital.

## Stock market performance

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On 31 December 2022, **MERLIN** shares closed at a price of € 8.78, representing an 8.25% drop in their price compared to the closing price on 31 December 2021 (€ 9.57).

## Dividends policy

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The Company's dividend policy takes into account sustainable levels of distribution and reflects the Company's expectation of obtaining recurring profits. The Group does not intend to create reserves that cannot be distributed to shareholders, except those required by law.

Under the REIT regime, after complying with any relevant requirement of the Ley de Sociedades de Capital, the Parent company will be required to adopt agreements to distribute the profit obtained in the year to shareholders in the form of dividends and this distribution must be approved within six months of the end of each year, as follows: (i) at least 50% of the profit from the transfer of properties and shares or equity interests in qualified subsidiaries, provided that the remaining profit is reinvested in other real estate assets within no more than three years of the date of the transfer, otherwise, 100% of the profit must be distributed as dividends after such period has elapsed; (ii) 100% of the profit obtained from receiving the dividends paid by qualified subsidiaries; (iii) at least 80% of the remaining profit obtained.

If the resolution to distribute dividends is not passed within the legally established period, the Parent company will lose its REIT status for the financial year to which the dividends refer.

The Company's dividend policy establishes a minimum distribution of 80% of the AFFO ("Adjusted FFO"), understood as the cash flow from operations less interest paid and less ordinary maintenance expenses for the assets.

On 27 May 2022, the final dividend for 2022 was paid in the amount of € 117,112 thousands (€ 0.25 per share). In addition, an interim dividend of profit for the year of € 351,169 thousands (€ 0.75 per share) was paid on 18 August 2022. Lastly, on 2 December 2022, an interim dividend of € 93,646 thousands (€ 0.20 per share) was paid out of the profit for 2022.

## 7.2 SUPPLY CHAIN

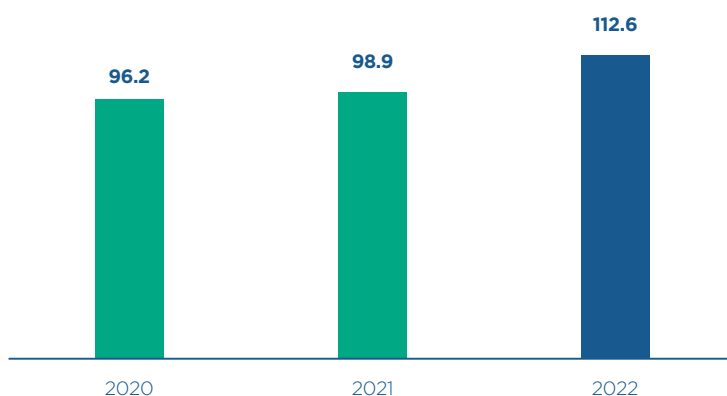
### Sourcing local products and services

By sourcing products and services locally, **MERLIN** has a positive impact on the communities where its assets are located.

In 2022, payments to suppliers of products and services totalled € 112.6 million, with an average period of payment to suppliers of 28.7 days, in line with that established by Ley de medidas de lucha contra la morosidad en las operaciones comerciales (Law 15/2010 of July 5).

When hiring suppliers, **MERLIN** prioritises local suppliers that meet the Group's social and environmental standards. For developments and the refurbishments of its assets in particular, in keeping with the sustainable construction standards in which the Group is certified, **MERLIN** purchases local raw materials and works with local contractors, which is an added benefit for the local economy. In addition, **MERLIN's** contracts with suppliers and lessees include clauses referencing both **MERLIN's** compliance policies and its Code of Conduct.

#### Annual expenditure on purchases and contracts associated with MERLIN's assets (€M)



<sup>(1)</sup> All the information required on the average payment period required by Final Provision Two of Law 31/2014, can be found in Note 13 to the Consolidated Financial Statements



In accordance with the Procurement Procedure, the sustainability factors are an additional component to those currently in place to assess each of the CAPEX and OPEX tenders based on environmental, social and governance criteria.

In 2022, **MERLIN** has modified the Procurement Procedure to require in all tenders over 150 thousand euros the response, by suppliers, to an ESG questionnaire with environmental, social and governance issues.

Thus, during the year, **MERLIN** requested information from 110 suppliers representing 72% of the investment in asset improvement and rehabilitation (CAPEX) at December 31, 2022, requesting information and details in the environmental, social and regulatory compliance areas, including issues related to human rights compliance (policies, lawsuits, etc.) for each third party evaluated. Internal Audit audited 78% of the questionnaires received (55% of the Capex as of December 31, 2022; amounting to €126 million).

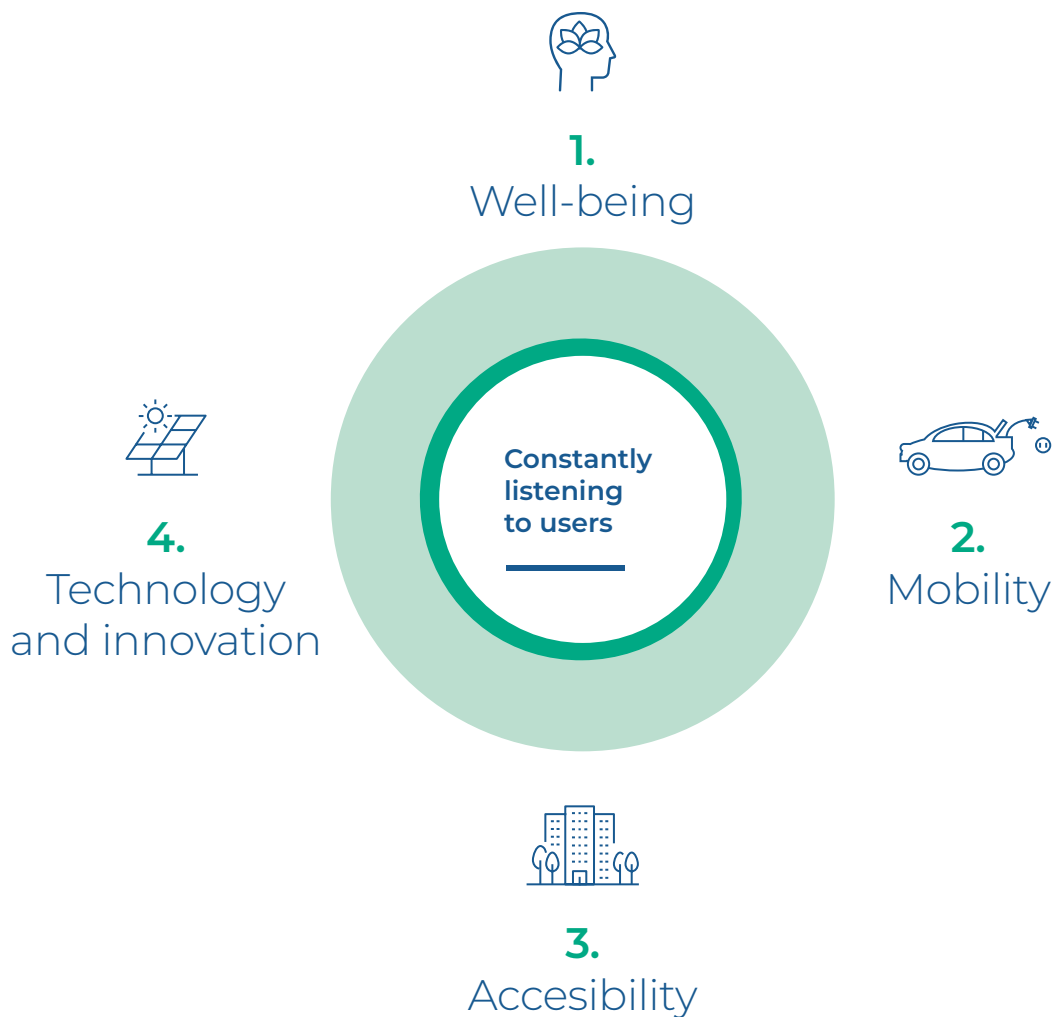
As a result of the audit, the relationship between the volume of works and services contracted to suppliers and compliance with ESG requirements has become evident, with the higher the amount contracted and, therefore, the larger the supplier, the better the scoring. Likewise, it has been decided to continue with this exercise on an annual basis in order to evaluate **MERLIN's** supply chain by monitoring its suppliers to guarantee a minimum admissible standard in future tenders. Finally, and from the analysis of the results obtained, especially for those with very low scores, they should be analyzed by the Technical Department with a view to the continuity of services. On the other hand, this analysis should facilitate dialogue between **MERLIN** and its suppliers as a means of facilitating best practices, especially with those suppliers who are in a more advanced situation.



Salser | Valencia

## 7.3 MAXIMISING THE WELL-BEING OF USERS OF THE ASSETS

The Group views these spaces as an opportunity to offer high quality, value-added service to provide the tenants and users of the assets with the best possible experience. **MERLIN** has therefore set up the following framework for collaborating with tenants and user that consists of four basic pillars:



**MERLIN views these spaces as an opportunity to offer high quality, value-added service in order to provide the tenants and users of the assets with the best possible experience**



## MILESTONES 2022

- Obtaining **WELL Gold certification for the Castellana 85** office building.
- **Progress** on Smart and Wired score.
- Increase in the number of assets with **clean air purification technology**.
- Cumulative installation of **1,494 electric vehicle charging points**.
- **Expansion of MERLIN Hub** (6,125 users) to the Pozuelo and Las Rozas business parks.
- Installation of **intelligent building systems** installed in the Castellana 85 building in Madrid.



## FUTURE OBJECTIVES

- **Satisfaction surveys** and making them automated in LOOM spaces.
- **CAU project** for incident management in offices.
- Construction of the **A1 bus lane**.
- Installation of **facial recognition** in access to office buildings.
- Installation of **intelligent building systems** installed in the Plaza Ruiz Picasso building in Madrid.



## KEY INDICATORS FOR THE YEAR

	DATA 2022	CHANGES 2021-2022
LEVEL OF SATISFACTION <sup>(1)</sup>	2.92	n/a <sup>(2)</sup>
ASSET OCCUPANCY	95.1%	+60 bps
ASSETS WITH ACCESSIBILITY CERTIFICATIONS	69	+8 assets

<sup>(1)</sup> Surveys conducted at multi-tenant offices, single-tenant offices and shopping centres. The overall score is calculated in terms of the Average Quality Index (AQI) taken from the surveys.

<sup>(2)</sup> More tenants have received the satisfaction survey, so the evolution is not comparable.

## MERLIN's distinguishing features in its relationship with tenants

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**MERLIN** works to build relationships of trust with tenants and strives for the highest level of satisfaction by fostering active communication based on dialogue and teamwork.

---



**2.92 OVER 4**  
OVERALL SCORE  
ON SATISFACTION  
SURVEYS

### Working together

**MERLIN** is committed to the active involvement of asset users in optimising their performance and making the most of the assets' services and functionalities to keep them completely satisfied

---



**100%**  
OF ASSETS  
HAVE TENANT  
RELATIONSHIP  
CHANNELS

### Constant communication

**MERLIN** is committed to the active involvement of asset users in optimising their performance and making the most of the assets' services and functionalities to keep them completely satisfied

---



**69**  
ASSETS WITH AIS  
CERTIFICATION  
INCLUDING 7 WITH  
THE HIGHEST RATING

### Commitment to accessibility

**MERLIN** guarantees ease of accessibility to its assets and backs this commitment up by obtaining AIS certification

---

## Well-being of tenants and users of the assets

Maximising the well-being of its tenants and users of the assets is one of the basic pillars of **MERLIN's** management. Among other things, well-being includes indoor air quality, lighting, connectivity, and complementary services available to users.

**MERLIN** is committed to ventilation as a key element of indoor air quality. This is achieved by installing filters, renovating equipment, and using thermal insulation in buildings to prevent harmful substances from the outside getting in. In terms of lighting quality, the Group prioritises natural light and the installation of LED lighting to avoid glare and provide adequate illumination of the space.

Along these lines, **MERLIN** has air filtration and purification systems installed in its office assets, with the aim of improving users' health and the sustainability of the assets.

These solutions use filtration and ventilation to reduce suspended particles, biological agents (viruses, bacteria, and fungi), volatile organic compounds (VOCs) and chemical pollutants, thus reducing the incidence of cyclical diseases and improving the users' working experience in offices.

In environmental matters, the environmental solutions installed generate energy savings in the buildings' air conditioning systems, since the filters used have lower air resistance than traditional filters and have longer useful lives, which also cuts down on waste.

As part of its commitment to improving the digital infrastructure of its buildings, **MERLIN** has continued to certify office assets with the Wired Score seal. This is an online connectivity standard that guarantees the fastest upload and download speeds at all offices, including common areas and outdoor spaces, and provides the assets with the necessary infrastructure to adapt to future technological advances.

**MERLIN** also provides the users of its asset with a series of complementary services to enhance the user experience, such as the **MERLIN Hub**, for which approximately € 731 million<sup>(1)</sup> were earmarked in 2022.

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<sup>(1)</sup> This amount includes the shuttle service and the expenses charged and not charged.



Torre Glòries | Barcelona



## Sustainable mobility

The mobility of the users of its assets is a key aspect for **MERLIN**. Accordingly, the Group prioritises assets that are strategically located with good public transport options, especially for the office portfolio, which enhances users' quality of life.

**MERLIN** also developed other initiatives at its office assets, such as providing shuttle services, promoting carsharing and carpooling services, and the use of electric bicycles to travel from public transport stations to the offices. **MERLIN** also promotes the installation of electric vehicle charging points at the assets in its strategic portfolios (offices, logistics and shopping centres), with 1,494 currently installed.

Through these initiatives, **MERLIN** promotes and encourages users of the **MERLIN** Hub community to opt for alternative and sustainable forms of transport through specific mobility plans, thus contributing to the decarbonisation of the cities where it operates.



Adequa | Madrid

## Assets accessibility

In terms of accessibility, **MERLIN** considers it a priority to maximize the millions of people who can access shopping centres each year, regardless of their abilities, so that they can enjoy their experience in them. Along these lines, the Group continues to increase the number of certified assets based on the Accessibility Indicator System (AIS), which assesses the usability, comfort and safety conditions of the building.

All of the assets in the shopping centre portfolio are AIS certified. These shopping centres are constantly improving their accessibility performance, which in turn implies higher ratings obtained within the framework of this certification. In 2022 the Marineda, Larios and Saler shopping centres obtained the highest possible score awarded by AIS (five stars). **MERLIN** continues to add to the number of certified office assets, with a total of 56 certified assets at year-end (8 more than in 2021).



X-Madrid | Madrid



## R&D&I activities

In relation to R&D&I activities and other innovative initiatives, **MERLIN** is committed to offering its tenants and users the highest quality comprehensive service, beyond the asset management itself, integrating the most innovative solutions in its assets to maximize the user experience. In line with this philosophy, during the last year **MERLIN** has continued to focus on improving the quality of life of users in its assets. Thus, it has continued to implement Mayordomo Smart Points, consisting of a system of smart lockers that allow users to conveniently receive packages and the provision of various services that help to achieve a work-life balance. By the end of 2022, 33 **MERLIN** assets had such points, an increase of 18% compared to 2021.

In addition, **MERLIN** remains committed to LOOM flexible workspaces as a solution to the hybrid work model. During the year, **MERLIN** has continued to promote numerous technological projects to place **MERLIN** at the forefront of solutions for its customers and internal management. These include the office building sensorization program, the energy consumption reading project, the photovoltaic self-consumption project and the development of different user experience apps.



LOOM Torre Chamartín | Madrid

## Sustainability, maximising efficiency

**MERLIN** is highly committed to the sustainability of its portfolios and maximises their efficiency in the use of resources by benchmarking against international industry standards. The Group integrates sustainability into its decision-making process, focusing on the well-being of its tenants and improving its assets, with a carbon footprint that is as low as possible.

**MERLIN** offices also seek excellence in energy efficiency through LEED and BREEAM certification.



Campus ADEQUA | Madrid

## Omnichannel in shopping centres

For shopping centres, **MERLIN** continues to be committed to omnichannel shopping and is therefore expanding the Click&Collect points for online order pick-up. At the end of the year, this portfolio had a total of 28 such points.



Marineda | A Coruña

## Community

**MERLIN** offers numerous opportunities to its users with the intent of promoting networking and enriching each employee's workday. There are many opportunities during the workday to connect with other users, whether or not they are from your own company. A programme of events and experiences has also been designed, such as solidarity stalls, sports activities, talks with experts on current affairs.

Some of the initiatives carried out in 2022 include the Spanish Cancer Association (AECC) solidarity stall, a talk on Women's Day with numerous speakers and blood donations organised by the Red Cross at the various asset locations. In addition, **MERLIN** contributes to different types of social initiatives by illuminating the façade of Torre Glòries in different colours, such as the collaboration with Pride Barcelona or with the Duchenne Syndrome Foundation.



Torre Glòries | Barcelona

## Constantly listening to users

**MERLIN** believes it is essential to provide tenants and users with sufficient communication channels to maintain active dialogue and generate a relationship of trust. This allows **MERLIN** to understand their needs and expectations and to detect opportunities and possible areas for improvement in asset management.

Among these channels, satisfaction surveys stand out. In 2022, surveys were sent to all tenants of multi-tenant and single-tenant offices and shopping centres, with a total participation of 22.9%. The tenants rated specific aspects that influence their well-being such as the condition of common areas, the management of information and **MERLIN's** attention to possible incidents, administrative management, treatment of staff and overall satisfaction with the service. The average overall satisfaction rate according to the survey was 2.92 out of 4, which translates to 86.3% of satisfied tenants<sup>(1)</sup>.

Regarding the portfolio of logistics assets, since 2020 **MERLIN** has had a **Facility Management** service integrated in all logistics assets that provides monitoring and advice to tenants on maintenance, technical and legal matters. This initiative creates a framework for collaboration with tenants, which makes it possible to do things like adapt response times to the seriousness of the incident reported by the tenant. To streamline two-way communications, tenants can share information in real time on a collaborative IT platform.

For the shopping centre portfolio, since 2021 **MERLIN** has enhanced communications with tenants at all levels to build closer relationships. Along these lines, the Company has launched the LIFE! portal at its centres. Besides serving as an online communication channel, it centralises management and optimises the use of resources in a more efficient, interactive and paper free manner.

The LIFE! portal allows tenants to have direct, smooth two-way communications with **MERLIN's** shopping centre management team. The tool also has a repository of documentation with relevant information on each asset and two different marketing sections: the first one with promotions that are then published in the app and on the shopping centre's website; and the second one with promotions for the employees of the operators of **MERLIN's** shopping centres.

In relation to the offices, the CAU project has been developed, which makes it possible to manage incidents or complaints from users of office assets and monitor the information for better follow-up.

**MERLIN** maintains a direct relationship with clients so that any type of incident is resolved and managed through the Group's managers located at the assets.

An incident management system is currently in the process of being installed in the office assets where the resolution and handling of incidents can be pooled. In addition, the Group has complaint forms at its shopping centres and a portal on its intranet where tenants and users can report any type of incident.

In 2022, 11 complaints were received (2 more than in 2021) and 11 were satisfactorily resolved.

<sup>(1)</sup> A satisfied tenant is one with an Average Quality Index (AQI) higher than 2.5 out of 4.





LOOM Castellana 85 | Madrid

## 7.4 DEVELOPMENT AND RELATIONSHIP WITH THE ENVIRONMENT

Generating positive impacts on the environment



### MILESTONES 2022

- Creation of an **interactive museum and a panoramic observatory** of the city of Barcelona at Torre Glòries.
- Construction of an **entrance and exit to the A-1 and M11** from the Chamartín Tower.
- Continuation of the **Merlin ART** project, with the installation in the assets of works by young Spanish artists such as Gravitación by Fernando Suarez.



### FUTURE OBJECTIVES

- Promote the **Renazca** preliminary project
- Construct the **A1 bus lane**.
- Execute and complete the remodelling of the area surrounding the office building located in **Plaza Ruiz Picasso 11**.
- Renovate the **Clara Campoamor gardens**, in Barcelona.



### KEY INDICATORS FOR THE YEAR

	DATA 2022	CHANGES 2021-2022
ECONOMIC VALUE DISTRIBUTED (€M)	864.6 M€	+63.4%
PURCHASES FROM SUPPLIERS (€M)	112.6 M€	+13.8%
AVERAGE PERIOD OF PAYMENT TO SUPPLIERS (DAYS)	28.7	(9.2%)
SOCIAL OR ENVIRONMENTAL COMPLAINTS FROM COMMUNITIES (N.º)	0	=
SOCIAL CONTRIBUTION OF THE GROUP (LBG/ONLBG METHOD) €M	3.70 M€	+408.7%

## Improving cities

**MERLIN** is firmly committed to and responsible for the physical and social environment in which it operates, and seeks to have the best possible impact through different initiatives to improve the cities in which its assets are located.

Along these lines, all of the Group's assets contribute to the development of the communities in which they are located, for example, through sourcing local products and services. In addition, 31%<sup>(1)</sup> of the portfolio assets have specific development programmes, impact assessments and local community participation, with the shopping centre portfolio having the most of these types of programmes (96%), as it has the strongest links to local communities. Meanwhile, 44% of offices and 6% of logistics assets have specific programmes.

### MERLIN's distinguishing features in its relationship with local communities

**MERLIN** maintains stable and lasting relationships with the local communities around its assets based on the creation of positive impacts and two-way communications using different channels. This enables the Group to identify their needs and expectations, which we try to satisfy through different programmes and initiatives, offsetting any potential negative impacts arising from their activities.

**MERLIN** continues to work with local agents to enhance the value of public spaces around our assets, reinforcing the social and economic value contributed by these assets.

<sup>(1)</sup> Por SBA; incluyendo oficinas, centros comerciales y activos logísticos, excluyendo activos en desarrollo (WIP).



Artea | Bilbao





**€ 3.7M IN MERLIN'S  
CONTRIBUTION TO  
COMMUNITIES**

### Impact management and value creation

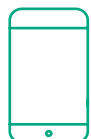
**MERLIN** works to maximise the positive impacts of its activities and to minimise and, where applicable, offset the negative ones.



**€ 2.6M  
EARMARKED IN  
2022 FOR THE  
REDEVELOPMENT  
OF PUBLIC SPACES**

### Quality spaces

**MERLIN** uses its own resources to renovate the public spaces around its assets, maximising the value of the contribution to the communities surrounding its assets.



**MORE THAN 140,000  
DOWNLOADS OF  
USER RELATIONSHIP  
APPS IN SHOPPING  
CENTRES**

### Dialogue and transparency

**MERLIN** establishes and maintains ongoing and smooth relations with the communities linked to its assets, continuously adding new channels to strengthen these relationships.



**OVER 27% MORE  
FOLLOWERS ON  
LINKEDIN COMPARED  
TO 2021**

### Impact on social media

**MERLIN** meets the milestones and objectives set in terms of followers and engagement rate by following a content strategy that prioritises quality over quantity.



**X-MADRID**

**X-MADRID, SPAIN'S  
SHOPPING CENTRE  
WITH THE MOST  
FOLLOWERS ON  
INSTAGRAM**

## Job creation

**MERLIN's** assets contribute to local employment both directly, through the hiring of personnel, and indirectly through the companies that provide ancillary services such as maintenance, facility management, security and cleaning. In addition, the economic environment surrounding the asset also benefits from the creation of hospitality and retail services to meet the needs of the users of the assets.

## Initiatives for improving cities

<p><b>Improvement of public spaces</b></p>	<p>The rehabilitation of public spaces surrounding its assets is a key part of <b>MERLIN's</b> strategy of delivering value to local communities, including other assets in the area. <b>MERLIN</b> is currently working on the refurbishment of the spaces adjacent to the Plaza Ruíz Picasso asset.</p> <p>In 2022 <b>MERLIN</b> completed the creation of a public square in the Saler shopping centre in Valencia. The work consisted of creating a new public square in front of the main façade of the shopping centre, which overlooks the City of Arts and Sciences of Valencia, in keeping with the design of this environment, and offering citizens landscaped areas with benches and ornamental fountains for recreation and socialising. In addition, services such as new rest areas with wireless mobile phone charging points, contactless technology in restrooms to reduce water consumption and electric car chargers have been implemented. Furthermore, all light fixtures have been equipped with LED technology.</p>
<p><b>Enhancement of the local area</b></p>	<p>Through its refurbishment projects such as <b>MERLIN Hub</b> and Renazca, the Group acts as a driver for the revaluation of the areas surrounding its assets.</p> <p>In 2022 <b>MERLIN</b> inaugurated the on and off ramp from the M-11 to the A-1 for Isla de Chamartín. The project was carried out through a collaboration agreement between the Madrid Municipal Council and <b>MERLIN</b> with the aim of improving access to Isla de Chamartín. This area had a single road (Dulce Chacón) that served as access to the residential and office buildings in the area, so an alternative was needed to resolve this limited access. It was a public-private partnership with which <b>MERLIN</b> and the Madrid Municipal Council reached a milestone in promoting sustainable mobility, with <b>MERLIN</b> financing and executing the work in the amount of € 2.5 million.</p>

## Social initiatives

**MERLIN** creates value for society by supporting various initiatives and activities that ultimately have a positive impact on the development of the surrounding communities. These initiatives are approached from two different levels: on the one hand, at the corporate level and on the other hand, at the asset level.

### Contribution at the corporate level

At the corporate level, most of **MERLIN's** contributions to the community are part of its CSR Plan, under which **MERLIN** commits up to 0.1% of its gross annual revenue to social programmes or projects. This financial contribution is divided into two parts: the first part is the Group's direct cash contribution, and the second part is **MERLIN's** matching contribution, in which it doubles the cash donations or volunteer hours of employees, executives and directors. It should be noted that **MERLIN** does not make any political contributions.

In 2022, the Group donated a total of € 223,575 in direct contributions, with a multiplier effect<sup>(1)</sup> of € 192,374 through the collaboration of 32 employees and directors. Together, these contributions have supported 73 foundations and directly benefited 6,646 people.

In addition to the CSR Plan, in 2022, for the sixth year in a row, a total of 16 **MERLIN** employees taught classes in the university degree programme titled "Intensification in Real Estate Planning and Management" at the School of Quantity Surveyors of the Polytechnic University of Madrid. And once again this year, the training included a talk by Ismael Clemente, the Group's CEO. In all, **MERLIN** professionals dedicated 85 hours to this activity. In addition, three of the Group's employees taught master level classes at the School of Architecture for a total of 27 hours.

As in past years, **MERLIN** donated the cash allowance to fund two academic scholarships awarded to the top two students in this degree programme for a total of € 3,000.

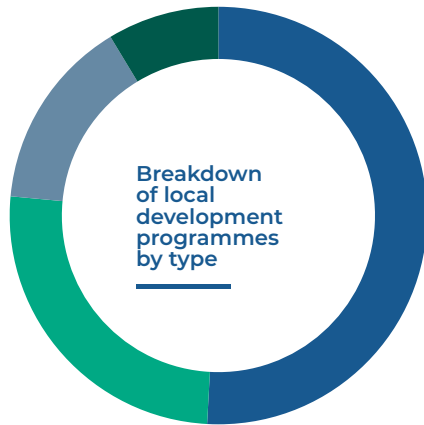
<sup>(1)</sup> In accordance with the LBG/ONLBG framework, the multiplier effect is considered to be the additional resources that the company manages to raise for an activity or project from third parties or entities.



LOOM Ferrtería | Barcelona

## Contribution through assets

**MERLIN** also contributes to local development through its assets, supporting different initiatives and activities in four key areas: training; social action; promotion of culture and local development; and awareness-raising.



**147**

Awareness raising activities

**74**

Social action

**43**

Training activities

**25**

Promoting culture and local development

## Initiatives promoting social cohesion and inclusion

### Training activities

Numerous training activities open to the community and activities aimed at **LOOM** users were held at the Company's LOOM assets in 2022. These activities focus in particular on the personal and professional growth of its participants, such as yoga activities, seminars on topics of interest such as "Align your project with the SDCs", "The most effective marketing strategies to attract clients", "The power of a conversation", etc.

This year at **Marineda**, there were seven talks on the subject of women at risk of social inclusion joining the workforce, in which a total of 175 women participated. The agreement with the Naru Foundation is also worth mentioning, which gives awareness-raising talks and provides training for the families of cancer patients at the Marineda centre.

