

**GENERAL CORPORATE GOVERNANCE POLICY OF
MERLIN PROPERTIES, SOCIMI, S.A.**



January 2020

GENERAL CORPORATE GOVERNANCE POLICY

The Board of Directors of Merlin Properties, SOCIMI, S.A. (the “**Company**”), in implementing the provisions of article 529 ter, letter (C) of the Capital Companies Law (“**LSC**”), has approved the following general corporate governance policy (the “**CG Policy**”).

The CG Policy is approved in the interest and for the benefit of the Company and, insofar as it applies, to the companies in its group (the “**Group**”).

1. General aspects and scope

The Company’s Board of Directors, pursuant to the Board Regulations and the Bylaws, as approved by the Shareholders’ Meeting, has the power to develop, design and approve the Corporate Governance System of the Company.

Corporate Governance System means the corporate governance regulations that implement the principles governing the actions of the Company and of the companies in its Group.

Therefore, the Board of Directors is entrusted with the power to design, evaluate and review on an ongoing basis the corporate policies that implement the principles reflected in the above-mentioned regulations and contain the guidelines governing the actions of the Company and the companies included in the group whose parent company, within the meaning established in the law, is the Company (the “**Group**”), as well as of their directors, executives and employees.

This CG Policy is an essential component of the corporate governance system and includes the key aspects that are covered by the Company’s specific policies in each action area.

The approval of the CG Policy fulfills the Company’s commitment to comply with, review and continually improve the corporate governance rules of the Company and the companies in its Group.

2. General principles and corporate governance model

2.1 General principles

The principles on which the Company bases its corporate governance activities are:

- (i) establishment of a system that takes into account the good governance recommendations generally recognized and accepted in the markets;
- (ii) sustained maximization of the Company’s long-term economic value, paying particular attention to the corporate interest and taking into

consideration legitimate public or private interests that arise in the course of all business activity; loyalty, good faith and transparency, in the context of the corporate interest as taking priority over individual interest;

- (iii) diversity, in a broad sense, on the corporate bodies, to reflect the social and cultural reality of current society and of the Group;
- (iv) inclusion in the corporate governance rules of the necessary mechanisms and procedures to avoid, identify and try to resolve situations of conflicts of powers and interests, whether ad hoc or structural and ongoing;
- (v) fulfillment of its obligations to report significant information in accordance with the law and the corporate governance system; and
- (vi) application of ethical governance practices and maintenance, development and supervision of the Group's compliance policies.

2.2 Group governance model

The corporate governance model is developed on the basis of the core organizational components of the Company and its subsidiaries, in accordance with the Capital Companies Law and any other applicable legislation. These components are:

- (i) The Shareholders' Meeting
- (ii) The Board of Directors
- (iii) The advisory bodies of the Board of Directors:
 - (a) Audit and Control Committee
 - (b) Appointments Committee
 - (c) Compensation Committee

These governing bodies are regulated under the various rules and regulations that govern the functioning of the Company and serve as the basis for the corporate governance system and the application of the above-mentioned principles. The principal regulation is the Bylaws, which are in turn implemented by:

- (i) The Shareholders' Meeting Regulations
- (ii) The Board Regulations

(iii) The Audit and Control Committee Regulations

The Appointments Committee Regulations and the Compensation Committee Regulations are also in the process of being prepared.

With respect to the shareholders, these rules and regulations address, among others and mainly, the following matters:

- (i) Shareholder rights and obligations
- (ii) The Shareholders' Meeting
 - (a) Encouragement of involvement
 - (b) Right to request the call of meetings and supplements to call notices, and to submit reasoned proposals for resolutions
 - (c) Information provided to shareholders
 - (d) Attendance at the Shareholders' Meeting
 - (e) Proxy and distance voting rights
 - (f) Adoption of resolutions at the Shareholders' Meeting
 - (g) Channels of communication with shareholders and investors

In turn and with respect to the Board of Directors, the main matters regulated by these rules and regulations are, among others:

- (i) Composition of the Board of Directors
- (ii) Selection and appointment of directors
- (iii) Directors' obligations and duties
- (iv) Board meetings
- (v) Advisory bodies of the Board (Committees)
- (vi) Offices on the Board of Directors

2.3 Policies related to shareholders

The policies that set out the key corporate governance aspects that directly affect shareholders are:

- (i) Shareholder Remuneration Policy

- (ii) Shareholders' Meeting Attendance Fee Policy
- (iii) Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisers
- (iv) Policy on Transactions with Own Shares

These policies, and the proposal, monitoring and control thereof, fall directly within the remit of the Board of Directors, without requiring any prior report from any committee.

2.4 Other policies

In addition, in accordance with the applicable laws, good governance principles, the Company's bylaws and regulations, it is considered necessary to implement additional policies to those indicated. The proposal, monitoring and control of such policies is entrusted to the various Committees on the terms indicated, although the approval or amendment of these policies falls to the Board of Directors, as do any matters in each policy which, in light of their content, it is considered should also be decided by the plenary session of the Board.

2.4.1 Policies supervised by the Audit and Control Committee

In accordance with its Regulations, the Audit and Control Committee is responsible for supervising the following areas and for proposing the approval or amendment of the following policies to the Board of Directors:

(i) Risk Management Policies

- (a) General Risk Management and Control Policy
- (b) Investment Policy
- (c) Finance and Financial Risk Policy
- (d) Procurement Policy
- (e) Internal Control Policy

(ii) Compliance Policies

- (a) Rules of Conduct – Securities Market
- (b) Corporate Compliance Policy

- (c) Anti-Money Laundering and Counter-Terrorist Financing Policy
- (d) Anti-Corruption and Fraud Policy
- (e) Policy on Relationship with the Public Authorities
- (f) Data Protection Policy

(iii) Tax Policy and Strategy

- (a) Tax Strategy
- (b) Tax Policy

(iv) Policy on Hiring and Relationship with the Auditor

2.4.2 Policies supervised by the Appointments Committee

The Board Regulations entrust the Appointments Committee with supervising and applying the:

- (i) Ethics Channel
- (ii) Code of Conduct
- (iii) Policy on Selection, Appointment and Removal of Directors
- (iv) Sustainability Policies:
 - (a) Corporate Social Responsibility Policy
 - (b) Policy on Relationship with Stakeholders
- (v) Other policies that are not specifically entrusted to a Committee

2.4.3 Policies supervised by the Compensation Committee

The Board Regulations entrust the Compensation Committee with supervising and applying the Compensation Policies, including

- (a) the Directors' Compensation Policy; and
- (b) the Compensation Policy for Senior Executives.

3. Communication of the Policy

The CG Policy shall be made available to all of the Company's internal and external stakeholders and shall be the subject of the appropriate communication, training and awareness-raising initiatives for its proper understanding and implementation throughout the organization.

4. Competent bodies/Approval and update

The Board of Directors of MERLIN is entrusted with approving the Company's general policies and strategies and, specifically, the Corporate Governance System.

The CG Policy shall be reviewed periodically in order to ensure that it reflects the currently applicable recommendations and best practices, and any proposals for its amendment shall be submitted to the Board of Directors whenever changes arise in this connection that make such amendment advisable.

The Board of Directors approved this CG Policy on January 28, 2020.