<p><b>Social action</b></p>	<p><b>MERLIN</b> continues to collaborate with the Juan XXIII Roncalli Foundation to manage and maintain the urban vegetable gardens at <b>MERLIN Hub</b>, promoting the social and workplace inclusion of workers with intellectual disabilities. In 2022, these gardens yielded 1.95 tonnes of produce.</p> <p>Various <b>MERLIN</b> shopping centres have solidarity stands in their common areas, which are occupied at various times throughout the year by non-profit organisations such as the Red Cross, UNICEF, Doctors without Borders, etc.</p> <p>In addition, the Company offered 2,968 sqm of its logistics centres to the Banc Dels Aliments Foundation during the months of November, December and January for the food bank collection during the Christmas season..</p>
<p><b>Promoting culture and local development</b></p>	<p>In 2022, <b>MERLIN</b> has commissioned the Art for Africa exhibition at its Arturo Soria shopping centre. This is an art exhibition and sale of African crafts for the benefit of the Juan José Márquez association with the aim of raising awareness of the problems in Africa and raising funds to be used to improve, enhance and promote schooling and child health through health education programmes in various municipalities in the Ivory Coast. Visitors to the shopping centre were able to enjoy free of charge the works of more than 15 artists that included 40 paintings and ceramic pieces.</p> <p>In addition, the FLECHA project allows users of shopping centres such as Artea or Marineda to visit an art exhibition with the works of top level and emerging artists at affordable prices, thus breaking the traditional barrier of art in galleries.</p> <p>In 2022, the Group continued to showcase the work of young Spanish artists through the <b>MERLIN Art Programme</b>, which acquires and exhibits their work in its main assets, while providing tenants with a better experience. Its latest addition has been Gravitación by Fernando Suarez, in Torre Chamartín. Other pieces of art work include “Caballo” by Alberto Corazón located in the San Cugat I asset and “Tranpantojo” by J.Vaquero Turcios in Alfonso XI.</p>
<p><b>Awareness raising activities</b></p>	<p>In 2022 <b>MERLIN Hub</b> sponsored various social awareness-raising events such as talks by representatives of the Spanish Cancer Association (AECC) for all users of the Ática business park, and the numerous blood donation points set up throughout the year at its assets.</p> <p>In addition, <b>MERLIN's</b> shopping centres carry out numerous awareness-raising initiatives throughout the year, such as the Back to School Campaign with the delivery of school materials for children and young people at risk of exclusion.</p>

## Measuring the distribution of contributions to the MERLIN community

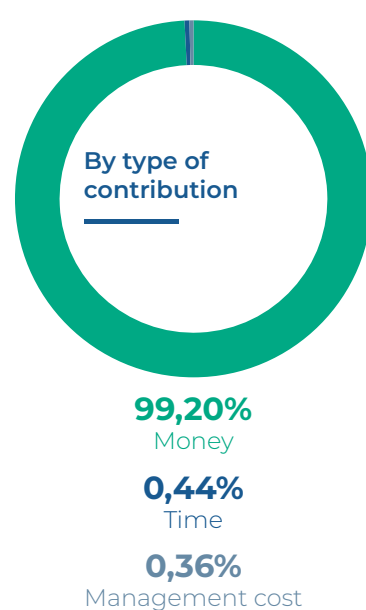
### Contribution to the community

After joining the internationally recognised London Benchmarking Group (LBG) in Spain, **MERLIN** measures its contribution to society using the LBG model. This is the most prestigious standard for measuring the investments made by companies in the form of social and environmental initiatives. LBG recognises voluntary contributions to social or environmental protection programmes and donations to non-profit organisations, not restricted to groups that are related to the Group. All initiatives are located in Spain and are broken down as shown on the following table.

**LBG**  
España

#### By type of initiative

	2021	2022
Social well-being	€412,366	€310,250
Education	€237,298	€225,930
Health	€43,292	€527,408
Art and culture	€12,540	€2,269
Humanitarian aid	€4,173	€2,219
Socioeconomic development	€2,860	€2,530
Environment	€2,461	€2,592,340
Other <sup>(1)</sup>	€5,040	€0
<b>TOTAL</b>	<b>€720,030</b>	<b>€3,662,946</b>



<sup>(1)</sup> Includes collaborative actions with associations in the shopping centre portfolio.



In terms of sponsorship, the Group continues to support the initiatives of the associations with which it collaborates, such as sponsoring the paddle tennis tournament for the Ronald McDonald House Foundation at the Larios shopping centre.

**MERLIN** also maintains relationships with associations of which it is a member, such as: The Spanish Association of Offices, Spanish Association of Shopping Centres, European Public Real Estate Association, Urban Land Institute, Spanish Confederation of Business Organisations, Association of Real Estate Companies with Rental Properties (ASIPA), GRI, Portuguese Association of Real Estate Developers and Investors, Madrid Futuro Association and the Barcelona Global Association (see details in Table GRI 2-28).

## Contribution to the Sustainable Development Goals (SDGs)

Since its inception, **MERLIN** has integrated sustainability into both its activities and decisions.

Through the practical implementation of this commitment, **MERLIN** contributes to the achievement of the Sustainable Development Goals of the 2030 Agenda approved by the United Nations General Assembly in 2015.

During 2021 **MERLIN** has identified the SDGs to which it contributes the most with its activity, being the most relevant the ones detailed below:



**SDG 3 | Good health and well-being:** **MERLIN** maximises the user experience by creating quality spaces that prioritise aspects such as air quality, lighting, and accessibility.



**SDG 4 | Quality education:** **MERLIN** promotes training initiatives by using its assets to improve social cohesion and inclusion and by offering its employees ongoing professional development.



**SDG 5 | Gender equality:** equal opportunities for men and women and non-discrimination are key aspects for **MERLIN** in the performance of its activities.



**SDG 7 | Affordable and clean energy:** through its assets, **MERLIN** contributes to the transition to low-carbon energy by making a commitment to renewable energy and energy efficiency.



**SDG 8 | Decent work and economic growth:** a through the refurbishment and operation of its assets, **MERLIN** generates quality employment by maximising the user experience and ensuring the best health and safety conditions.



Aquamarina | Madrid



**SDG 9 | Industry, innovation and infrastructure:** MERLIN's assets integrate the latest trends in innovation and digitalisation at both the building and user level.



**SDG 11 | Sustainable cities and communities:** Through its assets, MERLIN has a positive impact on cities from both an environmental and social perspective.



**SDG 12 | Responsible consumption and production:** MERLIN is committed to maximising the environmental performance of its assets in line with the market's benchmark sustainable construction certifications.



**SDG 13 | Climate action:** MERLIN is aware of its role the decarbonisation of the economy, and in 2021 MERLIN developed an emission reduction strategy ("Pathway to Net Zero") that involves its entire value chain.



**SDG 15 | Life on land:** MERLIN analyses and minimises the potential negative impacts on biodiversity throughout the life cycle of its assets, especially in new developments and refurbishments



**SDG 17 | Partnerships for the goals:** MERLIN builds and consolidates relationships with the public and private stakeholders with which it interacts, especially with the communities where it operates.



# 08. Capital management

8.1 Tax information  
8.2 Green financing



## MILESTONES 2022

- **Divestment of TREE Inversiones Inmobiliarias SOCIMI, S.A.** with the corresponding cancellation of the mortgage debt associated with the assets in the amount of € 665 million and cancellation of the corporate syndicated loan in the amount of € 850 million.
- **Improved credit rating** with positive outlook.
- **Creation of the framework for issuing green/sustainable** debt and converting corporate debt.
- Recovery of **Capital Markets Day**.
- **Refinancing of the bond** maturing in April 2023 for € 743 million.



## FUTURE OBJECTIVES

- In accordance with the commitments of the **Green Financing Programme**, the Allocation and Impact Reports, which focus on sustainability metrics, will be issued.



## KEY INDICATORS FOR THE YEAR

	DATO 2022	EVOLUCIÓN 2021-2022
SHARE PRICE (€)	8.78 €	(8.25%)
DISTRIBUTIONS TO SHAREHOLDERS	€ 561,9M	+267.4%
NUMBER OF ANALYSTS COVERING THE GROUP	24	-
AVERAGE DAILY TRADING VOLUME	€ 20,3M	+28.5%



## 8.1 TAX INFORMATION

### Tax strategy

**MERLIN** contributes to supporting public finances through the payment and collection of taxes payable to them.

**MERLIN's** Board of Directors approved the Group's tax strategy, the aim of which is to determine the fundamental principles and pillars on which **MERLIN's** fulfilment of its tax obligations is based.

Compliance with its tax obligations is governed by the following principles in its conduct regarding tax matters:

- Fulfilment of tax obligations and payment of legally required taxes. In particular, **MERLIN** will govern its conduct in accordance with that set out in the REIT regime that applies to it, based on the case law and commentary established in relation to the regime.
- Adoption of actions in tax matters based on a reasonable interpretation of the law.
- Tax treatment and decision making with tax implications based on the business rationale and reality of transactions and on the distribution of resources, risks and adding value.
- Not using structures that are contrived or that make no economic or business sense so as to reduce the tax burden of the Group or its shareholders.
- Not operating in territories classified as tax havens for the main purpose of reducing the tax burden of the Group or its shareholders.
- Maintaining a relationship with the tax authorities based on transparency, good faith, cooperation, reciprocity and professionalism without prejudice to legitimate disputes that may arise with the tax authorities in the defence of its interests or those of its shareholders.
- Promoting, together with business associations, improvements in regulations and the administrative procedures to boost companies' competitiveness and employment.

Together with the above principles, **MERLIN's** Board of Directors will have the necessary internal and external resources to comply with this tax strategy and the policies approved in implementing it.

This tax strategy will be applied and monitored by the Tax Department, under the supervision of the Group's Corporate General Manager.

With regard to notification mechanisms, any concerns regarding unethical or illegal conduct and the organisation's integrity in relation to taxation are channelled through the whistleblower channel and the continuous availability of the Head of the Tax Department. In addition, content regarding tax matters is verified through external audits and tax ICFRs.

Compliance with the tax strategy will be monitored and overseen by the Internal Audit Department, which, in accordance with the general procedures established for its function, is configured as an independent function of the Company.

The Audit and Control Committee will therefore monitor the effectiveness of the internal control and risk management system in accordance with the generally established mechanisms.

## Profits earned on a country-by-country basis and income tax paid

MERLIN is committed to complying with its tax obligations as an additional way of contributing to the development of the communities in which it operates in both Spain and Portugal. The Company's earnings as at 31st December 2022 were as follows:

### Income obtained

Income from leases to third parties (€M)	2021 <sup>(1)</sup>	2022
Spain	338.4	381.1
Portugal	44.4	57.9
<b>TOTAL</b>	<b>382.8</b>	<b>439.0</b>

Income from intra-group transactions with other tax jurisdictions (€M)	2021 <sup>(1)</sup>	2022
Spain	119.4	23.4
Portugal	23.5	-
<b>TOTAL</b>	<b>142.9</b>	<b>23.4</b>

### Profit before tax

Profit before tax obtained (€M)	2021 <sup>(1)</sup>	2022
Spain	364.2	(17.5)
Portugal	39.0	65.7
<b>TOTAL</b>	<b>403.2</b>	<b>48.2</b>

<sup>(1)</sup> 2021 reexpressed for discontinued operations.



**Tangible assets**

Tangible assets other than cash and cash equivalents (€M)	2021 <sup>(1)</sup>	2022
Spain	12,024.8	9,884.9
Portugal	1,185.4	1,302.7
<b>TOTAL</b>	<b>13.210,2</b>	<b>11,187.7</b>

**Taxes**

Taxes paid (€M)	2021 <sup>(1)</sup>	2022
Spain	165.9	207.7
Portugal	15.1	15.7
<b>TOTAL</b>	<b>180.9</b>	<b>223.4</b>

Corporation tax accrued (€M)	2021 <sup>(1)</sup>	2022
Spain	1.9	0.9
Portugal	5.9	7.7
<b>TOTAL</b>	<b>7.8</b>	<b>6.8</b>

**Total tax contribution**

The Total Tax Contribution (TTC) measures the contribution made by a company or group of companies to the various authorities.

As a general rule, both taxes paid and collected are charged to each fiscal year following a cash basis approach.

- Taxes paid are those taxes that have incurred an effective cost for companies, e.g. income tax, social security contributions paid by the company, or certain environmental taxes.
- Taxes collected are those that have been paid as a result of the company's economic activity, without entailing a cost for the companies other than that of their management, such as employee tax withholdings.

<sup>(1)</sup> 2021 reexpressed for discontinued operations.

Accordingly, the **MERLIN Group's total tax contribution**, between Spain and Portugal in 2022, amounted to € 220.7 million. Based on the nature of the tax and the country of residence of the companies, the following is a breakdown of the total tax contribution collected and paid by the Group in 2022 following a cash basis approach:

## Spain

The total contribution in Spain amounted to € 205 million, taking into account direct and indirect taxation. This amount is differentiated into tax paid and tax collected/withheld. The former are those that entail a cost for the Group, while the latter are those that, without entailing a cost for the Group, consist of a collection on behalf of third parties. The following summary details both concepts:

TAXES PAID	2021	2022
Property tax	38.2	36.8
Tax on economic activities	5.5	5.0
Tax on buildings, installations and works	1.4	3.1
Company social security contributions	2.8	3.0
Duties	2.3	2.2
Urban property capital gains tax	2.9	1.4
Transfer tax and stamp duty	2.4	1.4
Corporate Tax	1.9	(1.5)
Others	0.1	0.1
<b>SUBTOTAL</b>	<b>57.5</b>	<b>51.4</b>

TAXES COLLECTED/WITHHELD	2021	2022
VAT/Canary Islands general indirect tax	69.6	56.6
Suppliers personal income tax/non-resident income tax	2.3	1.5
Employees personal income tax/non-resident income tax	24.2	24.0
Dividend personal income tax/non-resident income tax	11.4	70.8
Employee social security contributions	0.8	0.6
<b>SUBTOTAL</b>	<b>108.3</b>	<b>153.5</b>

## Portugal

The total contribution in Portugal amounted to € 15.7 million.

TAXES PAID	2021	2022
Property tax	1.1	1
Company social security contributions	0.1	0.2
Transfer tax and stamp duty	0	0.9
Corporation tax	2.5	3
<b>SUBTOTAL</b>	<b>3.7</b>	<b>5.1</b>

TAXES COLLECTED/WITHHELD	2021	2022
VAT/Canary Islands general indirect tax	6.8	7.7
Suppliers personal income tax/non-resident income tax	4.5	2.5
Employees personal income tax/non-resident income tax	0	0.3
Employee social security contributions	0	0.1
<b>SUBTOTAL</b>	<b>11.3</b>	<b>10.6</b>



Marquês de Pombal | Lisboa

## Impact of MERLIN's total tax contribution in 2022

The purpose of this calculation is to measure the business asset represented by the **MERLIN** Group's tax contribution so that it is effectively incorporated into the reputational value given the value it generates and contributes to society.

Therefore, the impact of the various taxes that entail an outflow of cash for the Group is detailed below:

<b>INCOME TAX (M€)</b>	<b>2021</b>	<b>2022</b>
Corporation tax	4.4	1.4
Suppliers personal income tax/non-resident income tax	6.7	4.1
Tax on economic activities	5.5	5.0
Urban property capital gains tax	3.0	1.4
<b>SUBTOTAL</b>	<b>19.6</b>	<b>11.9</b>
<b>TAXES ON SHAREHOLDERS (M€)</b>	<b>2021</b>	<b>2022</b>
Dividend personal income tax/non-resident income tax	11.4	70.8
<b>SUBTOTAL</b>	<b>11.4</b>	<b>70.8</b>
<b>PROPERTY TAXES (M€)</b>	<b>2021</b>	<b>2022</b>
Property tax	39.3	37.8
<b>SUBTOTAL</b>	<b>39.3</b>	<b>37.8</b>
<b>EMPLOYMENT-RELATED TAXES (M€)</b>	<b>2021</b>	<b>2022</b>
Employees personal income tax/non-resident income tax	24.2	24.2
Company social security contributions	2.9	3.2
Employee social security contributions	0.8	0.7
<b>SUBTOTAL</b>	<b>27.9</b>	<b>28.1</b>
<b>TAXES ON PRODUCTS AND SERVICES (M€)</b>	<b>2021</b>	<b>2022</b>
VAT/Canary Islands general indirect tax	76.4	64.3
Transfer tax and stamp duty	2.2	2.3
Tax on buildings, installations and works	1.4	3.1
<b>SUBTOTAL</b>	<b>80.0</b>	<b>69.7</b>
<b>ENVIRONMENTAL TAXES (M€)</b>	<b>2021</b>	<b>2022</b>
Duties	2.3	2.2
Others	0.1	0.1
<b>SUBTOTAL</b>	<b>2.4</b>	<b>2.3</b>
<b>TOTAL</b>	<b>180.6</b>	<b>220.7</b>

As mentioned above, in 2022 the **MERLIN** Group's total tax contribution amounted to € 220.7 million between Spain and Portugal, of which 26.2% corresponded to taxes paid and 73.8% to taxes collected/withheld.

- The taxes paid by the **MERLIN Group** in 2022 amounted to € 51.4 million, most notably including property tax that amounted to € 37.8 million, representing 67.2% of its taxes.
- The taxes collected by the **MERLIN Group** in 2022 amounted to € 164 million, most notably including taxes withheld on dividends paid that amounted to € 70.8 million, representing 42.9%, and taxes on products and services, mainly VAT, amounting to € 64.3 million, representing 39.4%.

According to the TTC method, the distributed value of a company comprises the sum of the following components: net interest, wages and salaries (net of taxes withheld from employees), taxes (paid and collected) and shareholder value (i.e., dividends, reserves, etc.), among others.

Thus, the ratio of distributed tax value reveals what percentage of the total value generated by **MERLIN** is allocated to the taxes paid to or collected/withheld for the public authorities. In essence, the distributed tax value reflects the way in which **MERLIN** contributes the value it generates to society.

Finally, at year-end 2022, the Group has received grants from various public bodies for an immaterial amount.

<b>FINANCIAL DATA (€M AND REFERENCE TO NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 2022)</b>	<b>2021</b>	<b>2022</b>
Revenue (Note 18.a)	468.2	439.0
Wages and salaries (Note 18.c)	(25.8)	(32.0)
Net interest (Note 18.d)	(130.9)	(105.3)
Changes in value of investment property (Note 7)	177.0	(249.3)
Change in value of financial instruments (Note 14)	73.1	41.2
Profit before tax	518.8	48.2
Profit after tax	512.2	41.4
Profit before tax paid	573.6	97.9
Profit before tax (without market revaluation)	268.7	256.2
<b>Profit before taxes paid (without market revaluation)</b>	<b>323.5</b>	<b>305.9</b>
<b>Profit after taxes paid (without market revaluation)</b>	<b>262.1</b>	<b>249.4</b>
<b>Total taxes paid</b>	<b>61.4</b>	<b>56.5</b>
<b>Total taxes collected/withheld</b>	<b>119.6</b>	<b>164.2</b>
<b>Total tax contribution</b>	<b>180.9</b>	<b>220.7</b>

TAX CONTRIBUTION INDICATORS	2021	2022
<b>1. Total tax contribution ratio</b>	<b>39%</b>	<b>50%</b>
2. TTC with regard to revenue	13%	13%
3. Taxes paid as a percentage of revenue	26%	37%
4. axes collected/withheld as a percentage of revenue	63%	66%
<b>5. Distributed tax value in the Company</b>	<b>63%</b>	<b>66%</b>

In 2022, 18% of the value generated by **MERLIN** was paid to the tax authorities through taxes paid and collected/withheld. Thus, for every €100 of value generated by the Group in 2022, €18 were allocated to paying taxes.

For every €100 of the Company's revenue, €50 were allocated to the payment of taxes, of which €13 are taxes paid and €37 are taxes collected/withheld. In 2022, for the purposes of the total tax contribution, taxes paid represented 18.5% of total profit before tax (without revaluation of the investment property).



Ribera de Loira | Madrid



## 8.2 GREEN FINANCING

### Financial strategy

The Group's strategy is to actively manage both the Group's assets and the liabilities. In relation to liabilities, the goal is to extend the average maturity of the debt and to try to maintain borrowing costs and eliminate the risk arising from interest rate fluctuations. Currently, 99.6% of the Company's debt accrues interest at a fixed rate or is subject to interest rate hedges.

### Liquidity and capital resources

#### Debt

MERLIN carried out several transactions involving its financial liabilities in 2022.

The transactions carried out were:

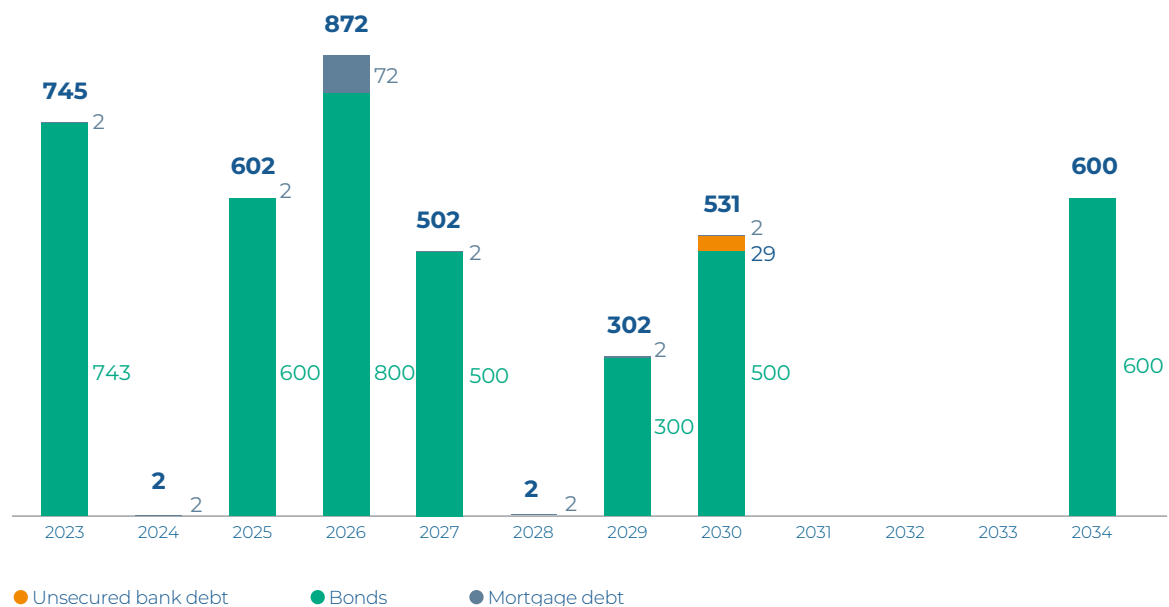
- On 23<sup>rd</sup> February 2022, the Group repaid its first bond maturing on 23<sup>rd</sup> May amounting to € 548 million with the funds obtained from a € 500 million bond issue on 21<sup>st</sup> June 2021.
- On 1<sup>st</sup> June 2022, the Group converted all its bonds into green bonds under the Green Financing Framework published on 25<sup>th</sup> April 2022. The reclassification of the bonds to green bonds does not entail changes to any other features of the bonds, such as their terms and conditions, interest or maturity.
- On 16<sup>th</sup> March 2022, the third one-year extension of the maturity of the mortgage associated with the bank branches was approved, with the new final maturity date being 31<sup>st</sup> March 2034. Subsequently, on 15<sup>th</sup> June, the Group made an early repayment for this mortgage of € 665 million when the shares of TREE Inversiones Inmobiliarias SOCIMI, S.A. were sold to BBVA.
- In addition, on 21<sup>st</sup> June 2022, the Group made an early repayment for the corporate loan of € 850 million with part of the proceeds from the sale of TREE Inversiones Inmobiliarias SOCIMI, S.A.
- On 18<sup>th</sup> November 2022, the Group entered into two 5-year corporate green financing facilities for an aggregate amount of € 660 million. The financing consists of a syndicated loan of € 600 million with 5 banks (undrawn at year end) and a bilateral loan for € 60 million.
- On 20<sup>th</sup> December 2022, the Group drew down € 22 million corresponding to the first tranche of non-mortgage financing from the European Investment Bank for the logistics developments in Castilla La Mancha maturing on 20<sup>th</sup> December 2032.
- At year end, the Group had € 109.2 million not yet drawn down corresponding to tranche 2 of the logistics financing and the green loan signed with the European Investment Bank.
- The new financing will be used to repay the € 743 million bond maturing on 25<sup>th</sup> April 2023.

At year-end 2022, the Group's financial debt totaled 4,239 million, consisting of corporate financing without mortgage guarantees (loans and bonds) and mortgage loans.

At the end of 2022, the Group's financial debt amounted to € 4,239 million, made up of corporate financing without mortgage collateral (loans and bonds) and mortgages.

As a result of these transactions, the debt's average maturity at year end stood at 4.9 years and there are no significant debt maturities at short-term, the first relevant maturity being the € 743 million bond maturing in 2023, the amount of which would be covered by the new financing obtained and which would extend the average life of the debt issuance to 6 years.

The debt repayment schedule is as follows:



Pinto II | Madrid

## Available liquidity

MERLIN's cash position at December 31, 2022 amounted to €447 million, including €17 million of treasury shares.

This liquidity is increased by €1,409 million through the revolving credit line, undrawn at year-end 2022, and undrawn financing from the European Investment Bank and the syndicated loan.

Additionally, the Group has the ability to access the capital markets through the euro medium-term note (EMTN) programme, which has a limit of € 6,000 million. At 2022 year end, € 1,957 million was available through this programme.

## Off-balance-sheet obligations and transactions

The Group's investment strategy currently focuses on two pillars, the refurbishment of core assets in the office and shopping centre segments, developing new logistics warehouses and the new data centre line of business.

In this regard, as of December 31, 2022, the Group has firm purchase commitments for investment property amounting to €7 million, excluding committed investments in construction and improvements.

## Green financing

On 25<sup>th</sup> April 2022, the Group published its **Green Financing Framework**. This programme brings its financing strategy into line with its sustainability objectives. The Group therefore requested the conversion of its outstanding senior bonds into green bonds and is committed to linking its future financing to this programme.

The Green Financing Framework is in line with the Green Bond Principles 2021 (GBP) and the Green Lending Principles 2021 (GLP) published respectively by the International Capital Markets Association (ICMA) and the Loan Market Association (LMA), and its four components are as follows:

- **Use of proceeds**

Allocate the use of the proceeds to a number of eligible project categories in accordance with the eligibility criteria set out in the Green Financing Framework.

- **Process for project evaluation and selection**

In line with the approach of integrating Corporate Social Responsibility (CSR), the **MERLIN** Working Group will oversee the allocation of the amounts and their CSR performance based on selecting projects under the criteria described above, the monitoring of the financing instruments issued under the Green Financing Framework and the management of future updates to the framework.

The Working Group will consist of representatives from the Finance, Treasury, CSR and Investor Relations departments, and from other technical departments when necessary, and will meet at least on a monthly basis or as needed.

The responsibilities of the Working Group will include:

- Monitor the eligibility criteria in accordance with the eligible project categories during the lifetime of the transactions.
- Manage any identified potential ESG risks associated with the eligible project categories:
  - Under the control of the Board of Directors and the Audit and Control Committee, **MERLIN** oversees the effectiveness, adequacy and integrity of the Group's internal control and risk management systems. ESG risk management is part of the first line of defence in **MERLIN's** risk management plan.
  - **MERLIN** has also established a certified Environmental Management System based on ISO 14001 and ISO 50001 standards.
  - Furthermore, as part of the Group's vision and values, **MERLIN** is committed to long-term value creation in a context of transparency, ethics and responsibility in business and society.
- In particular, when any eligible sustainable building leaves **MERLIN's** portfolio or when the ESG Committee decides to remove an eligible sustainable building from the portfolio of eligible sustainable buildings, the ESG Committee will make every effort to replace these assets as soon as possible, once a suitable eligible sustainable building has been identified for replacement.

#### • Management of proceeds

**MERLIN** will allocate the equivalent amount of all the Group's outstanding green financing to the eligible project categories set out above.

The Working Group will allocate any future financing by verifying on an annual basis the adequacy of the pre-selected eligible project categories with the total amount of funds obtained through green financing. In addition, the Working Group will establish a process in its Internal Reporting System to follow up on the use of the proceeds from the outstanding green financing.

#### • Reporting

**MERLIN**, in its commitment to transparency and sustainable engagement, will publish on an annual basis a report on the allocation of the proceeds and an impact report on the main indicators set out in the Green Financing Framework:

- An audited report of the allocation of the proceeds detailing the different green financing or financial instruments and the amount allocated to each eligible project category divided up by each eligibility criteria.
- A report that will include a quantitative and qualitative measurement of the main CSR indicators for the eligible project categories selected for allocation of the proceeds.

Eligible project category	Example of impact indicators
<b>Sustainable buildings</b>	<ul style="list-style-type: none"> <li>• Breakdown of external certification by asset type (shopping centres, offices and logistics centers)</li> <li>• Average energy intensity of buildings included in the portfolio of eligible sustainable buildings (in kWh/sqm/year) by asset type (shopping centres, offices and logistics centers)</li> <li>• Average greenhouse gas emissions intensity of buildings included in the portfolio of sustainable eligible buildings (in tCO<sub>2</sub>eq/sqm) by asset type (shopping centres, offices and logistics centers)</li> <li>• CO<sub>2</sub> emissions avoided by buildings included in the portfolio of sustainable eligible buildings (in tCO<sub>2</sub>e/year) by asset type (shopping centers, offices and logistics centers)</li> </ul>
<b>Renewable energy</b>	<ul style="list-style-type: none"> <li>• Installed capacity (MW)</li> <li>• Expected renewable energy generation (MWh/year)</li> <li>• CO<sub>2</sub> emissions avoided (in tCO<sub>2</sub>e/year)</li> </ul>
<b>Energy efficiency</b>	<ul style="list-style-type: none"> <li>• Expected energy savings (MWh/year)</li> </ul>
<b>Clean transport</b>	<ul style="list-style-type: none"> <li>• Number of electric chargers</li> <li>• CO<sub>2</sub> emissions avoided (in tCO<sub>2</sub>e/year)</li> </ul>
<b>Pollution prevention and control</b>	<ul style="list-style-type: none"> <li>• Estimated CO<sub>2</sub> emissions offset (in tCO<sub>2</sub>e/year)</li> </ul>

At year-end 2022, the eligible project category selected by the Group for allocation of the proceeds was Sustainable Buildings. The main indicators of the Sustainable Buildings portfolio by type of asset for the 2022 fiscal year are as follows:

Indicator <sup>(1)</sup>	Offices	Shopping Centers	Logistics
Energy intensity (in kWh/sqm/year)	75.71	63.32	48.83
GHG Intensity (in tCO <sub>2</sub> eq/sqm) Market-based	0.002	0.003	0.000
Avoided CO <sub>2</sub> emissions (in tCO <sub>2</sub> e/year)	6,646	3,811	75

<sup>(1)</sup> Información referente a activos bajo control operacional dentro del portfolio de Edificios Sostenibles. En aquellos parques empresariales formado por edificios Sostenibles y no sostenibles, a efectos del Programa de Financiación Verde, y un único punto de suministro, se ha considerado el consumo total.

In addition to the above, the Group has a corporate revolving credit facility in the amount of € 700 million, signed in April 2019, and a mortgage loan in the amount of € 70 million, signed in May 2019, which are labelled as sustainable financing and are linked to the fulfilment of at least three of the following KPIs:

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**1** Make sustainable investments in the portfolio

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**2** Obtain LEED/BREEAM asset certifications

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**3** Obtain AIS accessibility certifications

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**4** Ensure a certain amount of energy consumption is from renewable energy sources

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**+** The Group has met the target set for 2022 in all four categories



Plaza de los Cubos | Madrid



# 09. About this Report

A modern office interior featuring a teal tufted bench, a wooden table, and a glass-walled meeting room. The meeting room has a black frame and a glass door with a handle. Inside the meeting room, there is a wooden desk, a grey chair, and a small plant. The text "RING THREE" is visible on the glass wall. The overall atmosphere is bright and professional.

- 9.1. Basis of preparation of this report
- 9.2. Information on MERLIN Properties' sustainability performance
- 9.3. Table of contents of Law 11/2018
  - A. GRI Content Index
  - B. EPRA sBPR Content Index

## 9.1 BASIS OF PREPARATION OF THIS REPORT

### Reporting scope

This report includes information on **MERLIN Properties'** economic, social and environmental performance in 2022. Where relevant, information from previous years has also been included to show the evolution of the Group's performance.

### Standards employed

The statement of non-financial information was prepared in accordance with current company law and following the criteria of selected Sustainability Reporting Standards issued by the Global Reporting Initiative (GRI Standards), and other criteria described in accordance with each topic in the Table of Contents of the Statement of Non-Financial Information.

### Principles applied

The GRI Standards Sustainability Report guidelines lay down a number of principles that have been taken into account when preparing the report, which are as follows:

- **Stakeholder inclusiveness.** The 2022 Statement of Non-Financial Information has been prepared with stakeholder expectations and concerns regarding the Group's operations and performance in mind. These expectations have been considered through the **MERLIN Properties** staff who are in contact with their stakeholders and relevant matters published in the media and included in questionnaires and sustainability ratings targeting investors, such as DJSI/CSA, EPRA or GRESB have also been analysed.
- **Sustainability context at MERLIN Properties.** The way in which the Group's activities and services interact with the social, economic and environmental context in which it operates has been evaluated.
- **Materiality.** A materiality analysis has been conducted to define the most relevant sustainability aspects for **MERLIN Properties**. The process followed in this analysis is explained in the following pages.
- **Completeness.** After identifying material aspects, the content of the Statement of Non-Financial Information has been designed to include sufficient information on these aspects to allow stakeholders to assess and understand **MERLIN Properties'** economic, environmental and social performance in recent years.

## GRI principles for information processing and quality

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This Statement of Non-Financial Information has been drawn up following the GRI principles established to ensure the quality of the information:

- **Balance.** This principle indicates that reports should reflect both positive and negative aspects of the Group's performance. By applying this principle, a broad and unbiased picture of **MERLIN Properties'** overall performance has been provided.
- **Comparability.** The Group has compiled and reported information so that stakeholders can analyse how its performance has evolved in recent years, thus facilitating comparison with the performance of other organisations.
- **Accuracy.** The information contained in this Statement of Non-Financial Information is intended to include sufficient details to meet the expectations expressed by the Group's stakeholders.
- **Timeliness.** **MERLIN Properties'** aims to update the content of this Statement of Non-Financial Information on an annual basis to provide stakeholders with regular access to information on the Group's performance.
- **Clarity.** **MERLIN Properties** seeks to report on its performance in a manner that is accessible and clear to all its stakeholders.
- **Reliability.** **MERLIN Properties** has described in detail the process for preparing this Statement of Non-Financial Information, which guarantees that the content can be subject to external examination to establish the quality and degree of materiality of the information.

## Contact details

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If you require any clarification regarding the information contained in this Statement of Non-Financial Information or any aspect of the Group's sustainability performance, please contact **MERLIN Properties** at the following address: [info@merlinproperties.com](mailto:info@merlinproperties.com)

## 9.2 INFORMATION ON MERLIN PROPERTIES' SUSTAINABILITY PERFORMANCE

Contents	Response
<b>Aspect: Environment</b>	
Scope of disclosure	The scope of the assets on which information is provided regarding their energy consumption, GHG emissions, water consumption and waste is detailed in Appendix I of this report.
GHG emissions per production unit	The GHG emissions ratio in terms of surface area, for all operational assets for which <b>MERLIN</b> exercises operational control, is 0.026 tCO <sub>2</sub> e/sqm, including scope 1, scope 2 and scope 3 emissions.
Energy consumption per production unit	The energy consumption ratio in terms of surface area, for all operational assets for which <b>MERLIN</b> exercises operational control, is 0.277 GJ/sqm.
Number and amount of significant environmental fines	No fines of an environmental nature were recognised during 2022.
Policies regarding energy consumption, water consumption, GHG emissions and waste	In accordance with its Sustainability Policy, <b>MERLIN</b> is committed to reducing the consumption of resources and improving the circularity of its assets throughout their life cycle through operational efficiency and minimising the carbon footprint of the entire value chain.
<b>Aspect: Society</b>	
Complaints and quality assurance policy.	For the purposes of understanding the expectations and needs of its stakeholders, and offering maximum transparency, <b>MERLIN</b> has implemented numerous communication channels, such as satisfaction questionnaires aimed at its tenants. Within the framework of these questionnaires, any potential complaints and claims that tenants may have are gathered, allowing their concerns and needs to be addressed.
Customer data protection policy	<b>MERLIN</b> has a Personal Data Protection Policy, which guarantees that personal data is processed respecting the principles established in the General Data Protection Regulation (GDPR) (lawfulness, fairness, transparency, purpose limitation, data minimisation, accuracy and limited storage periods).
Donations to foundations and other types of donations	The total amount donated to foundations by the Group was € 416 thousand.
Percentage of female executives and middle managers	The percentage of women in senior management is 11% (1 out of 9) and in middle management 33% (27 out of 82).
Anti-bribery policy	In 2021 <b>MERLIN</b> updated its Anti-Corruption, Bribery and Fraud Policy, which lays out the Group's basic guiding principles for preventive actions and proactive steps in the fight against corruption, bribery and fraud in all areas of its business activities. Furthermore, the Group is certified under ISO 37,001 Anti Corruption and Bribery

Continues &gt;

Contents	Response
<b>Aspect: Society</b>	
Lost time injury frequency rate (LTIFR) associated with employees	The ratio of days lost in 2022 among <b>MERLIN</b> employees is 9 for men and 7 for women.
Total recordable incident rate (TRIR) associated with employees	The total recordable incident rate (TRIR) in 2022 among <b>MERLIN</b> employees is 1%.
Number of suppliers	The number of suppliers with orders in 2022 was 184.
Number of suppliers audited and audits carried out	Suppliers with orders are analysed in terms of compliance and finance, which includes being up to date with the tax and social security authorities, and the financial solvency of the supplier. In addition, if the tender is for more than € 1 million, the supplier's execution capacity and the Group's degree of exposure are analysed. In 2022, there were a total of 573 orders (OpEx and CapEx) and 184 suppliers. The audit described above is carried out for each order.
Percentage of suppliers audited	100% of suppliers are audited.
Percentage of assets with public transport connection <sup>(1)</sup> .	The percentage of assets with a public transport connection nearby is 97%.
<b>Aspect: Governance</b>	
Years with the auditor	<b>MERLIN's</b> consolidated financial statements have been audited by the same financial auditor for the last 9 years (since the audit corresponding to 2014).
Number of directors and independent directors on the Audit and Control Committee	The Audit and Control Committee is composed of 6 directors, 4 of whom are independent.
Number of executive and non-executive directors	The Board of Directors is composed of 2 executive directors and 11 non-executive directors (7 independent and 4 proprietary directors).
Number of directors and independent directors on the Remuneration and Appointments Committee	The Remuneration and Appointment Committee is composed of 6 directors, 5 of whom are independent.
Number of directors and independent directors on the Sustainability and Innovation Committee	The Sustainability and Innovation Committee is composed of 4 directors, 3 of whom are independent.

Continues &gt;

<sup>(1)</sup> Percentage obtained in terms of surface area, taking into account those assets that are located at least 500 metres from a public transport or station. Includes only those assets from the offices and shopping centres portfolios in operation.

Contents	Response
Number of female executives	The management team is composed of one woman and 8 men (for a total of 9).
Number of female directors	The Board of Directors is composed of 5 women and 8 men (for a total of 13 members).
Number of Board meetings and percentage of attendance	<b>MERLIN's</b> Board of Directors met 13 times with 97.63% attendance.
Number of Audit and Control Committee meetings and percentage of attendance	The Audit and Control Committee met 14 times with 95.71% attendance.
Number of Remuneration and Appointments Committee meetings and percentage of attendance	The Remuneration Committee met 11 times (11 as ARC and 2 as AC and RC separately) with 100% attendance.
Number of Sustainability and Innovation Committee meetings and percentage of attendance	The Sustainability Committee met 9 times with 100% attendance.
Share ownership	<b>MERLIN</b> has guidelines for its executives regarding the minimum requirements for holding the Group's shares on an ongoing basis.
<b>Content considered non-material for the Group</b>	
Emission of particles, SO <sub>2</sub> and NO <sub>x</sub>	The main fuel consumed by <b>MERLIN</b> is natural gas, a gas that barely emits SO <sub>2</sub> and particles in its combustion. The possible emissions of this type of pollutant are due to the consumption of diesel, a fuel that is hardly used by <b>MERLIN</b> . In addition, NO <sub>x</sub> emissions are also considered as barely representative, given that the water heaters that use these types of fuels are of a residential type.
Percentage of raw material from sustainable sources	The amount of materials acquired by <b>MERLIN</b> is low, given that the refurbishment processes of the assets are carried out by subcontracted companies.
Policy against child labor	Due to the location of <b>MERLIN's</b> assets (Spain and Portugal) and the type of activities carried out by the Group, it is considered that there are no risks concerning child labour. In 2022, <b>MERLIN's</b> Board of Directors has approved a Respect for Human Rights Policy that expressly rejects the exploitation of children. This policy will be translated into the supply chain.
Supply chain management at a societal level	In 2022, <b>MERLIN</b> has modified the Procurement Procedure to require in all tenders over 150 thousand euros the response, by suppliers, to an ESG questionnaire with environmental, social and governance issues. In 2022, these questionnaires were obtained for 72% of the CAPEX at 12/31/22 and Internal Audit audited 78% of the questionnaires received (55% of the Capex at 12/31/22; €126 M).



## 9.3 TABLE OF CONTENTS OF LAW 11/2018

Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
<b>GENERAL INFORMATION</b>		
A brief description of the business model including its business environment, organisation and structure	2.1. Business model Pag. 10-12  3.1 The Market (sector) Pag. 26-27	GRI 2-1 GRI 2-6 GRI 2-22
Markets in which it operates	2.4 Business activities Pag. 13-23	
Objectives and strategies of the organisation	2.5 Main milestones and objectives Pag. 21-23	
Main factors and trends that may affect its future progress	3.2 Outlook Pag. 27	
Reporting framework used	9.1 About this report Pag. 160-162	GRI 1 Requirement 8
Principle of materiality	3.6 Materiality analysis Pag. 36-38	GRI 3-1 GRI 3-2
<b>ENVIRONMENTAL ISSUES</b>		
<b>Management approach:</b> description and results of the policies related to these matters and the main risks related to these matters linked to the Group's activities	5. Climate change management Pag. 65-96	GRI 3-3
<b>General detailed information</b>		
Detailed information on the current and foreseeable effects of the Company's activities on the environment and, if applicable, on health and safety	5. Climate change management Pag. 65-96	GRI 3-3
Environmental assessment and certification procedures	5.6 Carbon footprint certification 5.7 Validation of <b>MERLIN's</b> commitments by independent third parties Pag. 89-93	GRI 3-3

Continues &gt;

Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
<b>General detailed information</b>		
Resources allocated to the prevention of environmental risks	5.2 Environmental and Climate Change Systems Pag. 71-72	GRI 3-3
Application of the precautionary principle	5.2 Environmental and Climate Change Systems Pag. 71-72	GRI 2-23 GRI 3-3
Amount of provisions and guarantees for environmental risks	5.2 Environmental and Climate Change Systems Pag. 71-72	GRI 3-3
<b>Pollution</b>		
Measures to prevent, reduce or redress carbon emissions that seriously affect the environment, taking into account any type of activity-specific atmospheric pollutants including noise and light pollution.	5.5 Decarbonisation of <b>MERLIN Properties'</b> portfolio Pag. 81-89	GRI 3-3
<b>Circular economy and waste prevention and management</b>		
Measures for the prevention, recycling, reuse and other forms of recovering and eliminating waste.	5.4 Environmental performance of <b>MERLIN Properties'</b> portfolio Pag. 75-81	GRI 3-3 GRI 306-1 (2020) GRI 306-2 (2020) GRI 306-3 (2020) GRI 306-4 (2020) GRI 306-5 (2020)
Actions taken to combat food waste	5.4 Environmental performance of <b>MERLIN Properties'</b> portfolio Pag. 81	GRI 3-3
<b>Sustainable use of resources</b>		
Water consumption and supply in accordance with local limitations	5.4 Environmental performance of <b>MERLIN Properties'</b> portfolio Pag. 79	GRI 303-3 (2018) as regards the origin of water consumed GRI 303-5 (2018)
Consumption of raw materials and measures taken to use them more efficiently	-	Non-material

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Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
<b>Sustainable use of resources</b>		
Direct and indirect energy consumption	5.4 Environmental performance of <b>MERLIN Properties'</b> portfolio <b>Pag. 76-79</b>	GRI 302-1
Measures taken to improve energy efficiency	5.3 Development and operation of sustainable assets <b>Pag. 73-74</b>	GRI 3-3
Use of renewable energies	3.5 <b>MERLIN's</b> sustainability management <b>Pag. 31-36</b>	GRI 302-1
<b>Climate change</b>		
Greenhouse gas emissions generated as a result of the Company's activities, including use of the goods produced and services provided	5.5 Decarbonisation of <b>MERLIN Properties</b> portfolio <b>Pag. 81-89</b>	GRI 3-3 GRI 305-1 GRI 305-2
Measures adopted to adapt to the consequences of climate change	Anexo IV. Report climate risks according to TCFD methodology <b>Pag. 241-249</b>	GRI 3-3
Medium- and long-term targets voluntarily established to reduce greenhouse gas emissions and the means implemented for this purpose	3.5 <b>MERLIN's</b> sustainability management <b>Pag. 31-36</b>	GRI 3-3 GRI 305-5
<b>Protection of biodiversity</b>		
Measures taken to preserve or restore biodiversity	5.9 Protection of biodiversity <b>Pag. 96-97</b>	GRI 3-3
Impacts caused by activities or operations in protected areas	5.9 Protection of biodiversity <b>Pag. 96-97</b>	GRI 3-3
<b>SOCIAL AND PERSONNEL MATTERS</b>		
<b>Management approach:</b> description and results of the policies related to these matters and the main risks related to these matters linked to the Group's activities	6. Talent creation <b>Pag. 98-117</b>	GRI 3-3

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Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
<b>Employment</b>		
Total number of employees and breakdown by country, gender, age and professional classification	6.1.1 Composition of the workforce <b>Pag. 101-105</b>	GRI 2-7 GRI 405-1
Total number of employees and breakdown by type of employment contract and annual average number of permanent, temporary and part-time contracts by gender, age and professional classification	6.1.1 Composition of the workforce. <b>Pag. 101-105</b>  6.1.2 Average contracts. <b>Pag. 105</b>	GRI 2-7 GRI 405-1
Number of dismissals by gender, age and professional classification	6.1.3 Number of dismissals <b>Pag. 106</b>	GRI 3-3 GRI 401-1
Average remuneration and changes in salaries broken down by gender, age and professional classification or equal value	6.2 Employee compensation <b>Pag. 108-110</b>	GRI 3-3 GRI 2-21
Wage gap, remuneration for the Company's equal or average job positions	6.2.1 Wage gap analysis <b>Pag. 108-110</b>	GRI 3-3 GRI 405-2
Average remuneration for directors and executives, including variable remuneration, attendance fees, termination benefits, long-term savings/pension plans and any other compensation, broken down by gender	6.2.2 Remuneration of non-executive directors <b>Pag. 110</b>  6.2.1 Wage gap analysis <b>Pag. 108-110</b>	GRI 3-3 GRI 2-19 GRI 2-21
Implementation of work disconnection policies	6.1.4 Implementation of work disconnection policies <b>Pag. 108</b>	GRI 3-3
Number of employees with disabilities	6.5.5 Employees with disabilities <b>Pag. 114</b>	GRI 3-3 GRI 405-1
<b>Organisation of work</b>		
Organisation of working hours	6.3.1 Organisation of work <b>Pag. 110</b>	GRI 3-3
Number of hours of absenteeism	6.3.2 Total hours of absenteeism <b>Pag. 111</b>	GRI 3-3 GRI 403-9 (2018)
Measures designed to facilitate work-life balance and promote the sharing of responsibility by both parents	6.3.3 Measures designed to facilitate work-life balance and promote the sharing of responsibility by both parents <b>Pag. 112</b>	GRI 3-3

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Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
<b>Health and safety</b>		
Occupational health and safety conditions	6.4 Safety, health and well-being of employees <b>Pag. 113-114</b>	GRI 403-1 (2018) GRI 403-2 (2018) GRI 403-3 (2018) GRI 403-4 (2018) GRI 403-5 (2018) GRI 403-6 (2018) GRI 403-8 (2018)
Occupational accidents, in particular their frequency and seriousness, and work-related illness, broken down by gender	6.4 Safety, health and well-being of employees <b>Pag. 113-114</b>	GRI 403-9 (2018) GRI 403-10 (2018) as regards occupational accidents, in particular their frequency and seriousness, and work-related illness
<b>Labour relations</b>		
Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff	6.5.1 Organisation of social dialogue <b>Pag. 115</b>	GRI 3-3
Percentage of employees covered by collective bargaining agreements by country	6.5.2 Employees subject to collective bargaining agreements <b>Pag. 115</b>	GRI 2-30
Balance of collective bargaining agreements, particularly as regards occupational health and safety	6.5.3 Balance of collective bargaining agreements, particularly as regards occupational health and safety <b>Pag. 115</b>	GRI 3-3 GRI 403-4 (2018)
Mechanisms and procedures that the Company has in place to promote the involvement of employees in the Company's management, in terms of information, consultation and participation	6.5.4 Mechanisms and procedures that the Company has in place to promote the involvement of employees in the Group company's management, in terms of information, consultation and participation <b>Pag. 115-116</b>	GRI 3-3
<b>Training</b>		
Policies implemented in the area of training	6.6 Diversity and equal opportunities <b>Pag. 119-120</b>	GRI 3-3
Total number of training hours by professional category	6.6 Diversity and equal opportunities <b>Pag. 119-120</b>	GRI 404-1

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Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
<b>Universal accessibility</b>		
Universal accessibility for people with disabilities	7.3 Maximising the well-being of users of the assets Pag. 129-136	GRI 3-3
<b>Equality</b>		
Measures taken to foster equal treatment and opportunities for men and women	6.6 Diversity and equal opportunities Pag. 117-120	GRI 3-3
Equality plans, measures taken to promote employment, protocols against sexual harassment and gender-based harassment	6.6 Diversity and equal opportunities Pag. 119-120	GRI 3-3
Non-discrimination and diversity management policies	6.6 Diversity and equal opportunities Pag. 119-120	GRI 3-3
<b>RESPECT FOR HUMAN RIGHTS</b>		
<b>Management approach:</b> description and results of the policies related to these matters and the main risks related to these matters linked to the Group's activities	4.3 Ethics and compliance Pag. 61-65	GRI 3-3
<b>Implementation of due diligence procedures</b>		
Application of due diligence procedures regarding human rights and preventing the risk of human rights violations and, if applicable, measures to mitigate, manage and repair possible abuses	4.3 Ethics and compliance Pag. 64-65	GRI 2-23 GRI 2-26 GRI 412-2
Complaints of human rights violations	4.3 Ethics and compliance Pag. 65	GRI 406-1
Measures implemented to promote and comply with the provisions contained in the ILO's fundamental conventions regarding freedom of association, the right to collective bargaining, the elimination of workplace discrimination and of all forms of forced or compulsory labour and the abolition of child labour	4.3 Ethics and compliance Pag. 64-65	GRI 3-3 GRI 406-1 GRI 407-1 GRI 408-1 GRI 409-1

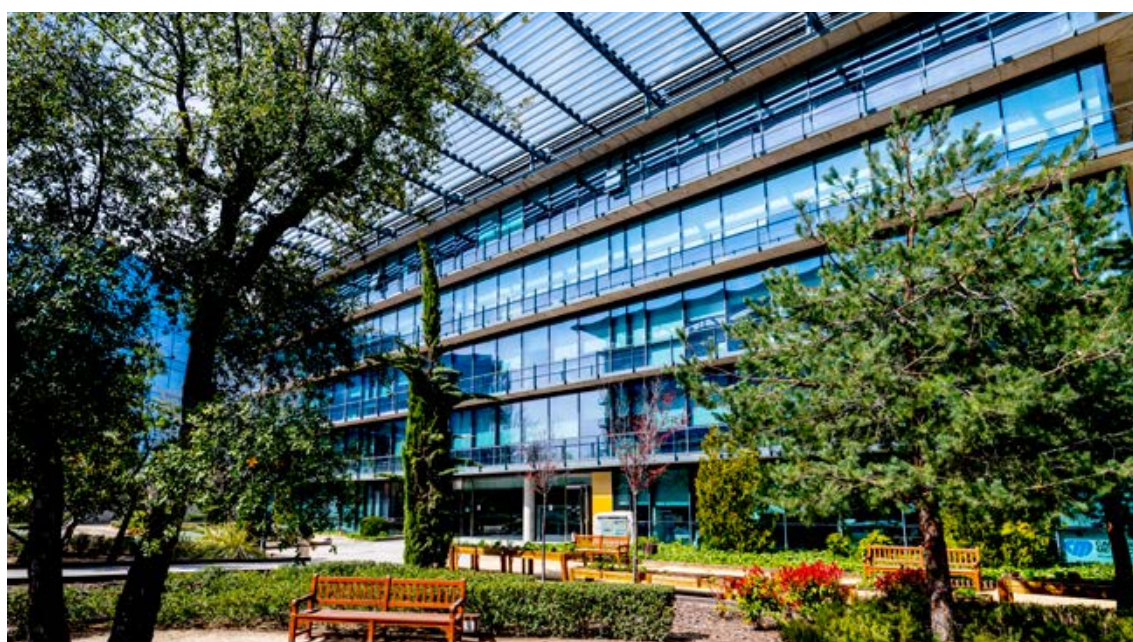
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Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
<b>FIGHT AGAINST CORRUPTION AND BRIBERY</b>		
<b>Management approach:</b> description and results of the policies related to these matters and the main risks related to these matters linked to the Group's activities	4. Responsible management <b>Pag. 40-65</b>	GRI 3-3
Measures taken to prevent corruption and bribery	4.3 Ethics and compliance <b>Pag. 61-65</b>	GRI 2-23 GRI 2-26 GRI 205-2
Anti-money laundering measures	4.3 Ethics and compliance <b>Pag. 61</b>	GRI 205-2
Contributions to foundations and non-profit entities	7.4.2. and 6.4.3 <b>Pag. 143-147</b>	GRI 413-1
<b>SOCIETY MATTERS</b>		
<b>Management approach:</b> description and results of the policies related to these matters and the main risks related to these matters linked to the Group's activities	7. Management of stakeholders <b>Pag. 122-147</b>	GRI 3-3
<b>Commitment to sustainable development</b>		
Impact of the Company's activities on employment and local development	7.4.1. Generating positive impacts on the environment 7.4.2 Social initiatives <b>Pag. 138-147</b>	GRI 203-1
Impact of the Company's activities on local communities and on the land	7.4.1. Improving cities <b>Pag. 139-141</b>	GRI 3-3 GRI 413-1
Engagement with local community representatives, and communication channels in place	7.4.1. Improving cities <b>Pag. 139-141</b>	GRI 2-29 GRI 413-1
Association or sponsorship activities	7.4.3 Measuring the distribution of contributions to the <b>MERLIN</b> community <b>Pag. 145-147</b>	GRI 2-28
<b>Subcontracting and suppliers</b>		
Inclusion of social, gender equality and environmental matters in the procurement policy	4.1. Governance Structure <b>Pag. 43</b>	GRI 3-3
Consideration of social and environmental responsibility in relationships with suppliers and subcontractors	7.2 Supply chain <b>Pag. 127-128</b>	GRI 2-6 GRI 308-2 GRI 414-1

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Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
<b>Subcontracting and suppliers</b>		
Monitoring and audit systems and results	7.2 Supply chain Pag. 127-128	GRI 3-3
<b>Consumers</b>		
Measures for the health and safety of consumers	7.3 Maximising the well-being of users of the assets Pag. 129-136	GRI 3-3 GRI 416-1
Consumer claims, complaints and grievance systems	7.3 Maximising the well-being of users of the assets Pag. 129-136	GRI 3-3
<b>Tax information</b>		
Profits earned on a country-by-country basis	8.1.2 Profits earned on a country-by-country basis and income tax paid Pag. 151-152	GRI 207-4 (2019)
Income tax paid	8.1.2 Profits earned on a country-by-country basis and income tax paid Pag. 151-152	GRI 207-4 (2019)
Government grants received	8.1.3 Grants Pag. 156	GRI 207-4 (2019)



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## A. a.

## GRI Content Index

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
		2.a. Page 10-12		
		3-1.d Spain and Portugal		
2-1	-	<p><b>MERLIN Properties</b> is included in the main benchmark indices:</p> <ul style="list-style-type: none"> <li>· IBEX 35.</li> <li>· Euro STOXX 600.</li> <li>· FTSE EPRA/NAREIT Global Real Estate Index.</li> <li>· GPR Global Index.</li> <li>· GPR-250 Index.</li> <li>· MSCI Small Caps.</li> <li>· Dow Jones Sustainability Index Europe.</li> </ul>	-	Organisational details
		9.1. Pag. 165-166		
		Appendix III – Pag. 231-239		
2-2	-	<p>The organisation's financial statements include <b>MERLIN Properties</b> and all its subsidiaries. Further information can be found in the financial statements included in the directors' report. The directors' report is available at <a href="http://www.merlinproperties.com">www.merlinproperties.com</a></p>	-	Entities included in the organisation's sustainability report
		9.1. Pag. 165-166		
2-3	-	2-3.a 2022-2021. <b>MERLIN Properties</b> prepares the report on an annual basis	-	Reporting period, frequency and contact point
2-4	-	During 2022, <b>MERLIN</b> has updated the criteria for calculating its GHG emissions, based on the operational control and share of assets established in the GHG Protocol, taking as a criterion the market-based method,	-	Restatement of information

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Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
2-4	-	<p>according to which the emission factor data derived from electricity consumption must be obtained from the marketers from whom the electricity has been purchased. Previously, the Group calculated the emission factor from the electricity mix for the countries of Spain and Portugal (location-based method). In view of the above, the data for the two previous years have been recalculated to facilitate year-to-year comparability..</p> <p><b>Pag. 71</b></p>	-	Restatement of information
2-5	-	<p>The indicators included in the Independent Review Report have been externally verified by Deloitte S.L. in the report is included in Annex VII</p> <p><b>Pag. 255</b></p>	-	External assurance
2-6	-	<p>2.4. <b>Pag. 13-20</b></p> <p>7.2. <b>Pag. 124-125</b></p> <p>2-6.b The Group's supply chain mainly comprises project contractors and other service providers in the operation of the buildings</p>	-	Activities, value chain and other business relationships
2-7	-	<p>6.1.1 and 6.1.2 <b>Pag. 100-101</b></p>	-	Employees

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Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
2-9	Gov-Board	4.1. <b>Pag. 43-49</b>	-	Governance structure and composition
2-10	Gov-Selec	<b>Pag. 48</b> - The processes for appointing and selecting members of the highest governing body and its committees are described in the Annual Corporate Governance Report (ACGR) and are established in the Group's Director Selection Policy	-	Appointing and selecting members of the highest governance body
2-11	-	4.1. <b>Pag. 48</b>	-	Chair of the highest governance body
2-12	-	4.1. <b>Pag. 43-49</b> 4.2. <b>Pag. 50-60</b>	-	Role of the highest governance body in monitoring impact management
2-14	-	Board of Directors. <b>MERLIN's</b> Board of Directors, composed of a majority of independent directors, focuses its activity on defining, supervising and monitoring the policies, strategies and general guidelines to be followed by the Group.	-	Role of the highest governance body in sustainability reporting
2-15	Gov-Col	Section 28 of the Board Regulations sets out the mechanisms established to prevent and manage potential conflicts of interest	-	Conflicts of interest
2-16	-	This information is available in the Annual Corporate Governance Report	-	Communicating critical concerns
2-17	-	<b>Pag. 48</b>	-	Collective knowledge of the highest governance body

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Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
2-18	-	Pag. 49	-	Assessment of the highest governance body's performance
2-20	-	6.2. Pag. 108-110 2-20. a. ii Through the General Meeting	-	Process for determining remuneration
2-21	-	6.2. Pag. 108-110	-	Total annual compensation ratio
2-22	-	3.5. Pag. 31-36	-	Statement on the sustainable development strategy
2-23	-	4.1. Pag. 43-49	-	Policy commitments
2-26	-	Board members may seek external advice. These mechanisms are explained in the Group's IAGC 2022.	-	Mechanisms for seeking advice and raising concerns
2-28	-	<ul style="list-style-type: none"> <li>Spanish Association of Offices (€1,210)</li> <li>Spanish Association of Shopping Centres (€5,238)</li> <li>European Public Real Estate Association (EPRA) (€10,000)</li> <li>Confederación Española de Organizaciones Empresariales (CEOE) (12,000 €)</li> <li>Association of Real Estate Companies with Rental Assets (ASIPA) (15,000 €)</li> <li>GRI Club (€4,700 )</li> <li>Associação Portuguesa de Promotores e Investidores Imobiliários (€1,257)</li> <li>Madrid Futuro Association (€12,500)</li> </ul>	-	List of membership of associations

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Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
2-28	-	<ul style="list-style-type: none"> <li>· Barcelona Global Association (€10,000)</li> <li>· Shout Spanish Entrepreneurs Association (€4,000)</li> <li>· Spanish Global Compact Network (€3,917)</li> <li>· Spanish Association for Investor Relations (AERI) (€3,600)</li> <li>· Companies for Sustainable Mobility (€3,500)</li> <li>· Association for the Progress of Management (€1,854)</li> <li>· Institute of Internal Auditors (€1,800)</li> <li>· Association for the Promotion of the Port of Seville (€1,200)</li> <li>· Barcelona Catalunya Centre Logístic (€950)</li> <li>· Associação Portuguesa de Logística (€650)</li> <li>· SAP Users Association Spain (€750)</li> </ul> <b>Total 2022 – 94,125€</b>	-	List of membership of associations
2-29	-	7.1. <b>Pag.123-127</b>	-	Approach to stakeholder engagement
2-30	-	6.5.2 and 6.5.3 <b>Pag. 115</b> 94% of the Group's employees are covered by collective bargaining agreements	-	Collective bargaining agreements
3	-	3.6 <b>Pag. 36-38</b>	-	Management approach

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Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
3-1	-	3.6. <b>Pag. 36-38</b>	-	Material issue determination process
3-2	-	3.6. <b>Pag. 36-38</b>	-	List of material issues
3-3	-	5, 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.8, 3.5, 6, 6.1.3, 6.2, 6.2.1, 6.2.2, 6.1.4, 6.5.5, 6.3.1, 6.3.2, 6.3.3, 6.5.1, 6.5.3, 6.5.4, 6.6, 7.3, 4.3, 4, 7, 7.4.2, 7.2, 7.3	-	Management of material issues
201-1	-	7.4.3 <b>Pag. 145-146.</b> <b>MERLIN</b> has measured its contribution to society through the LBG model after joining the London Benchmarking Group (LBG) in Spain.	-	Direct economic value generated and distributed
201-3	-	<b>MERLIN Properties</b> does not have a pension plan, so this does not apply to the Group	-	Defined benefit plan obligations and other retirement plans
201-4	-	<b>Pag. 151. MERLIN Properties</b> has not received significant financial support from government bodies	-	Financial assistance received from government
<b>Indirect economic impacts</b>				
3	-	7.4. <b>Pag. 131-144</b>	-	Management approach
203-1	-	Construction of an entrance and exit to the A-1 and M11 from Torre Chamartín at a cost of €2.5M.	-	Infrastructure investments and services supported
203-2	-	7.4.2. <b>Pag. 136-141</b>	-	Significant indirect economic impacts
<b>Taxation</b>				
207-1		8.1. <b>Pag. 150-157</b>		Approach to tax
207-2		8.1.1. <b>Pag. 145</b>		Tax governance, control and risk management

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Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
20-3		8.1.3. CTT Pag. 149-155		Stakeholder engagement and management of concerns related to tax
207-4		8.1.2. Pag. 147-149		Country-by-country reporting
<b>ENVIRONMENTAL PERFORMANCE</b>				
<b>Energy</b>				
3		5. Pag. 65-96		Management approach
302-1	Elec-Abs Elec-LfL DH&C-Abs DH&C-LfL Fuels-Abs Fuels-LfL	5.4. Pag. 75-81		Energy consumption within the organisation
302-2	Elec-Abs Elec-LfL DH&C-Abs DH&C-LfL Fuels-Abs Fuels-LfL	5.4. Pag. 75-81		Energy consumption outside of the organisation
302-3		5.4. Pag. 76-79		Energy intensity
G4-CRE1	Energy-Int	5.4. Pag. 76-79		Energy intensity of buildings
<b>Water</b>				
3		5. Pag. 80		Management approach
303-1		5.4. Pag. 80		Interactions with water as a shared resource
303-2		5.4. Pag. 80 & 199-204. Water from the assets is discharged to the municipal sanitation system, and is treated as domestic water discharge		Management of water discharge-related impacts
303-3	Water-Abs Water-LfL	5.4. Pag. 80 & 199-204. Water is mainly withdrawn through the municipal water supply. In addition, there is a tank that collects rainwater at the Marineda shopping centre.		Water withdrawal

Continues &gt;

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
<b>Water</b>				
G4-CRE2	Water-Int	5.4. <b>Pag. 80</b>		Water consumption intensity of buildings
<b>Emissions</b>				
3		5.5. <b>Pag. 81-89</b>		Management approach
305-1	GHG-Dir-Abs GHG-Dir-LfL	5.5. <b>Pag. 83-87</b>		Direct GHG emissions (scope 1)
305-2	GHG-Indir-Abs GHG-Indir-LfL	5.5. <b>Pag. 83-87</b>		Indirect GHG emissions (scope 2)
305-3	GHG-Indir-Abs GHG-Indir-LfL	5.5. <b>Pag. 88-89</b>		Indirect GHG emissions (scope 3)
305-4	GHG-Int	5.5. <b>Pag. 89</b>		Intensidad de las emisiones de GEI.
G4-CRE3	GHG-Int	5.5. <b>Pag. 89</b>		Intensidad de emisiones de gases de efecto invernadero de las edificaciones.
<b>Effluents and waste</b>				
3		5. <b>Pag 65-69</b>		Management approach
306-3	Waste-Abs Waste-LfL	<b>Pag. 80-81</b>		Waste by type and disposal method
<b>Environmental compliance</b>				
3		5. <b>Pag 65-96</b>		Management approach
307-1 <sup>(1)</sup>		<b>MERLIN Properties</b> has not received any fines or sanctions		Non-compliance with environmental laws and regulations

Continues &gt;

<sup>(1)</sup> Fines or firm sanctions (in contentious terms) considered significant (over €50,000) arising from sanctions and non-compliance (excluding administrative and fiscal) for which there is no possibility of appeal and that are directly attributable to conduct or acts carried out by companies or employees of the Corporation before 31 December 2021.

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
<b>SOCIAL PERFORMANCE - LABOUR PRACTICES AND DECENT WORK</b>				
<b>Employment</b>				
3		6. Pag. 99-120		Management approach
401-1	Emp-Turnover	Rotation 6.1.3. Pag. 105 Incorporaciones. 6.6. Pag. 118		New employee hires and employee turnover
401-2		6.2. Pag. 107-109 100% of employees have access to social benefits		Benefits provided to full-time employees that are not provided to temporary or part-time employees
401-3		Pag. 110 In 2022, 8 men and 5 women		Parental leave
<b>Occupational health and safety</b>				
3		6.4. Pag. 113-114		Management approach
403-1		6.4. Pag. 113-114		Occupational health and safety management system
403-2		Pag. 113 MERLIN has an external Occupational Risk Prevention service that annually inspects the offices from which employees work to assess risks.		Hazard identification, risk assessment and incident investigation
403-3		Pag. 113 MERLIN has an external Occupational Risk Prevention service that annually inspects the offices from which employees work to assess the risks and the adequacy of the facilities in terms of safety and occupational risk prevention.		Occupational health services

Continues &gt;

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
<b>Occupational health and safety</b>				
403-4		Health and safety committees have not yet been formed		Worker participation, consultation, and communication on occupational health and safety
403-5		<b>Pag. 113</b> As part of the Welcome Pack, all employees are trained (on a mandatory basis) in Occupational Risk Prevention, through which information is provided on the risks of their jobs and the main mitigating measures.		Worker training on occupational health and safety
403-6		6.4. Employee safety, health and welfare <b>Pag. 113-114</b>		Promotion of worker health
403-7		6.4. Employee safety, health and welfare <b>Pag. 113-114</b>		Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
403-9	H&S-Emp	Additionally, <b>MERLIN</b> also ensures the health and safety of contractors who work on its refurbishment or construction projects. During 2020, the Group implemented a reporting system that collects information on occupational accidents recorded at the assets, including the type of accident, the number of days of sick leave caused, and the corrective measures to be taken.		Work-related injuries

Continues &gt;



Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
<b>Occupational health and safety</b>				
G4-CRE6		Not applicable		Percentage of the organisation operating in verified compliance with an internationally recognised health and safety management system
<b>Training and education</b>				
3		6. Talent creation <b>Pag. 99-121</b>		Management approach
404-1	Emp-Training	6.6 Diversity and equal opportunity <b>Pag. 119-120</b>		Average hours of training per year per employee
404-2		6.6 Diversity and equal opportunity <b>Pag. 119-120</b>		Programmes to improve employee skills and transition assistance programmes
404-3	Emp-Dev	100% of employees receive performance assessments once a year		Percentage of employees receiving regular performance and career development reviews
<b>Diversity and equal opportunities</b>				
3		6.6 Diversity and equal opportunity		Management approach
405-1	Diversity-Emp	6.6 Diversity and equal opportunity <b>Pag. 115-118</b>		Diversity of governing bodies and employees
<b>SOCIAL PERFORMANCE - SOCIETY</b>				
<b>Local communities</b>				
3		7.4. Development and relationship with the environment <b>Pag. 136-145</b>		Management approach

Continues &gt;

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
<b>Local communities</b>				
413-1	Comty-Eng	7.4.2. Social initiatives. <b>Pag. 136-140</b>  In all assets, dialogue and participation mechanisms have been developed, as described in the management approach		Operations with local community engagement, impact assessments, and development programmes
413-2		Not applicable		Operations with significant actual and potential negative impacts on local communities
G4-CRE7		No one has had to be displaced or resettled		Number of people voluntarily and involuntarily displaced and/or resettled by the Group's activities, broken down by project
<b>Anti-corruption</b>				
3		4. Responsible management <b>Pag. 41-45</b>		Management approach
205-1		4.3. Ethics and compliance <b>Pag. 60-65</b>  Risks in general, including corruption, are assessed through the Group's Risk Management System.		Operations assessed for risks related to corruption
205-2		4.3. Ethics and compliance <b>Pag. 60-65</b>		Communication and training about anti-corruption policies and procedures
205-3		No cases of corruption have been detected <b>Pag. 61</b>		Confirmed incidents of corruption and actions taken

Continues &gt;

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
<b>Anti-competitive behaviour</b>				
3		4. Responsible Management Pag 41-45		Management approach
206-1		<b>MERLIN Properties</b> has not received any lawsuits for anti-competitive behaviour		Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices
<b>Socioeconomic compliance</b>				
3		4. Responsible Management Pag 41-45		Management approach
419-1 <sup>(1)</sup>		<b>MERLIN Properties</b> has not received any fines or sanctions.		Non-compliance with laws and regulations in the social and economic area
<b>SOCIAL PERFORMANCE - RESPONSIBILITY OVER PRODUCTS</b>				
<b>Customer health and safety</b>				
3		6.4. Employee safety, health and wellbeing Psg. 112-114		Management approach
416-1		<b>MERLIN</b> assesses the potential health and safety impacts of all its assets on their occupants (tenants and users).		Assessment of the health and safety impacts of product and service categories
416-2	H&S-Comp	No incident of non-compliance with health and safety regulations has been detected		Incidents of non-compliance concerning the health and safety impacts of product and service

Continues &gt;

<sup>(1)</sup> Fines or firm sanctions (in contentious terms) considered significant (over EUR 50,000) arising from sanctions and non-compliance (excluding administrative and fiscal) for which there is no possibility of appeal and that are directly attributable to conduct or acts carried out by companies or employees of the Corporation before 31 December 2022.

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
<b>Product and service labelling</b>				
3		-		Management approach
417-2		Not applicable		Incidents of non-compliance concerning product and service information and labelling
G4-CRE8	Cert-Tot	5.7. Validation of <b>MERLIN's</b> commitments by independent third parties <b>Pag. 90-93</b>		Type and number of sustainability certification, rating and labelling schemes for new developments, management, occupation and refurbishment
<b>Privacidad del cliente</b>				
3		4.3. Ethics and compliance <b>Pag. 41-45</b>		Management approach
418-1		<b>MERLIN Properties</b> has not received any claims for breach of customer privacy or leak of customer data		Substantiated complaints concerning breaches of customer privacy and losses of customer data

## B. EPRA sBPR Content Index

EPRA Code	GRI Standard	Description	Page and/or direct answer
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>			
Elec-Abs	302-1	Total electricity consumption	202
Elec-LfL	302-1	Like-for-like total electricity consumption	202
DH&C-Abs	302-1	Total district heating & cooling consumption	202
DH&C-LfL	302-1	Like-for-like district heating & cooling consumption	202
Fuels-Abs	302-1	Total fuel consumption	202
Fuels-LfL	302-1	Like-for-like fuel consumption	202
Energy-Int	CRE1	Energy intensity of buildings	202
GHG-Dir-Abs	305-1	Direct greenhouse gas (GHG) emissions	216
GHG-Indir-Abs	305-2	Indirect greenhouse gas (GHG) emissions	216
GHG-Int	CRE3	Greenhouse gas (GHG) emissions intensity from energy consumption of buildings	216
Water-Abs	303-1	Total water consumption	210
Water-LfL	303-1	Like-for-like water consumption	210
Water-Int	CRE2	Water consumption intensity of buildings	210
Waste-Abs	306-3	Total weight of waste by disposal method	214
Waste-LfL	306-3	Like-for-like weight of waste by disposal method	214
Cert-Tot	CRE8	Type and number of sustainably certified assets	218
<b>SOCIAL PERFORMANCE INDICATORS</b>			
Diversity-Emp	405-1	Employee gender diversity	103
Diversity-Pay	405-2	Ratio of basic salary and remuneration of women to men	110
Emp-Training	404-1	Average hours of training per year per employee	119

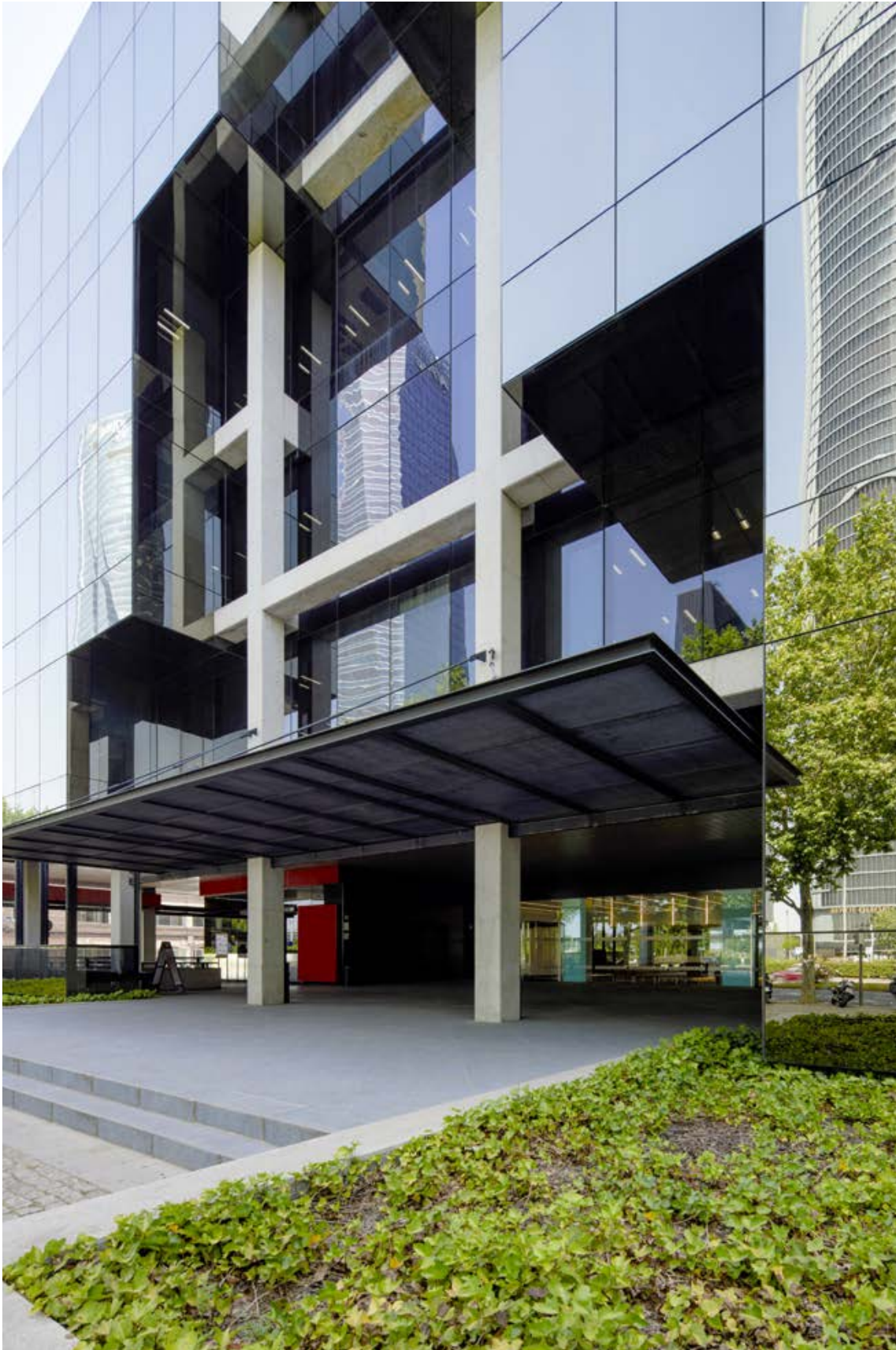
Continues &gt;

EPRA Code	GRI Standard	Description	Page and/or direct answer
<b>SOCIAL PERFORMANCE INDICATORS</b>			
Emp-Dev	404-3	Percentage of employees receiving regular performance and career development reviews	<p><b>MERLIN Properties'</b> employees receive continuous feedback from their managers and have direct and constructive communication that helps them progress in their professional development.</p> <p>In addition, 100% of employees are evaluated each year by area managers and senior management. The results of this evaluation determine the distribution of variable remuneration.</p>
Emp-Turnover	401-1	New employee hires and employee turnover	<p>119</p> <p>In 2022, there were a total of 22 departures. The voluntary turnover rate in 2022 was 8%.</p>
H&S-Emp	403-2	Employee health and safety	112-114
H&S-Asset	416-1	Assessment of the health and safety of the assets	<p>112-114</p> <p><b>MERLIN</b> assesses the potential health and safety impacts of all its assets on their occupants (tenants and visitors).</p>
H&S-Comp	416-2	Compliance with health and safety regulations concerning the assets	No incident of non-compliance with health and safety regulations has been detected

Continues &gt;



EPRA Code	GRI Standard	Description	Page and/or direct answer
<b>SOCIAL PERFORMANCE INDICATORS</b>			
			141-142
Comty-Eng	413-1	Community engagement, impact assessments and development programmes	In all assets, dialogue and participation mechanisms have been developed, as described in the management approach
<b>GOVERNANCE PERFORMANCE INDICATORS</b>			
			41-50
Gov-Board	2-9	Governance structure and composition	More information on this indicator can be found in the Annual Corporate Governance Report (ACGR)
Gov-Selec	2-10	Appointing and selecting members of the highest governance body	The processes for appointing and selecting members of the highest governing body and its committees are described in the Annual Corporate Governance Report (ACGR) and are established in the Director Selection Policy
Gov-Col	2-15	Management of conflicts of interest	Section 28 of the Board Regulations sets out the mechanisms established to prevent and manage potential conflicts of interest



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# 10. Appendix I

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Environmental performance reporting  
in accordance with the EPRA Sustainability  
Best Practices Recommendations (SBPR)

**MERLIN'S ENVIRONMENTAL PERFORMANCE REPORT ON ITS ASSETS**

**WAS PREPARED IN ACCORDANCE WITH THE EPRA SUSTAINABILITY BEST PRACTICE RECOMMENDATIONS (3RD EDITION, 2017). IN LINE WITH THESE RECOMMENDATIONS, THE FOLLOWING TABLES INCLUDE THE ENVIRONMENTAL KPIS OF MERLIN'S ASSETS, AS ESTABLISHED BY THE EPRA IN THESE GUIDELINES<sup>(1)</sup>. THE TABLES REFLECT THE ENVIRONMENTAL PERFORMANCE OF THE ASSETS IN TERMS OF ENERGY CONSUMPTION, GREENHOUSE GAS (GHG) EMISSIONS, WATER WITHDRAWAL AND WASTE GENERATION, AND THE PERCENTAGE OF ASSETS WITH ENVIRONMENTAL CERTIFICATION.**

## KEY CONCEPTS

In accordance with the recommendations of the EPRA sBPR Guidelines, only assets in operation in 2022 are included in the reporting scope for the calculation of **MERLIN's** environmental performance information.

In particular, and in view of their strategic importance to the Group's overall assets, environmental performance information is included for the offices, logistics and shopping centre assets, in that order, based on the surface area in each portfolio, and the calculation excludes any asset in which it holds a non-controlling interest<sup>(2)</sup>. In addition, information on the environmental performance of its own offices, and properties leased by the Group for the LOOM space, is reported separately.

Based on the EPRA sBPR Guidelines, **MERLIN** also reports on a series of environmental indicators or KPIs (integrated in the EPRA Sustainability Performance Measures). These KPIs cover information on energy consumption, GHG emissions, water withdrawal and waste generation<sup>(3)</sup>.

There are two different types of KPIs: total or absolute KPIs and like-for-like KPIs. Absolute KPIs are calculated in terms of the total asset portfolio, while like-for-like KPIs are calculated considering only assets that have been in continuous operation for the last three years.

<sup>(1)</sup> EPRA Sustainability Performance Measures.

<sup>(2)</sup> The scope excludes the Barcelona ZAL Port assets, as they constitute a non-controlling interest.

<sup>(3)</sup> The full definition of these KPIs can be found in more detail in chapter 9.4 of report titled "EPRA sBPR Table of Contents".

In addition, some of the KPIs are calculated in terms of energy consumption intensity, GHG emissions and water consumption. These KPIs are calculated as a ratio or quotient between the absolute value or like-for-like value of GHG consumption or emissions and the surface area over which GHG consumption or emissions are reported.

Information on the coverage of each KPI is also included throughout the environmental report. Coverage is defined as the proportion of assets for which there is information available to calculate each KPI, expressed in this Statement of Non-Financial Information in terms of both the number of assets and surface area of the assets.

For more accurate performance management of its assets in terms of energy consumption efficiency, water withdrawal and carbon footprint, **MERLIN** separates the data for these KPIs by type of property involved:

- **Assets over which the Group exercises operational control.** These are generally multi-tenant assets where the Group continuously assesses their environmental impact to take the relevant steps to monitor and reduce environmental impacts.
- **Assets over which the Group does not exercise operational control.** For these single-tenant assets, **MERLIN's** name is on the power and water utility contracts, so it is able to collect the data to record the environmental performance of these assets. However, consumption tracking is handled by the lessee.
- **MERLIN'S corporate headquarters and LOOM spaces leased by the Group** (only information on energy consumption and GHG emissions is available for these properties).

Regarding the KPIs related to the amount of waste generated, **MERLIN** collects waste from the assets included in its ISO 14001 Corporate Environmental Management System (except in those cases where this is handled by the owners' associations), and from other assets that are not included in the Environmental Management System. **MERLIN** therefore reports on these KPIs for all of the assets where it is responsible for waste management.

In general terms, the KPIs are calculated using the information on the utility invoices issued by power, water and waste collection service providers, and the reports on the refrigerant gas recharges. No estimates have been used for any of the data. Furthermore, in the case of assets that form part of an owner's association, the coefficient of ownership is applied to the energy and water consumption data. In these cases, the surface area considered in the calculations represents the proportional part of the coefficient of **MERLIN's** ownership or expense in the asset.

## Energy consumption

### Energy consumption at assets over which MERLIN exercises operational control

MERLIN has like-for-like energy consumption information for 75 office assets, 13 shopping centres and 24 logistics warehouses, and absolute data for 88 office assets, 14 shopping centres and 30 logistics warehouses<sup>(1)</sup>. The coverage area of the information on energy consumption is broken down below.

	Like-for-Like portfolio	Absolute portfolio	
	Reported surf.	Reported surf.	% area covered (surface) <sup>(2)</sup>
Offices	791,580 sqm	854,879 sqm	69%
Logistics warehouses	334,419 sqm	484,085 sqm	30%
Shopping centres	456,502 sqm	516,551 sqm	98%
<b>Total</b>	<b>1,582,501 sqm</b>	<b>1,855,515 sqm</b>	<b>56%</b>

Broken down by country, the surface area covered in Spain is 1,732,502 sqm in absolute terms and 1,519,537 sqm in like-for-like terms; while in Portugal the breakdown is 123,013 sqm and 62,964 sqm, respectively.

It is worth mentioning that the source of the energy consumption data depends on the type of asset and the type of energy source. The following distinctions are made when it comes to calculating electricity usage

- Assets where **MERLIN** controls the total electricity used throughout the building, including common areas and tenant (or private) areas. In these cases, coverage is calculated based on the surface area of the corresponding asset.
- Assets where **MERLIN** controls the electricity used for lighting the common areas and running the air conditioning systems of the entire asset. In these cases, it is also calculated based on the surface area of the corresponding asset.
- Assets where **MERLIN** only controls the electricity consumed in the common areas. In these cases, coverage is calculated based only on the surface area of the corresponding asset common areas.

<sup>(1)</sup> Appendix II contains a list of the assets included in the reporting of this type of environmental performance information.

<sup>(2)</sup> Assets that have been operating continuously for the last three years are included.



For fuel and district heating & cooling, energy consumption information is available for the asset as a whole.

Por otro lado, tanto en términos absolutos como *Like for Like*, la mayor proporción del consumo de energía corresponde a electricidad procedente de la red y, en una proporción más reducida, al consumo de combustibles (gasóleo o gas natural) en parte de las oficinas y centros comerciales dentro de la cobertura reportada. En una menor proporción, se incluye además el consumo de calefacción y refrigeración urbana (*District Heating & Cooling*) en tres activos de oficinas de Barcelona: Torre Glòries, Pere IV y P.E. Poble Nou 22@, conectados a la red de Districlima.

There was a decrease of 2.3% in energy consumption at like-for-like assets compared to 2021, mainly due to the implementation of energy saving measures and the control of the facilities, since it was expected that there would be an increase in this consumption compared to 2021 due to the disappearance in 2022 of the health restrictions due to the COVID-19 pandemic and the increase in occupancy in offices, logistics activity and the footprint in shopping centers.

Energy consumption at like-for-like assets in 2022 was 100,074,509 kWh, of which 66% refers to offices, 33% to shopping centres and the rest (1%) to logistics assets. Broken down by type of energy source, 81,984,073 kWh came from electricity (82%), 14,160,632 kWh from natural gas (14%), 2,039,435 kWh from diesel fuel and gasoil (2%) and 1,926,369 kWh from district heating & cooling (2%). As regards consumption by country, 95,509,630 kWh corresponds to Spain (95%) and 4,610,640 kWh to Portugal (5%).

In the like-for-like office portfolio, energy consumption was 66,214,236 kWh, which is very similar to consumption in 2021. This consumption is split between 78% electricity, 16% natural gas, 3% diesel B/C and 3% District Heating & Cooling. With regard to like-for-like logistics assets, energy consumption was 1,029,432 kWh (all electricity consumption) compared to 970,164 kWh in 2021. Energy consumption in the shopping centers was 32,830,912 kWh, 7.5% less than in 2021, broken down into 89% electricity consumption and 11% natural gas.

Energy consumption in absolute terms in 2022 was similar to 2021. Energy consumption in absolute terms in 2022 was 121,206,691 kWh between offices (60%), logistics warehouses (10%) and shopping centers (30%). Broken down by type of energy source, 102,522,493 kWh corresponded to electricity (85%), 14,188,047 kWh to natural gas (12%), 2,039,435 kWh to Diesel C/B (1%) and 2,456,715 kWh to District Heating & Cooling (2%). Broken down by country, energy consumption in Spain accounted for 112,422,239 kWh (93%) and in Portugal 8,784,452 kWh (7%).

In the office portfolio, energy consumption in absolute terms in 2022 was 72,314,383 kWh which represents an increase of 2.7% compared to 2021. This energy consumption is split between 79% electricity, 15% natural gas, 3% Diesel C/B and 3% District Heating & Cooling. In relation to logistics assets, energy consumption was 11,887,674 kWh (entirely electricity consumption) compared to 11,310,262 kWh in 2021. In the shopping centers portfolio, energy consumption was 37,004,763 kWh, 6.7% less than in 2021, differentiated into electricity consumption (90%) and natural gas consumption (10%).

Energy intensity in the like-for-like portfolio was 77 kWh/sqm, down 2.8% on 2021, and in the absolute portfolio it was 60.8 kWh/sqm, down 1.4% on 2021.

With regard to the generation of renewable energy at assets under operational control, a total of 884,684 kWh were produced in 2022 for self-consumption, distributed among the Aquamarina office assets (170,563 kWh), the Sanchinarro Business Park (190,415 kWh), the Vía Norte Business Park (46,000 kWh), Castellana 280 (56,147 kWh), María de Portugal T2 (122,064



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kWh), the Las Tablas Business Park (44,995 kWh), the Puerta de las Naciones Business Park (2,746 kWh), WTC6 (35,697 kWh), WTC8 (20,727 kWh), Sant Cugat I (35,754 kWh) and Sant Cugat II (15,140 kWh) and the Marineda shopping centre (139,236 kWh) and El Saler shopping centre (5,201 kWh). A total of 914,210 kWh produced at the Coslada Complex logistics warehouse (487,510 kWh), the Marineda shopping centre (240,713 kWh) and the Vía Norte Business Park (30,516 kWh) were also sent to the grid. These assets are included in the Sun Project, where the number of photovoltaic generation facilities is expected to increase in the coming years.

**MERLIN** continued to increase the proportion of renewable electricity purchased from green energy suppliers for assets under its operational control. Electricity consumption from these types of suppliers totalled 99.2% in 2022, which represents an increase of 2.1% compared to the previous year.

As for other energy sources used by the assets, the energy consumed for district heating & cooling is partly renewable (2,270,674 kWh) and partly non-renewable (208,779 kWh). Energy consumption from fuels comes from entirely non-renewable sources

### Energy consumption for MERLIN Properties' portfolios (under operational control)

EPRA Code	Indicador y unidades			Total MERLIN					
				Absolute		Like-for-Like		Evol.	
				2022	2021	2022	2021		
Elect-Abs, Elect-LfL	Electricity (kWh)	Electricity consumption	Common areas	26,967,445	26,322,415	21,587,139	21,378,446	1%	
			Tenant space	75,113,846	73,202,813	60,360,934	59,810,142	1%	
		Electricity from renewable sources (%)			99%	97%	100%	96%	-
		Total electricity consumption			102,522,493	99,773,707	81,948,073	81,188,588	1%
DH&C-Abs, DH&C-LfL	District heating & cooling (kWh)	Electricity consumption	Common areas	854,881	678,182	416,553	560,212	-26%	
			Tenant space	1,601,834	1,087,592	1,509,816	1,087,592	39%	
		(DH&C) procedente de fuentes renovables (%)			92%	89%	92%	88%	-
		Total district heating & cooling consumption			2,456,715	1,765,774	1,926,369	1,647,804	17%
Fuels-Abs, Fuels-LfL	Fuel (kWh)	Fuel	Common areas	2,561,948	3,341,148	2,561,948	3,341,148	-23%	
			Tenant space	13,665,534	16,268,574	13,638,118	16,256,744	-16%	
		Fuel from renewable sources (%)			0%	0%	0%	0%	-
		Total fuel consumption			16,227,482	19,839,285	16,200,067	19,597,893	-17%
Energy-Int	Energy intensity (kWh/sqm)			60.8	61.8	77.0	78.7	-	
Coverage (based on number of assets)				131	123	113	113	-	
% of data estimated				-	0%	-	0%	-	

Offices					Shopping centres					Logistics assets				
Absolute		Like-for-Like			Absolute		Like-for-Like			Absolute		Like-for-Like		
2022	2021	2022	2021	Evol.	2022	2021	2022	2021	Evol.	2022	2021	2022	2021	Evol.
15,273,859	14,546,870	14,359,028	13,942,695	3%	10,823,474	11,031,795	6,649,662	6,892,933	-4%	870,112	743,750	578,449	542,817	7%
41,562,597	38,681,930	37,376,252	35,428,413	5%	22,533,699	23,954,382	22,533,699	23,954,382	-6%	11,017,549	10,566,500	450,983	427,347	6%
99%	95%	100%	94%	-	100%	100%	100%	100%	-	100%	100%	100%	100%	-
57,277,659	53,477,280	51,735,280	49,371,109	5%	33,357,173	34,986,177	29,183,361	30,847,315	-5%	11,887,661	11,310,251	1,029,431	970,164	6%
854,881	678,182	1,509,816	1,087,592	39%	0	0	0	0	-	0	0	0	0	-
1,601,834	1,087,592	252,547	205,721	23%	0	0	0	0	-	0	0	0	0	-
92%	89%	92%	88%	-	-	-	-	-	-	-	-	-	-	-
2,456,715	1,765,774	1,926,369	1,647,804	17%	0	0	0	0	-	0	0	0	0	-
0	0	0	0	-	2,561,948	3,341,148	2,561,948	3,341,148	-23%	0	0	0	0	-
12,579,932	14,954,764	12,552,516	14,942,934	-16%	1,085,602	1,313,811	1,085,602	1,313,811	-17%	0	0	0	0	-
0%	0%	0%	0%	-	0%	0%	0%	0%	-	-	-	-	-	-
12,579,932	15,184,326	12,552,516	14,942,934	-16%	3,647,551	4,654,959	3,647,551	4,654,959	-22%	0	0	0	0	-
83.2	79.7	87.6	86.8	-	71.6	77.2	71.9	78.4	-	19.6	20.0	11.7	11.0	-
87	85	76	76	-	14	14	13	13	-	30	24	24	24	-
-	0%	-	0%	-	-	0%	-	0%	-	-	0%	-	0%	-

## Energy consumption at assets over which MERLIN does not exercise operational control

With regard to the assets not under **MERLIN's** operational control (single-tenant), the Group has information on energy consumption in like-for-like terms for 1 logistics warehouse, and in absolute terms for 1 office asset and 4 logistics warehouses<sup>(1)</sup> (all located in Spain). The table below shows the coverage area of the information on energy consumption.

	Like-for-Like portfolio	Absolute portfolio	
	Reported surf.	Reported surf.	% area covered (surface)
Offices	-	10,495 sqm	1%
Logistics warehouses	35,285 sqm	155,540 sqm	10%
Shopping centres	-	-	0%
<b>Total</b>	<b>35,285 sqm</b>	<b>166,035 sqm</b>	<b>5%</b>

In absolute terms, energy consumption for assets not under the Company's operational control was 3,375,832 kWh in 2022, split between offices (25%) and logistics warehouses (75%). Electricity accounted for all of the energy consumed, distributed in the same proportion. There was a 18% decrease compared to 2021, due to the fact that consumption information was available for less assets of this kind.

In the like-for-like portfolio (made up of one logistics asset), energy consumption was 1,758,837 kWh, all of which was electricity. This consumption is 22% higher than in 2021.

Energy intensity in the absolute portfolio was 16.3 kWh/sqm and 49.8 kWh/sqm in the like-for-like portfolio.

<sup>(1)</sup> Appendix I contains a list of the assets included in the reporting of this type of environmental performance information.



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**Consumo de energía en las carteras  
de MERLIN Properties (sin control operacional)**

EPRA CodeIndicator and units			Total MERLIN				
			Absolute		Like for Like		Evol.
			2022	2021	2022	2021	
Elect-Abs, Elect-LfL	Electricidad (kWh)	Total electricity consumption	3,375,832	2,867,167	1,758,837	1,438,105	22%
		Electricity from renewable sources (%)	99%	97%	100%	96%	4%
DH&C-Abs, DH&C-LfL	District Heating & Cooling (kWh)	Total district heating & cooling consumption	0	0	0	0	-
		Fuel from renewable sources (%)	0%	0%	0%	0%	-
Fuels-Abs, Fuels-LfL	Combustible (kWh)	Total fuel consumption	0	0	0	0	-
		District heating & cooling from renewable sources (%)	0%	0%	0%	0%	-
Energy-Int	Energy intensity (kWh/sqm)		16.3	12.5	49.8	40.8	-
Coverage (based on number of assets)			5	8	1	1	-
% of data estimated			-	0%	-	0%	-

Offices					Shopping centres					Logistics assets				
Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
2022	2021	2022	2021	Evol.	2022	2021	2022	2021	Evol.	2022	2021	2020	2021	Evol.
833,001	0	0	0	-	0	0	0	0	-	3,375,832	2,867,167	1,758,837	1,438,105	22%
100%	0%	0%	0%	-	0%	0%	0%	0%	-	100%	100%	100%	100%	0%
0	0	0	0	-	0	0	0	0	-	0	0	0	0	-
0%	0%	0%	0%	-	0%	0%	0%	0%	-	0%	0%	0%	0%	-
0	0	0	0	-	0	0	0	0	-	0	0	0	0	-
0%	0%	0%	0%	-	0%	0%	0%	0%	-	0%	0%	0%	0%	-
0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	-	16.3	12.5	49.8	40.8	-
1	0	0	0	-	0	0	0	0	-	4	8	1	1	-
0%	0%	0%	0%	-	0%	0%	0%	0%	-	-	0%	-	0%	-

## Electricity consumption at MERLIN's corporate headquarters and LOOM spaces

**MERLIN** has corporate headquarters in Madrid, Barcelona and Lisbon. Given that the Madrid headquarters are the most representative with a surface area of 2,412 sqm, the energy consumption figures for these offices are reported below. Electricity consumption was 198,185 kWh, which indicates a consumption intensity of 82.17 kWh/sqm, an increase of 5% compared to 2021, with no fuel consumption at this building.

In addition, the Company has three buildings, of which it is the lessee, that exclusively host FlexSpace areas as part of the LOOM brand (Fábrica de Tapices, Huertas and Salamanca). Of these three buildings, the Group controls electricity consumption at Huertas and Salamanca, with a total area of 3,031 sqm, 1,100 sqm and 1,931 sqm, respectively.

In 2022, electricity consumption was 529,511 kWh (178,008 kWh at Huertas and 351,503 kWh at Salamanca), which represents an increase of 11% compared to 2021 (476,474 kWh). The consumption intensity is 174.7 kWh/sqm. There is no fuel consumption at these locations.

### Energy consumption at properties leased by LOOM

EPRA Code		Indicador	Buildings leased by LOOM		
			2022	2021	Evol.
Elect-Abs, Elect-LfL	Electricity (kWh)	Total electricity consumption	529,511	476,474	11%
		Electricity from renewable sources (%)	100%	100%	-
Fuels-Abs, Fuels-LfL	Fuel (kWh)	Total fuel consumption	N/A	N/A	-
		Fuel from renewable sources (%)	N/A	N/A	-
Energy-Int	Energy intensity (kWh/sqm)		174.7	157.2	11%
% of estimated data			-	0%	-

### Energy consumption at MERLIN Properties' corporate headquarters <sup>(1)</sup>

EPRA Code		Indicator	Buildings leased by LOOM		
			2022	2021	Evol.
Elect-Abs, Elect-LfL	Electricity (kWh)	Total electricity consumption	198,185	188,638	5%
		Electricity from renewable sources (%)	100%	100%	-
Fuels-Abs, Fuels-LfL	Fuel (kWh)	Total fuel consumption	N/A	N/A	-
		Fuel from renewable sources (%)	N/A	N/A	-
Energy-Int	Energy intensity (kWh/sqm)		82.17	78.2	5%
% of estimated data			-	0%	-

<sup>(1)</sup> The energy consumption figures for the corporate headquarters do not include fuel consumption, so the consumption figures on the table refer exclusively to the electricity grid.

## Water withdrawal

Regarding water withdrawal at assets under operational control (multi-tenant), **MERLIN** has like-for-like information on water withdrawal at 72 office assets, 10 logistics warehouses and 11 shopping centres. In absolute terms, there is information for 82 offices, 11 logistics warehouses and 13 shopping centres<sup>(1)</sup>. The table below shows the coverage area of the information on water withdrawal.

	Like-for-Like portfolio	Absolute portfolio	
	Reported surf.	Reported surf.	% area covered (surface)
Offices	786,390 sqm	855,402 sqm	69%
Logistics warehouses	334,419 sqm	363,150 sqm	24%
Shopping centres	456,502 sqm	516,551 sqm	98%
<b>Total</b>	<b>1,577,311 sqm</b>	<b>1,735,103 sqm</b>	<b>52%</b>

Broken down by country, the surface area covered in Spain for water withdrawal is 1,612,090 sqm in the absolute portfolio and 1,514,347 sqm in the like-for-like portfolio. In Portugal, this area is 123,013 sqm and 62,964 sqm, respectively.

For office and shopping centre assets, the source information available to **MERLIN** refers, as a general rule, to the water withdrawal for the entire asset. However, the data for logistics assets sometimes refers to common areas only and other times to the entire asset.

With regard to like-for-like performance data, the total volume of water withdrawal in 2022 at the assets under **MERLIN's** operational control was 609,418 m<sup>3</sup>, broken down as follows: office assets (42%), logistics warehouses (7%) and shopping centres (51%). Compared to 2021, there was a 17.9% increase mainly due to the rise in foot traffic at offices and shopping centres as a result of the loosening of COVID-19 pandemic restrictions, and due to the high temperatures during the summer, which led to an increase in watering frequencies and watering times for all landscaped areas of the assets.

In the like-for-like office portfolio, water withdrawal was 252,547 m<sup>3</sup> in 2022, up 22.8% in 2021. At logistics warehouses, water withdrawal was 44,321 m<sup>3</sup>, up 17.7% in 2021. Lastly, the volume at shopping centres was 312,549 m<sup>3</sup>, up 14.3% in 2021.

In absolute terms, the volume of water captured in 2022 was 680,084 m<sup>3</sup>, distributed among the consumption of the office portfolio (41%), logistics warehouses (7%) and shopping centers (52%). The volume of water captured in absolute terms increased by 27.1% compared to 2021. Broken down by country, the volume of water captured in Spain was 621,908 m<sup>3</sup> (91% of the total) and in Portugal, 58,176 m<sup>3</sup> (9% of the total).

<sup>(1)</sup> En el Anexo II figura el listado de los activos incluidos en el reporte de este tipo de información de desempeño ambiental.

In the office portfolio, water withdrawal in 2022 in absolute terms was 280,208 m<sup>3</sup>, 25.7% more than in 2021, in logistics assets 45,075 m<sup>3</sup>, 16.1% more than in 2021, and in shopping centers 354,802 m<sup>3</sup>, 29.8% more than in 2021.

Practically all water withdrawal comes from the municipal network, representing a total volume of 674,399 m<sup>3</sup> in absolute terms (99.2% of the total water withdrawn). At the Marineda shopping centre in La Coruna, some of the water comes from a rainwater tank. Based on the 2022 rainfall in this area and the tank's catchment area<sup>(1)</sup>, it is estimated that the volume of water collected and used at this asset is around 5,446 m<sup>3</sup>

### Water withdrawal for MERLIN Properties' portfolios (under operational control)

EPRA Code	Indicador y unidades	Total MERLIN				
		Absolute		Like-for-like		Evol.
		2022	2021	2022	2021	
Water-Abs, Water-LfL	Water consumption in common areas (m <sup>3</sup> )	216,201	171,571	192,509	169,430	14%
	Water consumption in tenant spaces (m <sup>3</sup> )	463,883	363,484	416,908	347,326	20%
	Water consumption in the entire building (m <sup>3</sup> )	680,084	535,055	609,417	516,756	18%
	Total water consumption (m <sup>3</sup> )	680,084	535,055	609,417	516,756	18%
Water-Int	Water consumption intensity (m <sup>3</sup> /sqm)	0.477	0.377	0.463	0.392	-
Coverage (based on number of assets)		123	121	113	113	-
% of data estimated		-	0%	-	0%	-

<sup>(1)</sup> The estimate considers the annual recorded rainfall in La Coruna in 2021, according to data provided by Meteogalicia, and a catchment area of about 16,000 sqm. A 10% loss rate was assumed.

Lastly, water withdrawal intensity in the like-for-like portfolio was 0.46 m<sup>3</sup>/sqm, up 18.0% in 2021, and in the absolute portfolio it was 0.48 m<sup>3</sup>/sqm, up 26.4% on 2021.

Offices					Shopping centres					Logistics assets				
Absolute		Like-for-like			Absolute		Like-for-like			Absolute		Like-for-like		
2022	2021	2022	2021	Evol.	2022	2021	2022	2021	Evol.	2022	2021	2022	2021	Evol.
30,126	24,825	27,762	22,799	22%	178,106	138,549	156,853	138,549	13%	7,969	8,197	7,894	8,081	-2%
250,082	198,042	224,786	182,922	23%	176,696	134,814	155,696	134,814	15%	37,105	30,628	36,427	29,590	23%
280,208	222,867	252,547	205,721	23%	354,802	273,364	312,549	273,364	14%	45,075	38,825	44,321	37,672	18%
280,208	222,867	252,547	205,721	23%	354,802	273,364	312,549	273,364	14%	45,075	38,825	44,321	37,672	18%
0.350	0.275	0.345	0.279	-	0.965	0.776	0.878	0.776	-	0.175	0.151	0.194	0.165	-
84	83	76	76	-	14	13	13	13	-	25	25	24	24	-
-	0%	-	0%	-	-	0%	-	0%	-	-	0%	-	0%	-



## Water withdrawal at assets over which MERLIN does not exercise operational control

With regard to the assets not under **MERLIN's** operational control (single-tenant), the Group has information on water withdrawal in like-for-like and absolute terms for 3 office assets<sup>(1)</sup> (all located in Spain). The table below shows the coverage area of the information on water withdrawal.

	Like-for-Like portfolio	Absolute portfolio	
	Sup. reportada	Sup. reportada	% cobertura (superficie)
Offices	37,570 sqm	37,570 sqm	3%
Logistics warehouses	26,613 sqm	26,612 sqm	2%
Shopping centres	-	-	0%
<b>Total</b>	<b>64,182 sqm</b>	<b>64,182 sqm</b>	<b>2%</b>

## Water withdrawal for MERLIN Properties' portfolios (not under operational control)

EPRA Code	Indicator and units	Total MERLIN				
		Absolute		Like for Like		Evol.
		2022	2021	2022	2021	
Water-Abs, Water-LfL	Total water consumption (m <sup>3</sup> )	19,631	19,912	19,631	18,469	6%
Water-Int	Water consumption intensity (m <sup>3</sup> /sqm)	0.306	0.289	0.306	0.288	-
Coverage (based on number of assets)		3	5	3	3	-
% of data estimated		-	0%	-	0%	-

<sup>(1)</sup> Appendix II contains a list of the assets included in the reporting of this type of environmental performance information.



Sant Cugat II | Barcelona

In absolute terms, for assets not under **MERLIN's** operational control, water withdrawal from the municipal network amounted to 19,631 m<sup>3</sup> in 2022 (water withdrawal intensity of 0.31 m<sup>3</sup>/sqm), with office assets accounting for all consumption. Consumption in 2022 was 1% lower than in 2021.

In the like-for-like portfolio, consumption in 2022 was 19,631 m<sup>3</sup> (water withdrawal intensity of 0.31 m<sup>3</sup>/sqm), which represents a decrease of 6% compared to 2021.

**MERLIN** has no water data for its corporate headquarters or for the leased LOOM buildings.

Offices					Shopping centres					Logistics assets				
Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
2022	2021	2022	2021	Evol,	2022	2021	2022	2021	Evol,	2022	2021	2022	2021	Evol,
17,091	17,148	17,091	15,706	9%	0	0	0	0	-	0	2,764	0	0	-8%
0.455	0.405	0.455	0.418	-	0.000	0.000	0.000	0.000	-	0.000	0.104	0.000	0.000	-
3	4	3	3	-	-	-	-	-	-	0	1	0	0	-
-	0%	-	0%	-	0%	0%	0%	0%	-	0%	0%	0%	0%	-

## Waste management

In relation to waste management, the Group has like-for-like information on 58 office assets, 8 shopping centres and 1 logistics warehouse, and it has information in absolute terms on 82 office assets, 11 shopping centres and 1 logistics warehouse <sup>(1)</sup> (all located in Spain). The table below shows the coverage area of the information on waste management.

	Like-for-Like portfolio	Absolute portfolio	
	Sup. reportada	Sup. reportada	% cobertura (superficie)
Offices	689,860 sqm	733,058 sqm	59%
Logistics warehouses	36,234 sqm	36,234 sqm	2%
Shopping centres	456,502 sqm	456,502 sqm	87%
<b>Total</b>	<b>1,182,596 sqm</b>	<b>1,225,794 sqm</b>	<b>37%</b>

### Waste generation at assets managed by MERLIN

EPRA Code	Indicador	Total MERLIN				
		Absolute		Like for Like		Evol.
		2022	2021	2022	2021	
Waste-Abs, Waste-LfL	Total generation of non-hazardous waste (t)	7,506.3	6,189.4	6,987.8	5,841.3	20%
	Total generation of hazardous waste (t)	5.9	6.5	4.8	6.1	-21%
	Waste to be eliminated (t)	356.8	210.9	0.6	0.5	17%
	Waste to be recovered through energy (t)	42.7	4.2	4.6	3.6	27%
	Waste to be recovered (t)	2.6	4.1	2.0	4.0	-49%
	Waste to be recycled (t)	7,110.0	5,976.6	6,985.4	5,839.3	20%
Coverage (based on number of assets)		88/180	90 / 180	75 / 75	75 / 75	-
% of data estimated		-	0%	-	0%	-

<sup>(1)</sup> Appendix I contains a list of the assets included in the reporting of this type of environmental performance information.

In 2022, assets in the like-for-like portfolio accounted for a total of 6,993 tonnes of waste, 99.9% of which was non-hazardous waste, and the rest was hazardous. The assets in the absolute portfolio accounted for 7,512 tonnes of waste, 99.9% of which was non-hazardous waste and the remainder hazardous.

In like-for-like terms, there was an overall increase in waste managed in 2022 compared to 2021 (19.6%). This increase is mainly due to the waste managed at shopping centres (which accounts for 91% of the total waste managed). This is a result of an increase in business and foot traffic at these types of assets, in view of the lifting of COVID-19 restrictions this year.

In absolute terms, there was an increase of 21.2% in the amount of waste managed in 2022 compared to 2021. This increase is slightly higher than that recorded in the like-for-like portfolio.

There is no information available on waste generation at corporate headquarters or the LOOM buildings.

Offices					Shopping centres					Logistics assets				
Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
2022	2021	2022	2021	Evol.	2022	2021	2022	2021	Evol.	2022	2021	2022	2021	Evol.
180.9	179.9	180.6	179.3	1%	6,871.7	5,203.0	6,353.6	4,855.5	31%	453.7	806.5	453.7	806.5	-44%
2.7	4.2	2.1	3.8	-45%	3.2	2.3	2.7	2.3	17%	0.0	0.0	0.0	0.0	-
0.6	0.7	0.4	0.4	0%	356.2	210.2	0.2	0.2	0%	0.0	0.0	0.0	0.0	-
4.3	3.8	3.7	3.3	14%	38.5	0.3	0.8	0.3	161%	0.0	0.0	0.0	0.0	-
1.4	2.6	1.3	2.4	-48%	1.2	1.5	0.7	1.5	-55%	0.0	0.0	0.0	0.0	-
177.4	176.9	177.2	176.8	0%	6,479.0	4,993.2	6,354.5	4,856.0	31%	453.7	806.5	453.7	806.5	-44%
74 / 110	77 / 112	66 / 66	66 / 66	-	14 / 14	12 / 15	11 / 11	11 / 11	-	1 / 56	1 / 53	1 / 1	1 / 1	-
-	0%	-	0%	-	-	0%	-	0%	-	-	0%	-	0%	-

## Scope 1 and scope 2 greenhouse gas (GHG) emissions

### GHG emissions at assets over which MERLIN exercises operational control

First, taking a location-based calculation approach <sup>(1)</sup> and considering the like-for-like portfolio, the sum of scope 1 and scope 2 GHG emissions was 14,167 tCO<sub>2</sub>eq, 8.6% more than in 2021. Specifically, direct emissions (scope 1), which include emissions from the consumption of diesel and natural gas in the assets and refrigerant gas recharges, amounted to 2,545 tCO<sub>2</sub>eq. Indirect emissions (scope 2) associated with the generation of electricity consumed at the assets and the consumption of district heating & cooling totalled 11,622 tCO<sub>2</sub>eq.

In terms of like-for-like, broken down by portfolio, Scope 1 and 2 emissions from office assets were 1,350 tCO<sub>2</sub>eq and 6,780 tCO<sub>2</sub>eq, respectively, those from logistics warehouses 94 tCO<sub>2</sub>eq in Scope 2 and those from shopping centers 1,195 tCO<sub>2</sub>eq and 4,748 tCO<sub>2</sub>eq.

### Greenhouse gas emissions for MERLIN Properties' portfolios (under operational control)

Código EPRA	Indicador y unidades	Total MERLIN				
		Absolute		Like for Like		Evol.
		2022	2021	2022	2021	
-	Direct scope 1 emissions, refrigerant gases (tCO <sub>2</sub> eq)	2,151	2,000	2,026	1,906	6%
-	Direct scope 1 emissions, fuels (tCO <sub>2</sub> eq)	519	677	519	677	-23%
GHG-Dir-Abs, GHG-Dir-LfL	Direct scope 1 emissions (tCO <sub>2</sub> eq)	2,670	2,676	2,545	2,582	-1%
GHG-IndirAbs, GHG-Indir-LfL	Indirect scope 2 emissions (tCO <sub>2</sub> eq)	14,540	13,148	11,622	10,468	11%
-	Total emissions - Scopes 1+2 (tCO <sub>2</sub> eq)	17,210	15,824	14,167	13,051	9%
GHG-Int	Emissions intensity (tCO <sub>2</sub> eq/sqm)	0.011	0.010	0.011	0.010	-
Cobertura (en base al número de activos)		136	131	112	112	-
% de datos estimados		-	0%	-	0%	-

<sup>(1)</sup> Scope 1 emissions were calculated considering the factors recommended by the Spanish Ministry for Ecological Transition and Demographic Challenge (MITERD). Scope 2 location-based emissions from electricity consumption were calculated considering the emission factor of the electricity mix for Spain and Portugal. The emission factor of the electricity mix is a rate that represents the CO<sub>2</sub> emission intensity associated with generating the electricity that is consumed. Therefore, it is a significant indicator of the ratio of low carbon energy sources to the country's total electricity production. Scope 2 location-based emissions from district heating were obtained from the emission factor provided by Districlima, and emissions from district cooling were obtained considering the emission factor of the Spanish electricity mix and a grid loss percentage of 10%.

In relation to the portfolio in absolute terms, the sum of Scope 1 and 2 location based GHG emissions were 17,210 tCO<sub>2</sub>eq, up 8.8% compared to 2021. By scope, 2,670 tCO<sub>2</sub>eq correspond to Scope 1<sup>(1)</sup> emissions and the remaining 14,540 tCO<sub>2</sub>eq to Scope 2<sup>(2)</sup> emissions. Broken down by type of asset, Scope 1 and 2 emissions from office assets, in absolute terms, were 1,475 tCO<sub>2</sub>eq and 7,420 tCO<sub>2</sub>eq respectively, those from logistics warehouses 1,625 tCO<sub>2</sub>eq in Scope 2 and those from shopping centers 1,195 tCO<sub>2</sub>eq and 5,495 tCO<sub>2</sub>eq.

Compared to 2021, there is a slight decrease in Scope 1 emissions and an increase in Scope 2 emissions, mainly derived from the increase in the number of assets reported and the increase in the Spanish emission factor published by REE.

Furthermore, broken down by country, in absolute terms, Scope 1 and 2 GHG emissions in Spain were 16,005 tCO<sub>2</sub>eq (2,670 tCO<sub>2</sub>eq of Scope 1 and 13,336 tCO<sub>2</sub>eq of Scope 2), while in Portugal they were 1,204 tCO<sub>2</sub>eq, all of them Scope 2.

In terms of GHG emissions intensity, the value in terms of the Like for Like portfolio was 0.011 tCO<sub>2</sub>eq/m<sup>2</sup> (9% higher than in 2021) and in absolute terms, 0.011 tCO<sub>2</sub>eq (9% higher than in 2021).

Direct emissions from fuel consumption in assets under **MERLIN's** operational control (scope 1) were obtained following the recommendations of the Ministry of Ecological Transition and Demographic Challenge (MITERD). A location-based calculation method was used to determine the indirect emissions associated with electricity consumption at assets under **MERLIN'S** operational control (scope 2). For this calculation, **MERLIN** consulted the emission factors in the countries where its assets are located: Spain and Portugal<sup>(3)</sup>.

Offices					Shopping centres					Logistics assets				
Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
2022	2021	2022	2021	Evol.	2022	2021	2022	2021	Evol.	2022	2021	2022	2021	Evol.
1,475	1,564	1,350	1,470	-8%	676	436	676	436	55%	0	0	0	0	-
0	0	0	0		519	677	519	677	-23%	0	0	0	0	-
1,475	1,564	1,350	1,470	-8%	1,195	1,113	1,195	1,113	7%	0	0	0	0	-
7,420	6,242	6,780	5,958	14%	5,495	5,455	4,748	4,432	7%	1,625	1,452	94	78	21%
8,894	7,805	8,130	7,428	9%	6,690	6,567	5,943	5,545	7%	1,625	1,452	94	78	21%
0.011	0.009	0.011	0.010	-	0.013	0.013	0.013	0.012	-	0.007	0.008	0.001	0.001	-
92	89	75	75	-	14	14	13	13	-	30	28	24	24	-
0%		0%		-	-	0%	-	0%	-	0%		0%		-

<sup>(1)</sup> Includes fuel consumption and refrigerant gas recharges.

<sup>(2)</sup> Includes electricity and District Heating & Cooling consumption.

<sup>(3)</sup> The 2022 factor for Spain was obtained from the information published by Red Eléctrica de España (REE), while for the factor for Portugal was taken from the data published by the Energy Observatory sponsored by the Portuguese Ministry of Environment and Climate Action.



## GHG emissions at assets over which MERLIN does not exercise operational control

Greenhouse gas emissions for MERLIN's portfolios  
(not under operational control)

EPRA Code	Indicator and units	Total MERLIN				
		Absolute		Like for Like		Evol.
		2022	2021	2022	2021	
-	Scope 3 emissions, refrigerant gases (tCO <sub>2</sub> eq)	0	0	0	0	-
-	Scope 3 emissions, fuels (tCO <sub>2</sub> eq)	0	0	0	0	-
-	Indirect scope 3 emissions, electricity (tCO <sub>2</sub> eq)	317	344	221	166	33%
GHG-IndirAbs, GHG-Indir-LfL	Total scope 3 emissions (tCO <sub>2</sub> eq)	317	344	221	166	33%
GHG-Int	EMISSIONS INTENSITY - Scope 3 (tCO <sub>2</sub> eq/sqm)	0.002	0.002	0.004	0.003	-
Coverage (based on number of assets)		5	7	2	2	-
% of data estimated		-	0%	-	0%	-

Offices					Shopping centres					Logistics assets				
Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
2022	2021	2022	2021	Evol.	2022	2021	2022	2021	Evol.	2022	2021	2022	2021	Evol.
0	0	0	0	-	0	0	0	0	-	0	0	0	0	-
0	0	0	0	-	0	0	0	0	-	0	0	0	0	-
0	0	0	0	-	0	0	0	0	-	317	344	221	166	33%
0	0	0	0	-	0	0	0	0	-	317	344	221	166	33%
0.000	0.000	0.000	0.000	-	0.000	0.000	0.000	0.000	-	0.002	0.002	0.004	0.003	-
-	-	-	-	-	-	-	-	-	-	5	7	2	2	-
-	0%	-	0%	-	-	0%	-	0%	-	-	0%	-	0%	-

## Certificates

The table below details the number and types of asset certifications in each portfolio. They include energy certifications under Royal Decree 235/2013; LEED/BREEAM sustainable construction certificates; and ISO 14001 and ISO 50001 Management Systems certifications.

The percentage of certified assets is calculated by surface area, considering only the operating assets in the office, shopping centre and logistics portfolios, and WIP assets: Plaza Pablo Ruiz Picasso, Ática 1 and Cerro Gamos business park. Not included in the calculation are the Barcelona ZAL Port assets, the net lease portfolio assets, other non-strategic assets or the rest of the WIP assets.

### Certificates

EPRA Code	Indicator and units	Total MERLIN		Offices		Shopping centres		Logistics assets	
		Absolute	Like for Like	Absolute	Like for Like	Absolute	Like for Like	Absolute	Like for Like
Cert-Tot	Energy certificates (% surface area)	97%	97%	99%	100%	91%	90%	97%	100%
	Coverage (based on number of assets)	187 of 190	111 of 112	118 of 118	75 of 75	15 of 15	12 of 13	57 of 57	24 of 24
	Sustainable building certificates (% surface area)	88%	99%	94%	97%	97%	100%	79%	100%
	Coverage (based on number of assets)	161 of 190	109 of 112	97 of 118	72 of 75	118 of 118	13 of 13	50 of 57	24 of 24
	Management systems (% surface area)	37%	67%	66%	90%	59%	68%	5%	11%
	Coverage (based on number of assets)	89 of 190	76 of 112	78 of 118	67 of 75	8 of 15	8 of 13	2 of 57	1 of 24



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# 11. Appendix II

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Methodology for calculating  
scope 3 GHG emissions

IN LINE WITH ITS “**PATHWAY TO NET ZERO**” STRATEGY, IN 2022 THE COMPANY REINFORCED THE CALCULATION OF ITS INDIRECT SCOPE 3 GHG EMISSIONS, THOSE RESULTING FROM THE COMPANY’S ACTIVITIES AT SOURCES THAT ARE NEITHER OWNED NOR CONTROLLED BY THE COMPANY. MERLIN THEREFORE CALCULATED ITS GHG EMISSIONS IN THE MOST RELEVANT CATEGORIES DEFINED IN THE GHG PROTOCOL BASED ON THE GROUP’S LINES OF BUSINESS.

Type of emission	GHG protocol category	Emissions (tCO <sub>2</sub> eq)
Emissions related to the supply chain	1. Goods and services purchased	7,372
	2. Capital goods	41,228
	4. Upstream transport and distribution	1,005
Upstream emissions from fuels	3. Fuel and energy-related activities	2,734
Emissions associated with employee commuting	7. Employee commuting	8,741
Emissions associated with assets where <b>MERLIN</b> is a lessee	8. Upstream leases	119
Emissions associated with assets where <b>MERLIN</b> is a lessor	13. Downstream leases	72,475
<b>TOTAL</b>		<b>133,674</b>

## Category 13 - Downstream leased assets

Based on the emission intensity data per square meter (kgCO<sub>2</sub>e/sqm) included in the energy certifications for most of **MERLIN's** strategic assets (as discussed in section 4.7. of this Statement of Non-Financial Information in the subsection titled "Energy rating of **MERLIN'S** assets"), **MERLIN** has estimated GHG emissions from energy consumption at assets over which the Company does not exercise operational control. These are scope 3, category 13 emissions (referred to as "Downstream leased assets" in the GHG Protocol). The calculation focuses on the asset portfolios designated as strategic, as they are most representative of the Group's assets (offices, logistics assets and shopping centres).

Given the characteristics of this type of emissions, the GHG emissions of this category are calculated using a location-based approach (i.e., considering the electricity mix of the country where the asset is located).

Depending on the type of asset, GHG emissions from energy sources managed and/or controlled by tenants (scope 3, category 13 GHG emissions) may account for the total (see point 1 below) or only a portion of the asset's GHG emissions (see point 2). There are also some cases where **MERLIN** manages and/or controls all of the asset's energy consumption and, therefore, the scope 3, category 13 GHG emissions associated with that asset are zero (see point 3) <sup>(1)</sup>.

1. In the case of single-tenant assets, the tenant has control over all of the fuel (if fuel is used for air conditioning) and electricity consumption. Thus, based on the energy certification reports, the GHG emissions of the asset as a whole were estimated and assigned to scope 3, category 13.
2. For most multi-tenant assets, the tenant has partial control over the electricity consumed at the asset. Based on the energy certification reports, the GHG emissions from electricity consumption (under the tenant's control) were calculated and the GHG emissions were assigned to scope 3, category 13 <sup>(2)</sup>.
3. For the remaining multi-tenant assets where the tenant does not control any of the asset's energy sources, no estimates are made of the asset's GHG emissions

<sup>(1)</sup> According to the GHG Protocol guidelines for electricity consumption, the buyer of the electricity (i.e. the party billed by the electricity seller) is the one that controls the energy.

<sup>(2)</sup> GHG emissions associated with energy sources under **MERLIN's** control refer to the scope 1 and scope 2 GHG emissions reported in the section of Appendix I titled "Scope 1 and scope 2 greenhouse gas (GHG) emissions".



In all cases, a GHG emissions intensity factor per square meter (kgCO<sub>2</sub>e/sqm), “updated” to 2022, is obtained at the asset-to-asset level. This correction of the factor is critical to the calculations, as both Spain and Portugal have experienced a sharp increase in energy generation from renewable sources in recent years. The intensity factor is based on the GHG emissions intensity that appears on the energy certification, considering both the year in which the certification report is issued, and the type of energy sources used by the asset (electricity and fuel or only electricity)<sup>(1)</sup>.

For assets that do not have an energy rating, an average emissions intensity factor was calculated and considered for each strategic portfolio (offices, logistics assets and shopping centres).

In the particular case of single-tenant assets for which **MERLIN** has compiled energy consumption data for 2022 based on invoices, which are in turn re-invoiced to the tenant (see sub-section on “Energy consumption at assets over which **MERLIN** does not exercise operational control” of Appendix I ), GHG emissions were calculated by multiplying the consumption data on the invoices by the same emission factors used to calculate the scope 1 and scope 2 emissions (using a location-based approach). In these specific cases, it was not necessary to create estimates from data on energy ratings.

GHG emissions for this category are estimated at 72,475 tons CO<sub>2</sub>e. The breakdown between strategic portfolios is 28,531 ton CO<sub>2</sub>e corresponding to offices, 34,771 ton CO<sub>2</sub>e corresponding to logistics assets and 9,173 ton CO<sub>2</sub>e to shopping centers. The table below specifies the GHG emissions corresponding to single-tenant assets and private energy consumption in multi-tenant assets:

Portfolio	Total scope 3, category 13 GHG emissions	Scope 3 by asset type	
		Single-tenant	Multi-tenant (private energy consumption)
Offices	28,531 ton CO <sub>2</sub> e	10,960 ton CO <sub>2</sub> e	17,571 ton CO <sub>2</sub> e
Logistics warehouses	34,771 ton CO <sub>2</sub> e	25,155 ton CO <sub>2</sub> e	9,616 ton CO <sub>2</sub> e
Shopping centres	9,173 ton CO <sub>2</sub> e	0 ton CO <sub>2</sub> e	9,173 ton CO <sub>2</sub> e
<b>Total</b>	<b>72,475 ton CO<sub>2</sub>e</b>	<b>36,115 ton CO<sub>2</sub>e</b>	<b>36,360 ton CO<sub>2</sub>e</b>

<sup>(1)</sup> Since energy certification reports are valid for 10 years, there are cases where the data on GHG emissions intensity (kgCO<sub>2</sub>e/sqm) for an asset refer to equipment and systems that have already been replaced with more efficient ones (especially on refurbishment projects). Consequently, on a global level the estimates are considered to provide an “upside” value of the scope 3 GHG emissions of the portfolios.

<sup>(2)</sup> See also Appendix III “Breakdown of the environmental performance reporting scope”. These assets are the ones marked “Yes\*” in the “Energy Report” column (“Yes” with an asterisk).

## Other scope 3 categories

### Emissions related to the supply chain

Using the billing data of suppliers, in 2022 **MERLIN** estimated the scope 3 emissions associated with its supply chain (categories 1, 2 and 4 of the GHG Protocol) based on its purchase data for 2022. The Group has therefore followed an Environmentally-Extended Input-Output Model (based on the WIOD 2016 database), which takes into account national emission factors by activity sectors. Under this approach, GHG emissions in 2022 were 49,605 tCO<sub>2</sub>eq.

### Upstream emissions from fuels

Category 3 of the GHG Protocol computes GHG emissions from fuels consumed by **MERLIN** that are produced upstream (prior to combustion) as well as GHG emissions associated with electricity losses due to transportation and distribution and upstream GHG emissions from fuels used in electricity generation<sup>(1)</sup>. Considering the above concepts, GHG emissions for this category amount to 2,734 tCO<sub>2</sub>eq in terms of absolute portfolio.

### Emissions associated with employee commuting

In relation to emissions from employee commuting (category 7 of the GHG Protocol), **MERLIN** calculated the emissions associated with the Group's employees commuting to and from work and those associated with **MERLIN Hub** users commuting to and from these assets.

To learn more about how **MERLIN** employees commute, the Group launched a survey to find out about their commuting habits to and from work. Total GHG emissions in 2022 were therefore estimated to be 243 tCO<sub>2</sub>eq, which is 0.98 tCO<sub>2</sub>eq per employee.

In addition to the calculations discussed in this section, GHG emissions produced by office workers at the **MERLIN Hub Madrid Norte** (New Business Area A-1 in Madrid) were also estimated. To do so, the Company used information from the Transport to Work Plans (TWP) prepared for this set of assets by the Office of Sustainability and Mobility (OSM). The effects of the shuttle service arranged by **MERLIN** (through the OSM) on the mobility of these users were also taken into account. The shuttle connects key points in the city of Madrid with the group of offices that make up **MERLIN Hub Madrid Norte**. Taking into consideration that there are an estimated 18,000 employees working at offices in this area of Madrid, GHG emissions in 2022 stood at 8,498 tCO<sub>2</sub>eq (0.47 tCO<sub>2</sub>eq per employee).

The difference between the GHG emissions intensity ratio per employee in the case of **MERLIN** staff compared to **MERLIN Hub Madrid Norte** employees is mainly due to a higher rate of remote working among **MERLIN Hub Madrid Norte** employees compared to **MERLIN** employees

<sup>(1)</sup> Data on electricity losses in the transmission grid with respect to demand in Spain were obtained from the Red Eléctrica de España (REE) Sustainability Report 2022.



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These GHG emissions are associated with the commuting of **MERLIN** office users and, like the GHG emissions produced by commuting **MERLIN** employees (reported in this section), they are assigned to scope 3, category 7 in accordance with GHG Protocol guidelines. However, both types of emissions are reported separately, since the calculation of GHG emissions associated with the commuting of the users of these assets is optional within this category.

### Emissions associated with assets where MERLIN is a lessee

**MERLIN** also calculates scope 3, category 8 emissions as defined by the GHG Protocol by accounting for emissions from assets where it is a lessee. This category includes GHG emissions associated with electricity consumption at the Group's corporate headquarters in Madrid and GHG emissions from the LOOM Huertas and LOOM Salamanca locations. Overall GHG emissions in this category were 138.1 tCO<sub>2</sub>eq (0.025 tCO<sub>2</sub>eq /m<sup>2</sup>) in 2022, broken down between the corporate headquarters (51.8 tCO<sub>2</sub>eq, 0.022 tCO<sub>2</sub>eq /m<sup>2</sup>) and LOOM spaces (86.3 tCO<sub>2</sub>eq, 0.285 tCO<sub>2</sub>eq /m<sup>2</sup>).

## Scope 3 emissions report in accordance with EPRA sBPR

Greenhouse gas emissions for properties  
leased by LOOM

EPRA Code	Indicator and units	Offices		
		2022	2021	Evol.
GHG-Dir-Abs, GHG-Dir-LfL	Direct emissions – Scope 1 (t CO <sub>2</sub> eq)	N/A	N/A	-
GHG-Indir Abs, GHG-Indir-LfL	Indirect emissions - Scope 2 (t CO <sub>2</sub> eq)	86.3	68.5	26%
-	Total emissions – Scope 1+2 (t CO <sub>2</sub> eq)	86.3	68.5	26%
GHG-Int	EMISSIONS INTENSITY (t CO <sub>2</sub> eq/m <sup>2</sup> )	0.028	0.023	-
% de datos estimados		-	0%	-

### Greenhouse gas emissions for MERLIN Properties' corporate headquarters

EPRA Code	Indicator and units	Offices		
		2022	2021	Evol.
GHG-Dir-Abs, GHG-Dir-LfL	Direct emissions – Scope 1 (t CO <sub>2</sub> eq) (1)	19.5	17.7	10%
GHG-Indir Abs, GHG-Indir-LfL	Indirect emissions - Scope 2 (t CO <sub>2</sub> eq)	32.3	27.1	19%
-	Total emissions – Scope 1+2 (t CO <sub>2</sub> eq)	51.8	44.8	16%
GHG-Int	EMISSIONS INTENSITY (t CO <sub>2</sub> eq/m <sup>2</sup> )	0.021	0.019	-
% of estimated data		-	0%	-

# 12.

## Appendix III

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Breakdown of the environmental  
performance reporting scope

Asset name	Portfolio	Building number	Surface (m²)	Energy reported (GJ)	Water reported (m³)	Waste reported (kg)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
Torre Castellana 259	Offices	1	21,390	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Castellana 280	Offices	1	16,853	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Castellana 278	Offices	1	14,468	-	Yes*	-	LEED GOLD	-	-	Yes
Castellana 93	Offices	1	11,621	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
Alcala 40	Offices	1	9,315	-	-	-		-	-	Yes
Principe de Vergara 187	Offices	1	11,302	-	-	-	LEED GOLD	-	-	Yes
Alfonso XI	Offices	1	9,945	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Pedro de Valdivia 10	Offices	1	6,721	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
PE Churruca	Offices	3	12,832	Yes	Yes	Yes	LEED GOLD(1)/SILVER(2)	Yes	Yes	Yes
PE Complejo Princesa	Offices	3	33,573	Yes	Yes	Yes	BREEAM GOOD	Yes	Yes	Yes
Juan Esplandiú 11-13	Offices	1	28,008	Yes	Yes	Yes	BREEAM GOOD	Yes	Yes	Yes
Eucalipto 33	Offices	1	7,301	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Eucalipto 25	Offices	1	7,368	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Santiago de Compostela 94	Offices	1	13,130	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Josefa Valcarcel 48	Offices	1	19,893	-	-	-	LEED GOLD	-	-	Yes
PE Alvento	Offices	2	32,928	Yes	Yes	Yes	LEED SILVER	Yes	Yes	Yes
Cristalia	Offices	1	11,713	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
PE Puerta de las Naciones	Offices	4	39,150	Yes*	Yes*	Yes*	LEED PLATINUM(1)/ GOLD (3)	Yes (2) <b>231</b>	Yes (2)	Yes
Ribera del Loira 60	Offices	1	54,960	-	-	-	LEED GOLD	-	-	Yes
Partenon 12-14	Offices	1	19,609	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Partenon 16-18	Offices	1	18,345	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Arturo Soria 128	Offices	1	3,226	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
Torre Chamartin	Offices	1	18,295	Yes	Yes	Yes	LEED PLATINUM	Yes	Yes	Yes



Asset name	Portfolio	Building number	Surface (m²)	Energy reported (GJ)	Water reported (m³)	Waste reported (kg)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
Arturo Soria 343	Offices	1	6,621	Yes	Yes	-	LEED GOLD	Yes	Yes	Yes
<b>Elipse</b>	<b>Offices</b>	<b>1</b>	<b>7,515</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>-</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Fuente de la Mora</b>	<b>Offices</b>	<b>1</b>	<b>4,482</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Aquamarina</b>	<b>Offices</b>	<b>1</b>	<b>10,685</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM VERY GOOD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>PE Vía Norte</b>	<b>Offices</b>	<b>6</b>	<b>37,224</b>	<b>Yes*</b>	<b>Yes*</b>	<b>Yes*</b>	<b>LEED GOLD (5)</b>	<b>Yes (5)</b>	<b>Yes (5)</b>	<b>Yes</b>
<b>PE Sanchinarro</b>	<b>Offices</b>	<b>2</b>	<b>17,191</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>PE Las Tablas</b>	<b>Offices</b>	<b>3</b>	<b>27,184</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Avenida de Burgos 210	Offices	1	6,176	-	-	-	LEED GOLD	-	-	Yes
Avenida de Burgos 208	Offices	1	1,200	-	-	-	LEED GOLD	-	-	Yes
Encinar	Offices	1	3,623	Yes	Yes	Yes	LEED GOLD	Yes	-	Yes
<b>Avenida de Bruselas 24</b>	<b>Offices</b>	<b>1</b>	<b>9,163</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Avenida de Bruselas 26	Offices	1	8,895	Yes	Yes	-	-	Yes	Yes	Yes
Avenida de Bruselas 33	Offices	1	33,718	-	-	-	LEED GOLD	-	-	Yes
Avenida de Europa 1A	Offices	1	12,606	-	Yes*	Yes	LEED PLATINUM	Yes		Yes
Avenida de Europa 1B	Offices	1	10,495	Yes*	Yes*	Yes	LEED PLATINUM	Yes	Yes	Yes
<b>Maria de Portugal T2</b>	<b>Offices</b>	<b>3</b>	<b>17,140</b>	<b>Yes*</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM VERY GOOD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>PE Adequa</b>	<b>Offices</b>	<b>5</b>	<b>69,379</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM VERY GOOD (2) / LEED PLATINUM (3)</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>PE Ática</b>	<b>Offices</b>	<b>3</b>	<b>16,325</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD (1) /BREEAM GOOD (1)</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Atica 5</b>	<b>Offices</b>	<b>1</b>	<b>9,526</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Atica 6</b>	<b>Offices</b>	<b>1</b>	<b>3,434</b>	<b>Yes</b>	<b>Yes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Yes</b>
<b>PE Atica XIX</b>	<b>Offices</b>	<b>3</b>	<b>15,411</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>

Continues &gt;

Asset name	Portfolio	Building number	Surface (m²)	Energy reported (GJ)	Water reported (m³)	Waste reported (kg)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
PE Cerro Gamos	Offices	3	25,431	Yes	Yes	Yes	LEED GOLD (2) / LEED SILVER(1)	-	-	Yes
PE Alvia	Offices	3	23,567	Yes*	Yes*	Yes*	LEED GOLD (1) / BREEAM GOOD (1)	Yes (2)	Yes (2)	Yes
Diagonal 605	Offices	1	14,908	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Diagonal 514	Offices	1	10,163	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Diagonal 458	Offices	1	4,174	Yes	Yes	Yes	BREEAM GOOD	Yes	-	Yes
Trianon	Offices	1	18,400	Yes	Yes	-	-	-	-	-
PE Vegacínco	Offices	2	10,896	Yes	Yes	-	-	-	-	-
Zaragoza - Aznar Molina	Offices	1	4,488	-	-	-	-	-	-	-
Balmes 236-238	Offices	1	6,187	-	-	-	-	-	-	Yes
Vilanova 12-14	Offices	1	16,494	-	-	-	LEED SILVER	-	-	Yes
E-Forum	Offices	1	5,190	Yes	-	-	-	-	-	Yes
Torre Glories	Offices	1	37,614	Yes	Yes	Yes	LEED GOLD / BREEAM EXCELENTE	Yes	Yes	Yes
Diagonal 199	Offices	1	5,934	Yes	Yes	Yes	LEED SILVER	Yes	Yes	Yes
PE Poble Nou 22@	Offices	4	31,348	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
WTC6	Offices	1	14,461	Yes	Yes	-	LEED GOLD	Yes	Yes	Yes
WTC8	Offices	1	14,597	Yes	Yes	-	LEED GOLD	Yes	Yes	Yes
PLZFB	Offices	1	10,615	Yes	Yes	Yes	BREEAM GOOD	Yes	Yes	Yes
Sant Cugat I	Offices	1	15,377	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
Sant Cugat II	Offices	1	10,008	Yes	Yes	Yes	LEED SILVER	Yes	Yes	Yes
Marques de Pombal 3	Offices	1	12,461	Yes	Yes	-	LEED GOLD	-	-	Yes

Continues &gt;

Asset name	Portfolio	Building number	Surface (m²)	Energy reported (GJ)	Water reported (m³)	Waste reported (kg)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
Torre Lisboa	Offices	1	13,715	-	-	-	LEED GOLD	-	-	Yes
<b>Central Office</b>	<b>Offices</b>	<b>1</b>	<b>10,310</b>	<b>Yes</b>	<b>Yes</b>	<b>-</b>	<b>LEED GOLD</b>	<b>-</b>	<b>-</b>	<b>Yes</b>
<b>Torre Zen</b>	<b>Offices</b>	<b>1</b>	<b>10,207</b>	<b>Yes</b>	<b>Yes</b>	<b>-</b>	<b>LEED GOLD</b>		<b>-</b>	<b>Yes</b>
<b>Art</b>	<b>Offices</b>	<b>1</b>	<b>22,150</b>	<b>Yes</b>	<b>Yes</b>	<b>-</b>	<b>LEED GOLD</b>	<b>-</b>	<b>-</b>	<b>Yes</b>
<b>TFM</b>	<b>Offices</b>	<b>1</b>	<b>7,837</b>	<b>Yes</b>	<b>Yes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Yes</b>
Lisboa Expo	Offices	1	6,740	-	-	-	LEED GOLD	-	-	Yes
Nestle	Offices	1	12,260	-	-	-	LEED GOLD	-	-	Yes
Lerida - Mangraners	Offices	1	3,228	-	-	-	-	-	-	Yes
Sevilla - Borbolla	Offices	1	13,037	-	-	-	LEED SILVER	-	-	Yes
Granada - Escudo del Carmen	Offices	1	2,041	-	-	-	-	-	-	Yes
Castellana 85	Offices	1	16,474	Yes	Yes	Yes	LEED PLATINUM	Yes	Yes	Yes
Pere IV	Offices	1	2,018	Yes	Yes	-	-	-	-	Yes
Plaza de Cataluña 9	Offices	1	3,159	Yes	Yes	-	-	-	-	Yes
Monumental	Offices	1	25,358	-	-	-	LEED GOLD	-	-	Yes
Liberdade, 195	Offices	1	16,510	-	-	-	-	-	-	Yes
<b>Cobertura (superficie)</b>	<b>Offices</b>		<b>1,173,509</b>	<b>854,879</b>	<b>892,971</b>	<b>733,058</b>	<b>1,114,489</b>	<b>781,497</b>	<b>761,094</b>	<b>1,159,202</b>
<b>Cobertura (nº de activos)</b>	<b>Offices</b>		<b>109</b>	<b>84</b>	<b>87</b>	<b>74</b>	<b>93</b>	<b>75</b>	<b>72</b>	<b>109</b>
<b>% Cobertura (superficie)</b>	<b>Ofiicnas</b>			<b>73%</b>	<b>76%</b>	<b>62%</b>	<b>95%</b>	<b>67%</b>	<b>65%</b>	<b>99%</b>
<b>% Cobertura (nº de activos)</b>	<b>Offices</b>			<b>77%</b>	<b>80%</b>	<b>68%</b>	<b>85%</b>	<b>69%</b>	<b>66%</b>	<b>100%</b>
Plaza Ruiz Picasso	Offices WIP	<b>1</b>	<b>31,577</b>	-	-	-	LEED SILVER	Yes	Yes	Yes
PE Churruca	Offices WIP	<b>1</b>	<b>4,651</b>	-	-	-	LEED GOLD	Yes	Yes	Yes
PE Ática	Offices WIP	<b>1</b>	<b>7,080</b>	-	-	-	-	Yes	Yes	Yes
PLZF A	Offices WIP	<b>1</b>	<b>11,411</b>	-	-	-	-	-	-	Yes

Continues &gt;

Asset name	Portfolio	Building number	Surface (m <sup>2</sup> )	Energy reported (GJ)	Water reported (m <sup>3</sup> )	Waste reported (kg)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
PE Cerro Gamos	Offices WIP	2	10,674	-	-	-	LEED GOLD (3)/ LEED SILVER (1)	-	-	Yes
Serante	Offices WIP	3	8,602	-	-	-	-	-	-	Yes
Cobertura (superficie)	Offices WIP	-	73,995	0	0	0	64,354	43,307	43,307	73,995
Cobertura (n° de activos)	Offices WIP	-	9	0	0	0	4	3	3	9
Cobertura (superficie)	Total Offices	-	1,247,503	854,879	892,971	733,058	1,178,843	824,804	804,401	1,233,197
Cobertura (n° de activos)	Total Offices	-	118	84	87	74	97	78	75	118
% Cobertura (superficie)	Total Offices	-	-	69%	72%	59%	94%	66%	64%	99%
% Cobertura (n° de activos)	Total Offices	-	-	71%	74%	63%	82%	66%	64%	100%
Marineda	Shop. Centers	1	100,577	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
Arturo Soria	Shop. Centers	1	6,069	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
Centro Oeste	Shop. Centers	1	10,867	Yes	Yes	Yes	BREEAM GOOD	-	-	Yes
Tres Aguas	Shop. Centers	1	66,994	Yes	Yes	Yes	BREEAM VERY GOOD	-	-	Yes
X-Madrid	Shop. Centers	1	47,117	Yes	Yes	Yes	BREEAM EXCELENTE	Yes	Yes	-
Larios	Shop. Centers	1	37,956	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
Porto Pi	Shop. Centers	1	32,570	Yes	Yes	Yes	BREEAM GOOD	Yes	Yes	Yes
Artea	Shop. Centers	1	25,922	Yes	Yes	Yes	BREEAM EXCELENTE	Yes	Yes	Yes
Arenas	Shop. Centers	1	31,905	Yes	Yes	Yes	BREEAM GOOD	Yes	Yes	Yes
Vilamarina	Shop. Centers	1	32,191	Yes	Yes	Yes	BREEAM VERY GOOD	-	-	Yes
El Saler	Shop. Centers	1	29,001	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
La Vital	Shop. Centers	1	20,878	Yes	Yes	Yes	BREEAM VERY GOOD	-	-	Yes
Bonaire	Shop. Centers	1	14,455	Yes	Yes	Yes	-			Yes
Almada	Shop. Centers	1	60,049	Yes	Yes		BREEAM VERY GOOD			Yes

Continues &gt;

Asset name	Portfolio	Building number	Surface (m²)	Energy reported (GJ)	Water reported (m³)	Waste reported (kg)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
Cobertura (superficie)	Shop. Centers	-	516,551	516,551	516,551	456,502	502,096	311,117	311,117	469,434
Cobertura (n° de activos)	Shop. Centers	-	14	14	14	13	13	8	8	13
% Cobertura (superficie)	Shop. Centers	-	-	100%	100%	88%	97%	60%	60%	91%
% Cobertura (n° de activos)	Shop. Centers	-	-	100%	100%	93%	93%	57%	57%	93%
Callao 5	Shop. Centers WIP	1	9,642	-	-	-	BREEAM CORRECT	-	-	Sí
Cobertura (superficie)	Shop. Centers	-	9,642	0	0	0	9,642	0	0	9,642
Cobertura (n° de activos)	Shop. Centers	-	1	0	0	0	1	0	0	1
Cobertura (superficie)	Total Shop. Centers	-	526,193	516,551	516,551	456,502	511,738	311,117	311,117	479,076
Cobertura (n° de activos)	Total Shop. Centers	-	15	14	14	13	14	8	8	14
% Cobertura (superficie)	Total Shop. Centers	-	-	98%	98%	87%	97%	59%	59%	91%
% Cobertura (n° de activos)	Total Shop. Centers	-	-	93%	93%	87%	93%	53%	53%	93%
A2 - Coslada	Logistics	1	28,491	-	-	-	BREEAM CORRECT	-	-	Yes
A2 - Coslada Complex	Logistics	1	36,234	Yes	Yes	Yes	BREEAM GOOD	Yes	Yes	Yes
A4 - Getafe (Cla)	Logistics	1	16,100	-	-	-	BREEAM GOOD	-	-	Yes
A2 - Meco I	Logistics	1	35,285	Yes*	-	-	BREEAM CORRECT	-	-	Yes
A4 - Pinto I	Logistics	1	11,099	-	-	-	BREEAM GOOD	-	-	Yes
A4 - Pinto II	Logistics	1	58,990	-	-	-	-	-	-	Yes
A4 - Getafe (Gavilanes)	Logistics	2	39,591	Yes	-	-	LEED GOLD	Yes	-	Yes

Continues &gt;

Asset name	Portfolio	Building number	Surface (m <sup>2</sup> )	Energy reported (GJ)	Water reported (m <sup>3</sup> )	Waste reported (kg)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
A2 - Meco II	Logistics	1	59,814	-	-	-	LEED PLATINUM	-	-	Yes
A2 - San Fernando I	Logistics	1	11,179	-	-	-	LEED GOLD	-	-	Yes
A2 - San Fernando II	Logistics	1	33,592	Yes	-	-	-	-	-	Yes
A4 - Seseña	Logistics	1	28,731	Yes	Yes	-	LEED GOLD	-	-	Yes
A2 - Alovera	Logistics	1	40,287	-	-	-	BREEAM GOOD	-	-	Yes
A2 - Azuqueca II	Logistics	1	97,459	-	-	-	LEED PLATINUM	-	-	Yes
A2 - Cabanillas I	Logistics	1	70,134	-	-	-	BREEAM GOOD	-	-	Yes
A2 - Cabanillas II	Logistics	1	15,078	-	-	-	-	-	-	Yes
A2 - Cabanillas III	Logistics	1	21,879	-	-	-	LEED GOLD	-	-	Yes
A2 - Cabanillas Park I A	Logistics	1	38,054	-	-	-	LEED GOLD	-	-	Yes
A2 - Cabanillas Park I B	Logistics	1	17,917	-	-	-	LEED GOLD	-	-	Yes
A2 - Cabanillas Park I C	Logistics	1	48,468	-	-	-	LEED GOLD	-	-	Yes
A2 - Cabanillas Park I D	Logistics	1	47,892	-	-	-	LEED GOLD	-	-	Yes
A2 - Cabanillas Park I E	Logistics	1	49,793	-	-	-	LEED SILVER	-	-	Yes
A2 - Cabanillas Park I F	Logistics	1	20,723	-	-	-	LEED SILVER	-	-	Yes
A2 - Cabanillas Park I G	Logistics	1	22,506	Yes	-	-	LEED GOLD	-	-	Yes
A2 - Cabanillas Park I H	Logistics	1	25,247	Yes	-	-	LEED GOLD	-	-	Yes
ZAL Port	Logistics	0	0	-	-	-	-	-	-	-
<b>Barcelona - PLZF</b>	<b>Logistics</b>	<b>9</b>	<b>132,796</b>	<b>Yes</b>	<b>Yes</b>	<b>-</b>	<b>BREEAM GOOD</b>	<b>-</b>	<b>-</b>	<b>Yes</b>
Zaragoza - Pedrola	Logistics	1	21,579	-	-	-	BREEAM GOOD	-	-	Yes
Zaragoza - Plaza I	Logistics	1	20,764	Yes*	-	-	BREEAM GOOD	-	-	Yes
<b>Valencia - Almussafes</b>	<b>Logistics</b>	<b>1</b>	<b>26,613</b>	<b>Yes</b>	<b>Yes</b>	<b>-</b>	<b>BREEAM GOOD</b>	<b>-</b>	<b>-</b>	<b>Yes</b>
Valencia - Ribarroja	Logistics	1	34,992	-	-	-	BREEAM VERY GOOD	-	-	Yes

Continues &gt;

Asset name	Portfolio	Building number	Surface (m²)	Energy reported (GJ)	Water reported (m³)	Waste reported (kg)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
Vitoria - Jundiz I	Logistics	1	72,717	Yes*	-	-	BREEAM VERY GOOD	-	-	Yes
Vitoria - Jundiz II	Logistics	1	26,774	Yes*	-	-	-	-	-	Yes
Sevilla Zal	Logistics	13	138,777	Yes	Yes	-	LEED GOLD (1)/LEED SILVER (2)/BREEAM GOOD (2)/ BREEAM CORRECTO (8)	-	-	Yes
Lisboa Park A	Logistics	1	45,198	-	-	-	-	-	-	Yes
A2 - Cabanillas Park II A	Logistics	1	47,211	-	-	-	-	-	-	Yes
A2 - Cabanillas Park I J	Logistics	1	44,722	-	-	-	-	-	-	Yes
Covered area (surface)	Logistics	-	1,486,683	639,626	363,150	36,234	1,215,118	75,825	36,234	1,486,683
Covered area (number of assets)	Logistics	-	56	34	25	1	50	3	1	56
% Covered area (surface)	Logistics	-	-	43%	24%	2%	82%	5%	2%	100%
% Covered area (number of assets)	Logistics	-	-	61%	45%	2%	89%	5%	2%	100%
A2 - Cabanillas Park II B	Logistics WIP	1	44,989	-	-	-	-	-	-	-
Covered area (surface)	Logistics WIP	-	44,989	0	0	0	0	0	0	0
Covered area (number of assets)	Logistics WIP	-	1	0	0	0	0	0	0	0
Covered area (surface)	Total Logistics	-	1,531,672	639,626	363,150	36,234	1,215,118	75,825	36,234	1,486,683
Covered area (number of assets)	Total Logistics	-	57	34	25	1	50	3	1	56
% Covered area (surface)	Total Logistics	-	-	42%	24%	2%	79%	5%	2%	97%
% Covered area (number of assets)	Total Logistics	-	-	60%	44%	2%	88%	5%	2%	98%
Covered area (surface)	Total	-	3,305,368	2,011,055	1,772,673	1,225,794	2,905,699	1,211,745	1,151,751	3,198,956
Covered area (number of assets)	Total	-	190	132	126	88	163	89	84	188
% Covered area (surface)	Total	-	-	61%	54%	37%	88%	37%	35%	97%
% Covered area (number of assets)	Total	-	-	69%	66%	46%	86%	47%	44%	99%



\* **MERLIN** does not exercise operational control over these assets and, therefore, consumption data are included in the environmental performance information of the asset portfolio not under operational control.

**Like-for-like assets are highlighted in bold.**

The Trianón, Vegacínco business park and Zaragoza-Aznar Molina assets were excluded from the portfolio in 2022 and, therefore, only consumption data for the time during which they were in operation are reported.

NOTE: Land reserves are not included in the table above.



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# 13. Appendix IV

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Climate risk reporting in accordance  
with TCFD methodology

**SINCE ITS INCEPTION, MERLIN HAS INTEGRATED SUSTAINABILITY INTO BOTH ITS ACTIVITIES AND DECISION-MAKING PROCESS, UNDERSTANDING ITS RELEVANCE NOT ONLY IN STAKEHOLDER RELATIONS, BUT ALSO IN THE PERFORMANCE OF FINANCIAL METRICS. AS A LEADER IN ITS SECTOR, MERLIN IS AWARE OF THE SUBSTANTIAL CHANGES TAKING PLACE DUE TO CLIMATE CHANGE AND ITS IMPACT ON THE ECONOMY AND, SPECIFICALLY, ON ITS BUSINESS ACTIVITIES.**

The Company is therefore ahead of and well positioned regarding regulation on climate-related risks such as Spanish Law 7/2021, of 20 May, on climate change and energy transition (*Ley 7/2021 de cambio climático y transición energética*), Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088 (and delegated acts implementing the above that supplement the regulation associated with the European green taxonomy) or the Corporate Sustainability Reporting Directive (CSRD).

The TCFD recommendations, which were launched in 2017, are structured around four pillars: (i) Governance, (ii) Strategy, (ii) Risk Management, and (iv) Metrics and Targets, and eleven recommendations that support effective disclosure in each pillar.

In October 2021, the TCFD issued an update on the implementation of the TCFD recommendations. This document also includes recommendations at the sector level, in particular for real estate asset management companies such as **MERLIN**. This report details the four pillars and eleven recommendations, and the sector-specific issues. The data included in this report refer to the financial year from 1 January to 31 December 2022, and include the entire **MERLIN Group**.

## Scenario analysis

To identify climate-related risks and opportunities, **MERLIN** first prepared a preliminary list of risks and opportunities based on the risks identified by the TCFD and in the Commission Delegated Regulation 2021/2139 (climate delegated act), information on competitors and an analysis of scientific and regulatory literature. The result of this work was adapted to **MERLIN's** reality and circumstances through interviews with the Company's main managers.

The preliminary list of physical risks was analysed for the scenario in which emissions remain stable, SSP2-4.5 "Middle of the road", and the scenario where emissions are very high SSP5-8.5 "Fossil-fuelled development". Risks were assessed for the short (2021-2040), medium (2041-2060) and long term (2081-2100) for all of the Company's assets.

Transition risks were analysed considering the Net Zero Emissions by 2050 Scenario (NZE Scenario of the International Energy Agency). This scenario is considered to be consistent with the European target of achieving net zero emissions by the same date.

For the preliminary risks and opportunities, different criteria were analysed to identify the inherent and residual risk of each asset. Finally, a cut-off has been established for the residual risk level resulting from the analysis carried out to differentiate between risks that are considered material and those that are not.

## Governance

### Supervisory functions of the Board

**MERLIN's** highest governing body is the Board of Directors, which is made up of 13 directors, most of whom are independent directors. The Board focuses on defining, supervising and monitoring the policies, strategies and guidelines to be followed by the Group. The Board is also responsible for long-term strategy and for monitoring its implementation. The Board relies on its delegated committees for practical implementation

The **Audit and Control Committee**, with the support of the **Sustainability and Innovation Committee**, has been responsible for identifying and assessing **MERLIN's** financial and non-financial risk management and control systems since 2021, including those related to climate change. In addition, the main function of the Sustainability and Innovation Committee is to promote responsible and sustainable business practices, integrating environmental, social and governance aspects, and to promote innovation and the digitalisation of the Company.

In 2022, the Board of Directors met 13 times and dealt with specific climate change issues at 6 of these meetings<sup>(1)</sup>. In addition, in 2022 the Sustainability and Innovation Committee reviewed the ESG risks identified and assessed, and particularly focused on climate-related risks, supporting the Audit and Control Committee in preparing **MERLIN's** Corporate Risk Map, which has been updated and approved by the Board of Directors on two occasions, each time including ESG risks such as those related to climate change.

### Supervisory functions of the management team

**MERLIN's** Chief Executive Officer (CEO) and Chief Operating Officer (COO), who are also Board members, are ultimately responsible for executing the strategy approved by the Board of Directors, including the implementation of the sustainability strategy. In turn, this strategy includes those aspects linked to climate-related risks and opportunities.

A nivel operativo, desde 2021 se instauró un **Comité de Sostenibilidad** como responsable de monitorear el avance de los diferentes planes e iniciativas de la Compañía en esta materia, así como del seguimiento de los objetivos e indicadores de sostenibilidad. El Comité está integrado por varios miembros del Equipo Directivo que lideran las áreas de asset management, departamento técnico, tesorería y finanzas, relación con inversores y auditoría interna de la Compañía.

<sup>(1)</sup> More information on **MERLIN's** organisational structure and corporate governance can be found at  
 · Annual Corporate Governance Report 2022: <https://www.merlinproperties.com/en/corporate-governance/annual-reports/>  
 · **MERLIN's** Statement of Non-Financial Information 2022: <https://www.merlinproperties.com/en/investors/financial-information/>

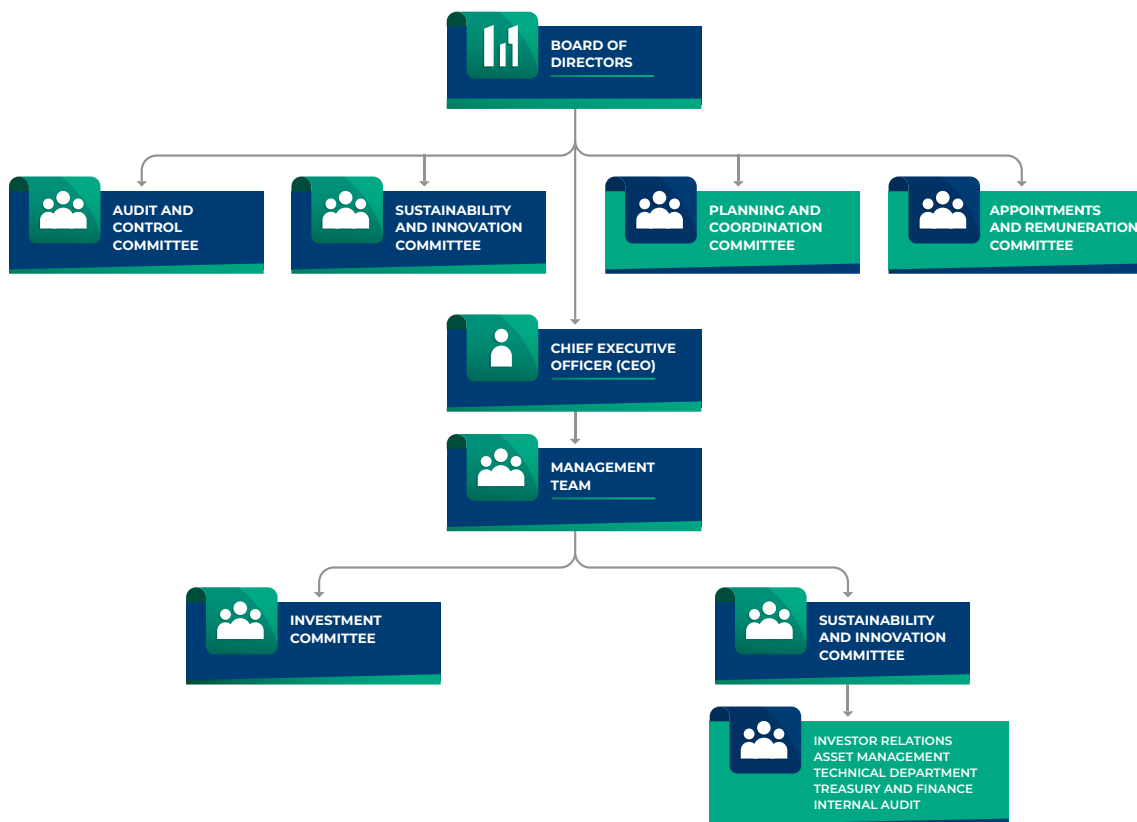
The asset management area and the technical department take into consideration the vision of the assets and how they pertain to climate-related risks and opportunities. The investor relations area is actively involved in the two-way communication of investors' concerns regarding this issue. The treasury and finance area takes into consideration financial markets and green financing compliance indicators (100% reclassified by 2022). Lastly, the internal audit department, in supporting the Audit and Control Committee, is responsible for drawing up and updating the Company's Risk Map, which includes climate-related risks.

**In 2022, as a result of the climate risk identification and assessment analysis, 7 material or priority climate-related risks were identified.**

In addition, the **Investment Committee** takes into consideration climate-related risks and opportunities when preparing the Company's investment plans.

The management team, the CEO, the COO and the Sustainability and Innovation Committee report on a regular basis to the Board of Directors on the progress made regarding sustainability.

#### MERLIN's organisational structure



## Strategy

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### Climate-related impacts and resilience

Based on historical data on **MERLIN's** operations and business development, it seems that physical risks, mainly extreme precipitation, including snowfall, and high winds, are the most recurrent. In addition, these climate-related risks have occasionally affected some of the Company's assets, causing damage to structural elements and resulting in unforeseen expenses for repairs such as maintenance work due to leaks and waterproofing. As a preventive measure, technical specifications have been tightened in recent years in tenders for the construction of asset structures.

To date, no transition risks have been identified that have had a significant impact on the Company, with the exception of the potential mandatory installation of electric vehicle charging points (pending legislative approval). **MERLIN** has gone beyond the potential minimum regulatory requirements, looking ahead at potential regulations and changes in consumer preferences, and accelerating the development of a low carbon economy.

These types of events, in addition to **MERLIN's** commitment, have encouraged the Company to develop and implement adaptation and mitigation measures to respond to such risks. **MERLIN** has therefore incorporated climate-related aspects into its overall risk management system, which is described in detail in the next section of the report on risk management.

In addition, the decarbonisation of buildings is one of the challenges facing the real estate sector. **MERLIN** has therefore taken climate-related aspects into consideration in its strategy from the very beginning. In 2022, the Company continued to make progress in this regard by approving its **Pathway to Net Zero**, which is described below.

### Proceso general de identificación de riesgos climáticos

En línea con su compromiso en materia de cambio climático, **MERLIN** ha seguido profundizando durante 2022 en la identificación y evaluación de riesgos y oportunidades climáticas. Para ello ha dado los siguientes pasos:

1. Prepare a list of physical and transition risks indicated by the **TCFD** reference framework and the **Commission Delegated Regulation 2021/2139 ("climate delegated act")**.
2. Analyse **MERLIN's** main competitors in terms of information reported in their TCFD and CDP (Carbon Disclosure Project) reports.
3. Review and analyse scientific articles related to the building sector and specific applicable regulations.
4. Review **MERLIN's** ability to adapt to the main physical and transition risks identified given the current context.



5. Interview **MERLIN's** stakeholders to conduct a more comprehensive analysis of climate change-related risks and opportunities, and the adaptation and mitigation measures in place.
6. Obtain the preliminary list identifying both physical and transition risks, and opportunities.

This list of risks is expected to be updated on a regular basis.

## Risk management

### General risk management

**MERLIN** has a **Risk Management System** based on the principles, key elements and methodology established in the COSO Framework<sup>(1)</sup>, which aims to minimise the volatility of results (profitability) and, therefore, maximise the Group's economic value, incorporating risk and uncertainty into the decision-making process to provide reasonable assurance of achieving the strategic objectives established, providing shareholders, other stakeholders and the market in general with an adequate level of guarantees to ensure that the value generated is protected.

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

The general guiding principles regarding risk management are set out in **MERLIN's Risk Management and Control Policy**<sup>(2)</sup>, which was initially approved by the Board of Directors in February 2016 and updated in April 2022.

**MERLIN's** non-financial risks are managed by the Board of Directors, through the **Audit and Control Committee** and with the coordination and cooperation of the **Sustainability and Innovation Committee** and the **Appointments and Remuneration Committee**, and by senior management with the support of the Internal Audit department.

In 2022, **MERLIN's** Risk Map was regularly updated to reflect every six months the perception of the Company's main executives and governing bodies of the risks faced by **MERLIN**.

**MERLIN's Risk Map** is broken down into different key areas for achieving the Group's objectives: strategy, governance, business, resources, social and sustainability. **This last group includes the risks related to climate change based on the review and recommendations of the on Sustainability and Innovation Committee.**

<sup>(1)</sup> Committee of Sponsoring Organizations of the Treadway Commission

<sup>(2)</sup> More information can be found at: <https://www.merlinproperties.com/en/corporate-governance/corporate-governance-normative/>



**MERLIN's** Risk Management System assesses all risks in terms of impact and probability, obtaining a residual risk indicator for the current year, identifies those key performance indicators (KPIs) and key risk indicators (KRIs) to be reported, and assigns those responsible for reporting, and those responsible for implementing or developing the mitigating measures identified for each of the risks. In addition, all risks are assessed in terms of time frame (short, medium and long term), and in terms of speed, persistence and adaptability<sup>(1)</sup>.

## Climate risk management

First, it should be noted that the management of climate-related risks and opportunities is integrated into **MERLIN's** overall risk management process described in the previous section.

The Internal Audit department is responsible for coordinating the identification and assessment of climate-related risks and opportunities, along with the Company's other risks, although in this case it may rely on support from the **Sustainability Committee**, as mentioned in the "Governance" section. In 2022, **MERLIN** worked with PwC advisors to further identify and assess these risks and opportunities.

To identify climate-related risks, **MERLIN** analyses climate scenarios for the short (2021-2040), medium (2041-2060) and long term (2081-2100) for its assets. Physical risks are classified as acute and chronic events, while transition risks include regulatory, legal, technological, market and reputational risks.

The same methodology is followed regarding climate-related opportunities, which are classified in terms of resource efficiency, energy source, products and services, and markets.

After identifying climate change risks and opportunities, they are assessed in terms of likelihood and impact on a qualitative scale of 1 to 5. Any mitigation and adaptation measures implemented in the assets to reduce the impact of the risk should it materialise are also taken into account.

The Company reviews the Risk Map every six months to analyse whether any climate-related risks that may affect **MERLIN** need to be included or modified.

The Company is also aware of the role tenants play in achieving its climate strategy and managing related risks. Therefore, as mentioned in the previous section, **MERLIN's Pathway to Net Zero** focuses on reducing tenant emissions, which can have a considerable impact in relation to transition risks.

## Assets subject to physical risks

**MERLIN** has chosen two climate change scenarios to model the potential future impacts of climate change on its business and the resilience of its strategy. These scenarios have been taken from the Intergovernmental Panel on Climate Change (IPCC) and include five possible climate futures with different emission concentrations and socioeconomic changes in areas such as population, urban density, education, land use and wealth. Each scenario is labelled

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<sup>(1)</sup> More information on **MERLIN's** organisational structure and corporate governance can be found at::

- Annual Corporate Governance Report 2022: [www.merlinproperties.com/en/corporate-governance/annual-reports/](http://www.merlinproperties.com/en/corporate-governance/annual-reports/)
- **MERLIN's** Statement of Non-Financial Information 2022: [www.merlinproperties.com/en/investors/financial-information/](http://www.merlinproperties.com/en/investors/financial-information/)

to identify both the level of emissions and the Shared Socioeconomic Pathway (SSP)<sup>(1)</sup> used in these calculations.

**MERLIN's** climate-related risk analysis has taken into account a scenario in which emissions remain stable, SSP2-4.5 "Middle of the road", and the scenario where emissions are very high SSP5-8.5 "Fossil-fuelled development". In both cases, risks have been assessed in the short (2021-2040), medium (2041-2060) and long term (2081-2100), in line with the IPCC recommendations, focusing on the consequences in Spain and Portugal as this is where the Company's assets are located.

For each physical risk initially identified, the following criteria have been analysed at the asset level to calculate the inherent risk level:

1. **Hazard/Climate impact**, taking into account the driving variable.
2. **Exposure of the asset**, analysed through external sources that assess the location of the asset and the impact of the driving variable.
3. **Vulnerability of the asset**.
4. The measures that **MERLIN** takes to adapt its assets have also been considered, which allows the residual risk for each asset to be obtained.

## Identification of transition risks

Similarly, in relation to transition scenarios, the medium- and long-term forecasts of the **International Energy Agency (IEA)** use a scenario approach to examine future energy trends.

Of the three scenarios proposed by the IEA, the normative scenario of **Net Zero Emissions by 2025 (NZE Scenario)** has been used in the transition risk analysis applied to **MERLIN**; this scenario has an emissions trajectory consistent with keeping the global temperature rise below 1.5°C, would enable universal access to modern energy services and would result in significant improvements in air quality.

As in the case of physical risks, the following criteria have been analysed for the transition risks initially identified to obtain the inherent risk level at the asset level: (i) economic impact that a measure taken may have on **MERLIN's** activity, and (ii) probability of occurrence of the identified transition risk. The mitigation measures implemented by **MERLIN** have also been analysed to determine the Company's capacity to react to the transition risks identified, which gives a level of residual risk per asset.

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<sup>(1)</sup> Shared Socioeconomic Pathways.

## Identification of climate-related opportunities

The opportunities related to climate change vary depending on **MERLIN's** strategic planning or risk management. Following a preliminary identification of climate-related opportunities, they have been assessed in accordance with the following criteria:

- Potential impact of measures currently in place that generate savings or that may be beneficial for future change.
- Likelihood of application of the measure in question or opportunity for access to be implemented at the Company.

## Identification of assets with material risks and opportunities and their financial impact

Depending on the methodology used to assess both the physical and transition risks, and the material opportunities of **MERLIN's** assets, a threshold has been considered regarding the level of residual risk resulting from the analysis carried out to determine materiality.

The main climate-related risks and opportunities identified for **MERLIN** are set out below.

### Main climate-related risks and opportunities identified for MERLIN.

Source: Own preparation

Type	Risk characterisation	Potential impact for MERLIN
Physical climate-related risk (acute)	Extreme precipitation	Breakage and damage to structural elements of the asset and possible personal injury.
Physical climate-related risk (acute)	River flooding	Devaluation of the asset in the medium to long term, increase in the price of the insurance policy for future years and financial losses.
Transition climate-related risk (regulatory/legal)	Applying a carbon price to direct or indirect greenhouse gas emissions	Financial impact in the medium or long term by applying a carbon price for direct greenhouse gas emissions from its assets, and indirect upstream and downstream emissions from its value chain.
Transition climate-related risk (regulatory/legal)	Mobility-related urban planning policies that can change travel patterns	Increased investment in retrofitting existing assets to new requirements for low emission zones in urban areas and other mitigation or adaptation measures with an impact on buildings and transport.

Continues >

Type	Risk characterisation	Potential impact for MERLIN
Transition climate-related risk (market)	Potential devaluation of assets as a result of the rate decarbonisation being insufficient	Potential devaluation of assets (stranded assets) in the case of slower decarbonisation than the trend required by the European Union.
Transitional climate-related risk (technological)	Increase in operating expenses due to higher energy prices	Increased operating expenses as a result of volatile energy prices, which may disrupt project development and lead to supply shortages for suppliers.
Opportunity (mitigation-linked services)	Use of more efficient modes of transport	Potential leadership in the sector and increase in asset value as a result of the installation of charging points for electric vehicles.
Opportunity (mitigation-linked services)	Switching to more efficient buildings and use of low-emission energy sources	Potential leadership in the sector with energy efficient assets and reduced carbon footprint by using energy from renewable sources (e.g. solar photovoltaic).
Opportunity (mitigation-linked services)	Use of incentives in supporting policies	Potential leadership in the sector and promotion of consumer awareness (green clause in leases).
Opportunity (energy saving)	Use of new technologies	Decrease in costs as a result of reduced energy consumption from fossil fuels.
Opportunity (adaptation-linked services)	Commitment and transparency	External verification of all sustainability commitments assumed to generate confidence among the various stakeholders.

**MERLIN** has also begun to assess the risks and opportunities related to climate change from a financial perspective in line with the EFRAG climate change standard published on 15 November 2022, which is effective for reporting financial years beginning on or after 01/01/2024.

The conclusions drawn from the process of analysing physical and transitional risks and climate-related opportunities are taken into account in the Company's strategic and financial planning, e.g. in determining **MERLIN's** investment and divestment plan. The Company also continues to implement various measures in line with its decarbonisation strategy on the Pathway to Net Zero.

# 14. Appendix V

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Reconciliation of Alternative Performance  
Measures to the financial statements

**IN ACCORDANCE WITH THE RECOMMENDATIONS ISSUED BY THE EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA), THE ALTERNATIVE PERFORMANCE MEASURES (“APM”) ARE DESCRIBED AS FOLLOWS**

## **Glossary**

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### **Average debt maturity (years)**

This APM represents the average debt duration of the Company until maturity. It is a relevant metric as it provides the investor with the relevant information about the repayment commitments of the financial liabilities. It is calculated as the addition of the pending years to maturity of each loan multiplied by its outstanding loan amount and divided by the total outstanding amount of all loans. Given the nature of the metric, it is not possible to reconcile it with the Group financial statements but the main information is available in the consolidated financial statements.

### **Average passing rent**

It represents the rent per square meter per month at which an asset or category of assets are rented at a moment in time. The average passing rent is a relevant performance metric as it shows the implied rents of all the prevailing lease contracts of the company at a moment in time per square meter and per month enabling the comparison with market rents. Given the nature of the metric, it is not possible to reconcile it with the financial statements.

### **Release spread**

Difference between the new rent signed and the old prevailing rent on renewals (same space, same tenant) or relets (same space, different tenant) during last twelve months. The release spread provides the investor with a view on the prospective rental behaviour when negotiating with the tenants. It is calculated on a lease by lease basis and therefore it is not possible to reconcile it with the financial statements.

### **Rents Like-for-Like**

Amount of the gross rents comparable between two periods. It is calculated on an asset by asset basis excluding from both periods the rents derived from acquisitions or disposals executed in such periods as well as other adjustments like early termination penalties from lease contracts. We consider the rental like-for-like growth a relevant metric to understand the evolution of rents of an asset or an asset category. It is calculated on an asset by asset basis and therefore it is not possible to reconcile it with the financial statements.

## Gross annualized rents

Passing rent as of the balance sheet date multiplied by 12 We consider the gross annualized rents a relevant performance metric as it represents the total amount of rents of the prevailing lease contracts at a given time enabling the calculation of the return of each asset (Gross yield) Given the nature of the metric, it is not possible to reconcile it with the financial statements.

## GAV

The GAV is the Gross Asset Value as of the latest available valuation report plus the advanced payments of turn-key projects and developments at cost The GAV is a standard valuation metric for comparison purpose, recognized on a global basis in the real estate sector, and performed by an independent external appraisal The reconciliation with the financial statements appears in Section 5 of this report (Notes to the consolidated balance sheet).

## Gross yield

It represents the return of an asset or category of assets. It is calculated by dividing the annualized gross rent between the latest available GAV.

## Wault

Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from the date balance sheet, until the lease contract first break weighted by the gross rent of each individual contract We consider the Wault a relevant metric as it provides the investor with the average term of secured leases and gives a sense of risk or opportunity to renegotiate the prevailing lease contracts Given the nature of the metric, it is not possible to reconcile it with the Group financial statements.

## Revenues

Is the addition of the total gross rent income, and the other operating income excluding extraordinaries The reconciliation with IFRS appears in the table thereafter.

## Accounting EBITDA

The accounting EBITDA is calculated as the net operating income before net revaluations, amortizations, provisions, interest and taxes. The accounting EBITDA is a performance metric widely used by investors to value companies, as well as the rating agencies and creditors to evaluate the level of indebtedness The reconciliation with IFRS metrics appears in the table hereafter.

## EBITDA

The EBITDA is calculated as the Accounting EBITDA deducting the “non-overheads” costs and the LTIP Provision The EBITDA is a very useful metric as it excludes the impact of atypical costs incurred in the period. The atypical costs or “non-overheads” costs are the ones related to the acquisition and disposal of assets and indemnities among others (as described in the IPO prospectus) The reconciliation with IFRS metrics appears in the table hereafter.



## Accounting FFO and FFO

Accounting FFO or Accounting Funds From Operations is calculated as EBITDA less debt interest expenses and recurring taxes (excluding taxes from disposals or other extraordinary events) FFO is calculated deducting the non-overheads costs of the company from the Accounting FFO It is a relevant performance and liquidity metric recognized on a global basis in the real estate sector.

## Loan-to-value ratio (LTV)

The loan-to-value ratio is calculated as the net debt divided by the fair value of the assets of the company (GAV + transaction costs) The LTV is a performance metric widely used by investors to assess the level of risk, as well as the rating agencies and creditors to evaluate the level of indebtedness. The reconciliation with IFRS metrics appears in the table hereafter.

**MERLIN Properties, as a member of EPRA (European Public Real Estate Association), follows EPRA's best practices reporting standards which enables the investor to better compare certain performance metrics that are specific to the real estate sector. This metrics are released on a semi-annual basis and detailed in the management report.**

## EPRA costs

It is calculated as total operating costs of the company divided by the gross rents net of incentives This performance metric shows the operating efficiency on a recurring basis The reconciliation with the Financial Statements appears in the Appendix of this report.

## EPRA Earnings

Recurring results of strategic businesses according to EPRA recommendations. The reconciliation to the financial statements is provided in the Appendix to this report.

## EPRA NRV, EPRA NTA y EPRA NDV El EPRA Net Reinstatement Value (NRV)

Earnings from core operational activities as per EPRA's recommendations The reconciliation with the Financial Statements appears in the Appendix of this report EPRA NRV, EPRA NTA and EPRA NDV EPRA Net Reinstatement Value: Assumes that entities never sell assets and aims to represent the value required to rebuild the entity EPRA Net Tangible Assets: Assumes that entities buy and sell assets, thereby crystallizing certain levels of unavoidable deferred tax EPRA Net Disposal Value: Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

## EPRA Yields

Net Initial Yield: Annualized rental income based on the passing rents at the balance sheet date, less non recoverable property operating expenses, divided by the market value of the property (GAV) increased with acquisition costs EPRA "Topped-up" NIY: Adjustment to the

EPRA Net Initial Yield in respect of the expiration of rent free periods (or other unexpired lease incentives such as discounted rent periods and step rents) These are two relevant performance metrics widely used to compare the return of the real estate assets in the portfolio, based on the prevailing lease contracts at a given date regardless of the financial structure of the company as per EPRA's recommendations The calculation is provided in the Appendix of this report Given the nature of the metric, it is not possible to reconcile it with the Group financial statements.

## EPRA Vacancy Rate

Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio Given the nature of the metric, it is not possible to reconcile it with the Group financial statements.

## Leverage ratio

The leverage ratio is calculated as the net debt divided by the net debt plus the equity The leverage ratio is a performance metric widely used by investors to assess the level of risk, as well as **MERLIN Properties** | 55 the rating agencies and creditors to evaluate the level of indebtedness The reconciliation with IFRS metrics appears in the table hereafter..

## Financial debt

The financial debt is calculated as the sum of any amount owed by the Group in the short and long-term as a result of loans, credits, bonds, debentures, and in general any instrument of a similar nature The financial debt is a performance metric widely used by investors to assess the level of risk, as well as the rating agencies and creditors to evaluate the level of indebtedness The reconciliation with IFRS metrics appears in the table hereafter. .

## Deuda financiera

The financial debt is calculated as the sum of any amount owed by the Group in the short and long-term as a result of loans, credits, bonds, debentures, and in general any instrument of a similar nature The financial debt is a performance metric widely used by investors to assess the level of risk, as well as the rating agencies and creditors to evaluate the level of indebtedness The reconciliation with IFRS metrics appears in the table hereafter.

## Percentage of debt at a fixed rate or with interest rate hedges

The percentage of debt at a fixed rate or with interest rate hedges is calculated as the sum of fixed-rate financial debt and variable-rate financial debt with associated interest rate change hedging transactions in relation to the Group's financial debt The percentage of debt at a fixed rate or with interest rate hedges is a performance metric widely used by investors to assess the level of risk, as well as the rating agencies and creditors to evaluate the company exposure to interest rate movements Given the nature of the metric, it is not possible to reconcile it with the Group financial statements but the main information is available in the consolidated financial statements.

## Average cost of debt

The average cost of debt is calculated as the ratio between the passing interest cost including derivatives corresponding to interest bearing debt and the Group's financial debt. The average cost of debt is a performance metric widely used by investors to assess the cost of borrowed funds, as well as the rating agencies and creditors to evaluate the capacity to fulfil interest obligations. Given the nature of the metric, it is not possible to reconcile it with the Group financial statements but the main information is available in the consolidated financial statements.

## Liquidity position

The liquidity position is calculated as the sum of the Group's cash plus the amount corresponding to receivables from corporate transactions, the treasury stock position at market value, and the undrawn credit facilities available. The liquidity position is a performance metric widely used by investors to assess the level of financial flexibility, as well as the rating agencies and creditors to evaluate the capacity to meet debt maturities. The reconciliation with IFRS metrics appears in the table hereafter.

## Net debt

The net debt is calculated as the financial debt less cash and cash equivalents (e.g. disposal receivables or treasury stock). The net debt is a performance metric widely used by investors to assess the level of risk, as well as the rating agencies and creditors to evaluate the level of indebtedness. The reconciliation with IFRS metrics appears in the table hereafter.

## Investment in energy efficiency improvements

The investment in energy efficiency improvements is defined as investments aimed at measuring, controlling, or directly or indirectly reducing, energy consumption or carbon footprint in all assets over which we have operational control. This performance metric, although not widely used by investors, rating agencies or creditors, is provided to assess the level of investments in ESG (environmental, social and corporate governance) measures. Given the nature of the metric, it is not possible to reconcile it with the Group financial statements, but the main information is available in the consolidated financial statements.

## Total tax contribution I

Total Tax Contribution (TTC) measures the contribution made by a company or group of companies to the different governments. In general, both taxes borne, and taxes collected are imputed to each fiscal year, on a cash basis.

- Taxes borne are those taxes that have entailed an effective cost for the companies, such as taxes on profits, social security contributions payable by the company, and certain environmental taxes.
- Taxes collected are those that have been paid as a consequence of the company's economic activity, without entailing a cost for the companies other than managing them, such as withholding taxes levied on employees. This performance metric, although not widely used by investors, rating agencies or creditors, is provided to assess the amount of taxes collected or paid by the company. Given the nature of the metric, it is not possible to reconcile it with the Group financial statements.

## Reconciliation of the APM to the financial statements

(€ thousand)	Notes	FY22	FY21
Total revenues	18	439,038	382,830
Other operating income	Consolidated income statement	2,650	4,277
Personel expenses	18. c	(39,673)	(40,779)
Other operating expenses	18. b	(73,818)	(68,595)
<b>Accounting EBITDA</b>		<b>328,197</b>	<b>277,733</b>
Costs related to acquisition and disposals	18. b	2,112	1,622
Other costs	18. b	331	837
Severances	18. c	-	152
Non-overhead costs	18. b y c	2,443	2,612
Long term incentive plan	18. c	4,014	11,498
<b>EBITDA</b>		<b>334,654</b>	<b>291,843</b>
Financial expenses excluding debt arrangement costs	Consolidated income statement	(91,532)	(101,234)
Equity method attributable FFO <sup>(1)</sup>	n.a	22,021	12,884
IFRS16 Adjustment	n.a	-	900
Discontinued operations	n.a	31,177	74,953
Current taxes <sup>(2)</sup>	17	(5,836)	(6,317)
<b>FFO</b>		<b>290,483</b>	<b>273,028</b>
Non-overhead costs	18. b y c	(2,443)	(2,612)
<b>Accounting FFO</b>	-	<b>288,040</b>	<b>270,416</b>
Gross rental income	8.2	452,842	419,688
Revenue from rendering of services	18. a	10,884	5,740
Other net operating income	n.a	(3,003)	1,047
<b>Revenues</b>		<b>460,723</b>	<b>426,475</b>

<sup>(1)</sup> Profit for the period excluding revaluation adjustment, impact of derivatives and including income from dividends received.

<sup>(2)</sup> Current income tax excluding impact from sales of non-current assets.

€ million	Notes	FY22	FY21
Investment property	7	10,714.2	12,297.3
Derivatives (in non-current assets)		-	167.1
Equity investments in companies accounted for by the equity method <sup>(1)</sup>	9	491.0	467.6
Other non-current financial assets <sup>(2)</sup>	n.a	91.0	89.3
Property, plant and equipment for own use <sup>(3)</sup>	n.a	0.9	0.9
Inventories	n.a	6.7	6.3
<b>Total balance sheet items</b>		<b>11,303.9</b>	<b>13,028.4</b>
Value of rights in use (IFRS 16)	7	(37.2)	(34.8)
Adjustment of equity investments	n.a	50.3	47.5
Revaluation of property, plant and equipment for own use <sup>(4)</sup>	n.a	0.3	0.4
<b>GAV</b>		<b>11,317.3</b>	<b>13,041.5</b>
Offices		6,387.5	6,416.4
Logistics		1,400.1	1,324.2
Shopping centers		2,134.5	2,200.0
Other		762.8	721.7
Equity method		632.4	604.4
Net leases		-	1,774.6

<sup>(1)</sup> Including Silicius at amortized cost (€86.6 million) net of the impact of the derivative..

<sup>(2)</sup> Including DCN loan

<sup>(3)</sup> Amount effectively disbursed by **MERLIN**. Excludes both undisbursed amounts and pre-sold commercial inventories. Total trade inventories amounted to €37.7 million as of FY22.

<sup>(4)</sup> MtM of non-current assets.

	(€ m)	Notes	FY22	FY21
A	GAV	Section 5 Results Report	11,317	13,041
B	Transaction costs	n.a	292	351
C = A + B	GAV + transaction costs	-	11,609	13,392
N	Net debt	-	3,792	5,247
<b>D = N / C</b>	<b>LTV</b>		<b>32.7%</b>	<b>39.2%</b>
E	Net debt	-	3,792	5,247
F	Equity	Balance sheet	6,849	7,027
G = E + F	Total capital	-	10,641	12,274
<b>H = E / G</b>	<b>Leverage ratio</b>		<b>35.6%</b>	<b>42.7%</b>
<b>I</b>	<b>Financial debt</b>	<b>Section 5 Results Report</b>	<b>4,239</b>	<b>6,227</b>
J = K + L + M	Cash and cash equivalents	-	447	980
K	Cash	Balance sheet	429	867
L	Receivables	19		81
M	Treasury stock	Balance sheet	17	32
<b>N = I - J</b>	<b>Net debt</b>		<b>3,792</b>	<b>5,247</b>
J	Cash and cash equivalents		447	980
O	Undrawn credit facilities	14.1	1,409	831
<b>P = J + O</b>	<b>Liquidity position</b>		<b>1,856</b>	<b>1,811</b>

## FY22

EPRA NET ASSET VALUE METRICS FY22 (€M)	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	6,849.2	6,849.2	6,849.2
Include:			
i) Hybrid instruments	-	-	-
<b>Diluted NAV</b>	<b>6,849.2</b>	<b>6,849.2</b>	<b>6,849.2</b>
Include:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	-	-	-
ii.b) Revaluation of IPUC1 (if IAS 40 cost option is used)	-	-	-
ii.c) Revaluation of other non-current investments	50.6	50.6	50.6
iii) Revaluation of tenant leases held as finance leases	-	-	-
iv) Revaluation of trading properties	-	-	-
<b>Diluted NAV at Fair Value</b>	<b>6,899.8</b>	<b>6,899.8</b>	<b>6,899.8</b>
Exclude:			
v) Deferred tax in relation to fair value gains of IP	534.8	508.8	-
vi) Fair value of financial instruments	(44.1)	(44.1)	-
vii) Goodwill as a result of deferred tax	-	-	-
viii.a) Goodwill as per the IFRS balance sheet	-	-	-
viii.b) Intangibles as per the IFRS balance sheet	-	(1.7)	-
Include:			
ix) Fair value of fixed interest rate debt	-	-	532.5
x) Revaluation of intangibles to fair value	-	-	-
xi) Real estate transfer tax	291.6	-	-
<b>NAV</b>	<b>7,682.2</b>	<b>7,362.9</b>	<b>7,432.3</b>
Fully diluted number of shares	469.8	469.8	469.8
<b>NAV per share</b>	<b>16.35</b>	<b>15.67</b>	<b>15.82</b>



## FY21

The EPRA NAV metrics for fiscal 2021 are presented below. This information corresponds to that included in the consolidated financial statements for fiscal year 2021. This information has not been reexpressed in accordance with the recording of the reexpressed discontinued operations in the consolidated financial statements for 2022.

EPRA NET ASSET VALUE METRICS FY21 (€M)	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	7,026,922	7,026,922	7,026,922
Include:			
i) Hybrid instruments	-	-	-
<b>Diluted NAV</b>	<b>7,026,922</b>	<b>7,026,922</b>	<b>7,026,922</b>
Include:			
ii.a) Revaluation of IP (if IAS 40 cost option is used)	-	-	-
ii.b) Revaluation of IPUC1 (if IAS 40 cost option is used)	-	-	-
ii.c) Revaluation of other non-current investments	47,870	47,870	47,870
iii) Revaluation of tenant leases held as finance leases	-	-	-
iv) Revaluation of trading properties	-	-	-
<b>Diluted NAV at Fair Value</b>	<b>7,074,792</b>	<b>7,074,792</b>	<b>7,074,792</b>
Exclude:			
v) Deferred tax in relation to fair value gains of IP	597,205	502,573	-
vi) Fair value of financial instruments	(8,302)	(8,302)	-
vii) Goodwill as a result of deferred tax	-	-	-
viii.a) Goodwill as per the IFRS balance sheet	-	-	-
viii.b) Intangibles as per the IFRS balance sheet	-	(1,594)	-
Include:			
ix) Fair value of fixed interest rate debt	-	-	(124,393)
x) Revaluation of intangibles to fair value	-	-	-
xi) Real estate transfer tax	350,942	-	-
<b>NAV</b>	<b>8,014,638</b>	<b>7,567,470</b>	<b>6,950,400</b>
Fully diluted number of shares	469,770,750	469,770,750	469,770,750
<b>NAV per share</b>	<b>17.06</b>	<b>16.11</b>	<b>14.80</b>

## FY22 EPRA NIY

EPRA NIY AND "TOPPED-UP" NIY	(€ million)	Offices	Logística/ Data Centers	Shopping Centers	Others	Total
Investment property – wholly owned		6,504	1,641	2,135	405	10,684.9
Less: developments		(648)	(241)	-	(88)	(977.2)
Completed property portfolio		5,856	1,400	2,135	317	9,707.7
Allowance for estimated purchasers' costs		169	41	44	10	264.0
<b>Gross up completed property portfolio valuation</b>	<b>B</b>	<b>6,025</b>	<b>1,442</b>	<b>2,179</b>	<b>327</b>	<b>9,971.8</b>
Annualised cash passing rental income		257	72	124	12	465.6
Property outgoings		(28)	(5)	(19)	(1)	(53.9)
<b>Annualised net rents</b>	<b>A</b>	<b>229</b>	<b>67</b>	<b>105</b>	<b>11</b>	<b>411.6</b>
Add: notional rent expiration of rent free periods or other lease incentives		10	1	5	0	16.4
<b>Topped-up net annualised rent</b>	<b>C</b>	<b>238</b>	<b>68</b>	<b>110</b>	<b>11</b>	<b>428.0</b>
<b>EPRA NIY</b>	<b>A/B</b>	<b>3.8%</b>	<b>4.6%</b>	<b>4.8%</b>	<b>3.4%</b>	<b>4.13%</b>
<b>EPRA "topped-up" NIY</b>	<b>C/B</b>	<b>4.0%</b>	<b>4.7%</b>	<b>5.0%</b>	<b>3.5%</b>	<b>4.29%</b>

## FY21 EPRA NAV

The EPRA NAV metrics for fiscal 2021 are presented below. This information corresponds to that included in the consolidated financial statements for fiscal year 2021. This information has not been reexpressed in accordance with the recording of the reexpressed discontinued operations in the consolidated financial statements for 2022.

(€ MILLION)	Oficinas	Centro Comerciales	Logística	Net Leases	Otros	WIP	TOTAL
Asset value	6,416.4	2,200.0	1,324.2	1,774.6	410.3	311.4	<b>12,437.0</b>
Transfer tax	165.1	45.9	41.5	56.3	9.0	18.8	<b>336.6</b>
Gross asset value	6,581.5	2,245.9	1,365.8	1,830.9	419.2	330.3	<b>12,773.6</b>
Exclude:							
WIP & Land	(369.6)	-	-	-	(96.4)	(330.3)	<b>(796.3)</b>
Comercial property portfolio GAV	6,211.9	2,245.9	1,365.8	1,830.9	322.8	-	<b>11,977.3</b>
Gross rents annualized	239.5	113.6	64.8	78.9	10.6	-	<b>507.4</b>
Exclude:							
Propex not recharged to tenants	(21.6)	(14.8)	(5.1)	-	(1.2)	-	<b>(42.8)</b>
"Topped-up" net rents annualized	217.8	98.7	59.7	78.9	9.4	-	<b>464.6</b>
Exclude:							
Incentives	(7.0)	(4.9)	(1.0)	-	(0.2)	-	<b>(13.0)</b>
Net rents annualized	210.9	93.9	58.7	78.9	9.2	-	<b>451.6</b>
<b>ERA "topped-up" yield</b>	<b>3.5%</b>	<b>4.4%</b>	<b>4.4%</b>	<b>4.3%</b>	<b>2.9%</b>	<b>-</b>	<b>3.9%</b>
<b>EPA net initial yield</b>	<b>3.4%</b>	<b>4.2%</b>	<b>4.3%</b>	<b>4.3%</b>	<b>2.8%</b>	<b>-</b>	<b>3.8%</b>

## FY22

EPRA COST RATIOS	Note	(€ thousand)
<b>Include:</b>		
Administrative/operating expense line per IFRS income statement	18.b, 18.c	113,491
Net service charge costs/fees	-	-
Management fees less actual/estimated profit element	-	-
Other operating income/recharges intended to cover overhead expenses less any related profits	-	-
Share of Joint Ventures expenses	-	-
<b>Exclude:</b>		
Investment property depreciation	-	-
Ground rent costs	-	-
Service charge costs recovered through rents but not separately invoiced	-	-
<b>EPRA Costs (including direct vacancy costs)</b>	<b>A</b>	<b>- 113,491</b>
Direct vacancy costs	-	9,164
<b>EPRA Costs (excluding direct vacancy costs)</b>	<b>B</b>	<b>- 104,327</b>
<b>Gross Rental Income less ground rents – per IFRS (1)</b>		<b>- 425,637</b>
Less: service fee and service charge costs components of Gross Rental Income (if relevant)	-	-
Add: share of Joint Ventures (Gross Rental Income less ground rents)	-	-
<b>Gross Rental Income</b>	<b>C</b>	<b>- 425,637</b>
<b>EPRA Cost Ratio (including direct vacancy costs)</b>	<b>A/C</b>	<b>- 26.7%</b>
<b>EPRA Cost Ratio (excluding direct vacancy costs)</b>	<b>B/C</b>	<b>- 24.5%</b>

## FY21

The EPRA NAV metrics for fiscal 2021 are presented below. This information corresponds to that included in the consolidated financial statements for fiscal year 2021. This information has not been reexpressed in accordance with the recording of the reexpressed discontinued operations in the consolidated financial statements for 2022.

EPA COST RATIO	Notes	(€ thousand)
/Operating costs of assets not chargeable to tenants	18.b.	(46,319)
Incentives	-	-
Delinquencies	18.b.	(2,312)
Staff costs	18.c.	(40,627)
General expenses	18.b.	(14,262)
General non-overhead expenses	18.b y 18.c	(2,612)
LTIP accrued	18.c.	11,498
Exclude (if part of the above)		
Depreciation of real estate investments	-	-
Lease costs for concessions	-	-
Service costs included in rents but not separately recovered	-	-
Third-party asset management unit expenses	-	-
<b>EPRA costs (including direct costs of vacancy)</b>		<b>(94,634)</b>
Gross income	8.2.	505,319
Other: incentives	n.d.	(42,856)
Less: service fees (if included in rents)	-	-
Plus: attributable income from joint ventures	-	-
<b>Revenue from income</b>	<b>18.a.</b>	<b>462,463</b>
<b>EPRA Cost Ratio (including direct unemployment costs)</b>	<b>-</b>	<b>20.5%</b>
<b>EPRA Cost Ratio (excluding direct unemployment costs)</b>	<b>-</b>	<b>18.2%</b>

## FY22

EPA EARNINGS		Notes	(€ thousand)
<b>Earnings per IFRS income statement</b>			<b>263,087</b>
Adjustments to calculate EPRA Earnings, exclude:			(20,939)
(i) Changes in value of investment properties, development properties held for investment and other interests	Income statement		(251,317)
(ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests	Income statement		11,278
(iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	-		-
(iv) Tax on profits or losses on disposals	n.a.		(964)
(v) Negative goodwill / goodwill impairment	n.a.		-
(vi) Changes in fair value of financial instruments and associated close-out costs	n.a.		218,051
(vii) Acquisition costs on share deals and non-controlling joint venture interests	n.a.		-
(viii) Deferred tax in respect of EPRA adjustments	-		-
(ix) Profits or losses on disposal of financial instruments	Income statement		-
Non-controlling interests in respect of the above	-		2,012
<b>EPRA Earnings</b>			<b>284,026</b>
Basic number of shares			469,770,750
<b>EPRA Earnings per Share (EPS)</b>			<b>0.60</b>
<b>Company specific adjustments:</b>			<b>6,457</b>
(i) LTIP provision	18		4,014
(ii) Opex non-overheads	18		2,443
<b>Company specific Adjusted Earnings</b>			<b>290,483</b>
<b>Company specific Adjusted EPS</b>			<b>0.62</b>

## FY21

The EPRA NAV metrics for fiscal 2021 are presented below. This information corresponds to that included in the consolidated financial statements for fiscal year 2021. This information has not been reexpressed in accordance with the recording of the reexpressed discontinued operations in the consolidated financial statements for 2022.

<b>EPA EARNINGS</b>	<b>Notes</b>	<b>(€ thousand)</b>
<b>Consolidated Net Profit in accordance with IFRS</b>		<b>512,217</b>
<b>Adjustments for calculating ERA earnings, excludes:</b>		<b>(253,299)</b>
(i) changes in the value of investments, investment projects and other interests	<b>7</b>	(176,319)
(ii) Gains or losses on disposals of assets	<b>Income Statement</b>	(4,057)
(iii) Absorption of the revaluation of investment property	-	-
(iv) one-off taxes	<b>n.d.</b>	264
(v) equity interest in earnings of companies accounted for using the equity method	<b>n.d.</b>	(16,450)
(vi) Negative goodwill on business combinations	<b>3</b>	-
(vii) Changes in the value of financial instruments and cancellation costs	<b>n.d.</b>	(58,083)
(viii) Impacts of impairment of the tax asset	-	-
(ix) Gains or losses on disposals of financial instruments	<b>Income Statement</b>	1,347
Non-controlling interests with regard to the above items	-	-
<b>EPA net recurring earnings before specific adjustments</b>		<b>258,918</b>
<b>EPA net earnings per share before specific adjustments (weighted)</b>		<b>0,55</b>
<b>Net EPRA per share before specific adjustments</b>		<b>0,55</b>
<b>Company specific adjustments:</b>		<b>14,110</b>
(i) LTIP provision	<b>18.c</b>	11,498
(ii) General non-overhead expenses	<b>18.b and 18.c</b>	2,612
(iii) one-off fees	-	-
non-controlling interests with regard to the above items	-	-
<b>EPRA net recurring earnings after specific adjustments</b>		<b>273,028</b>
<b>EPRA net earnings per share after specific adjustments (weighted)</b>		<b>0.58</b>
<b>EPRA net earnings per share after specific adjustments</b>		<b>0.58</b>





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# 15. Appendix VI

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## Post-closing events

As of the date of this report, there are no significant post-closing events.

# 16. Appendix VII

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Independent review report

**Merlin Properties  
SOCIMI, S.A. and  
subsidiaries**

Independent Limited Assurance  
Report on the Consolidated Non-  
Financial Information Statement  
for the year ended 31 December  
2022





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*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## **INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT OF MERLIN PROPERTIES, SOCIMI, S.A. AND SUBSIDIARIES FOR 2022**

To the Shareholders of Merlin Properties, SOCIMI, S.A.,

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the accompanying consolidated non-financial information statement ("NFIS") for the year ended 31 December 2022 of Merlin Properties, SOCIMI, S.A. (the Parent) and its subsidiaries (the Group), which forms part of the Group's consolidated directors' report for 2022.

The content of the NFIS includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting, that was not the subject matter of our verification. In this regard, our work was limited solely to verification of the information identified in the "Table of Contents of Law 11/2018" table included in section 8.3 of the accompanying NFIS.

### **Responsibilities of the Directors**

The preparation and content of the NFIS included in the Group's consolidated directors' report are the responsibility of the Parent's directors. The NFIS was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected Global Reporting Initiative Sustainability Reporting Standards (GRI standards), as well as other criteria described as indicated for each matter in the "Table of Contents of Law 11/2018" of section 8.3 of the NFIS.

These responsibilities of the directors also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the NFIS to be free from material misstatement, whether due to fraud or error.

The Parent's directors are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFIS is obtained.

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the international standards on quality in force and, accordingly, maintains a quality system of quality that includes policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Deloitte, S.L. inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 6ª, folio 108, hoja M-54414, inscripción 96ª. C.I.F.: B-29304499.  
 Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28002 Madrid.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

### Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed, which refers exclusively to 2022. The information relating to previous years was not subject to the verification provided for in current Spanish corporate legislation. We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements regarding non-financial information statements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance obtained is substantially lower.

Our work consisted of making inquiries of management and the various units of the Group that participated in the preparation of the NFIS, reviewing the processes used to compile and validate the information presented in the NFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Group personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and completeness of the contents included in the 2022 NFIS based on the materiality analysis performed by the Group and described in section 2.6 "Materiality Analysis" thereof, taking into account the contents required under current Spanish corporate legislation.
- Analysis of the processes used to compile and validate the data presented in the 2022 NFIS.
- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters presented in the 2022 NFIS.
- Verification, by means of sample-based review tests, of the information relating to the contents included in the 2022 NFIS, and the appropriate compilation thereof based on the data furnished by the information sources.
- Obtainment of a representation letter from the directors and management.

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### Conclusion


Based on the procedures performed in our verification and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS of Merlin Properties, SOCIMI, S.A. and its subsidiaries for the year ended 31 December 2022 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in the "Table of Contents of Law 11/2018" table included in section 8.3 of the NFIS.

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### Use and Distribution

This report has been prepared in response to the requirement established in corporate legislation in force in Spain and, therefore, it might not be appropriate for other purposes or jurisdictions.

DELOITTE, S.L.



Ignacio Alcaraz Elorrieta

27 February 2023





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