

**CORPORATE COMPLIANCE POLICY**

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**July 2019**

# CORPORATE COMPLIANCE POLICY

## 1. Introduction

This document falls within the scope of the good corporate governance policies of MERLIN Properties SOCIMI, S.A. and its subsidiaries (hereinafter, “**Merlin**”, the “**Company**” or the “**Group**”), and finds its basis in **Merlin’s firm commitment to the values and principles of rejection of and zero tolerance for any unlawful act.**

These principles are set out in the Code of Ethics and addressed to the employees, executives and governing bodies of the organization with a firm message of rejection of and zero tolerance for any conduct that is unlawful or contrary to the policies, values and principles of the Company.

In this respect, the Corporate Compliance Policy (the “**Policy**”) contributes to strengthening the Company’s commitment to good corporate governance in accordance with our values and principles and, moreover, to exerting diligently at the organization the due control that is required of the managing bodies, executives and employees of the Company in order to minimize as far as possible the risk of bad practices or regulatory infringements occurring in the course of our business.

## 2. Scope of application

MERLIN’s corporate compliance system covers the activities – pursued by the Company and its group of subsidiaries – of acquiring, selling, developing, renovating and operating urban real estate for lease in Spain and Portugal.

This Policy applies **to all of the employees, executives and directors** of all of the companies making up the Group, including those investees over which it exercises effective control, within the limits set out in the applicable legislation. At investees over which the Group does not exercise effective control, the Company’s representatives, within the scope of their possibilities, shall propose principles and guidelines consistent with those established in this Policy.

## 3. Objectives and functions of the policy

The objectives and functions of the Policy in the areas of good corporate governance, business ethics and corporate social responsibility are:

- **To identify the main areas of corporate compliance** that affect the organization, together with the operating principles associated with them.
- **To establish the mechanisms and procedures implemented at the Company to prevent, identify and resolve** situations in which unethical or unlawful practices or regulatory infringements occur in the course of our business.

#### 4. Main areas of compliance and operating principles associated with them

The main areas of corporate compliance to be monitored at the organization, as well as the operating principles associated with them, are as follows:

##### 4.1 Prevention of crimes and fraud at the company

With the entry into force on December 23, 2010, of Organic Law 5/2010, of June 22, 2010, a change was made to the Criminal Code to bring Spanish criminal law into line with that of neighboring countries and with a situation more reflective of the present times, introducing in Spain criminal liability for legal entities for any crimes that may be committed within their organizations by their employees, executives and managing bodies. In addition, July 1, 2015 saw the entry into force of Organic Law 1/2015, of March 30, 2015, which in turn amended the previously in force wording of Organic Law 10/1995, of November 23, 1995, on the Criminal Code, introducing the guidelines to be followed by legal entities in preventing and detecting any crimes that may be committed within their organizations.

For this reason, based on a previously drawn up **crime risk map**, the Company has implemented a **specific and effective program** in order to reduce the risk of crimes being committed within its organization (a set of general and specific measures aimed at preventing, detecting and reacting to potential crimes, defined as a Corporate Compliance Model), which will in turn enable the Company to guarantee to third parties and to courts and administrative bodies that it exerts the due crime prevention control legally required of all business corporations over their employees, executives and managing bodies.

The operating principles on which the Corporate Compliance Model is based and which all of the members of the organization must respect and ensure that they are met, are as follows:

- **Acting** at all times in accordance with the current legislation and within the framework established by the Code of Ethics, complying with the Company's internal regulations.
- **Fostering** a prevention culture based on the principle of zero tolerance for the commission of unlawful or criminal acts, and in accordance with the Company's ethical principles.
- **Promoting** self-monitoring processes in the actions and decisions taken by employees and executives, so that any action taken by a professional of the Company meets three basic requirements: (i) the action must be ethically acceptable, (ii) it must be legally valid; and (iii) it must be desirable for the Company.
- **Reporting** any event that may constitute a crime, fraud or irregularity that comes to light, through the channels that the Company has established in this respect.

- **Investigating** any report of an alleged crime or fraudulent act, regardless of its significance, as soon as possible, ensuring the confidentiality of the reporting party and the rights of the persons investigated.
- **Providing all assistance and cooperation** that may be required by the courts, administrative agencies or any domestic or international supervisory body for the investigation of the allegedly criminal or fraudulent acts.

#### 4.2 Legal obligations arising from the Company's activities

For these purposes, legal obligations means those existing in any legal field (tax, environmental, labor, commercial/corporate, administrative, occupational risks – including operating and safety obligations – etc.), whether at state, European, autonomous community or local level, and that are related to the activities pursued throughout Spain.

In this respect, taking into account that respect for the law constitutes one of the fundamental principles of the Company, and in view of the highly diverse legal obligations affecting the pursuit of its ordinary activities, all of the areas or departments that are responsible for legal obligations shall assume the following among their management responsibilities:

- **Ensuring compliance with the obligations** for which each department is responsible, informing the employees in such departments of the legal obligations that affect them, and adopting proactive control processes to prevent and detect legal infringements.
- **Staying apprised of any legislative amendments** that may apply to them.
- **Ensuring that dealings with the public authorities and public law entities or bodies are based on the principles of transparency, mutual trust, good faith and loyalty**, and providing the necessary cooperation that may be required by the courts, administrative agencies or any domestic or international supervisory body, in order to audit or verify compliance with the legal obligations.

#### 5. Mechanisms and procedures established to prevent, identify and resolve situations in which unethical or unlawful practices or regulatory infringements occur in the course of business

The Company is aware of the difficulty involved in implementing foolproof or fail-safe controls in any social or business organization, where numerous *inter private* legal relations converge. However, in order to ensure the consistency of the corporate compliance system and attain a reasonable level of security at the Company, it is considered necessary to implement prevention, action and review controls at the organization.

##### 5.1 Creation of a control body

**Merlin has set up a Corporate Compliance Body (CCB)**, which is configured as a collective body attached to the Company's Board of Directors with independent powers of initiative and control to ensure compliance with the Merlin Corporate Compliance Model. The operation of this Body has been defined through its Operating

Bylaws and, in addition, Merlin has a manual that defines the different crime prevention and detection responsibilities within the organization.

## 5.2 Prevention control

For these purposes, prevention controls means **all of the Company's internal regulations and policies, both general** (e.g. Code of Ethics) and specific (e.g. Anti-Corruption and Fraud Policy), that contribute to mitigating the risk of unethical practices or regulatory infringements occurring in the course of business.

In this respect, all departments must ensure that the Company's internal regulations or policies are complied with, and identify areas for improvement that enable the Company to implement or correct procedures that are considered appropriate to prevent any risk of regulatory infringements within the organization.

The Company also considers it essential for the corporate compliance system to have training processes in the area of good corporate governance, business ethics and corporate social responsibility. These subjects must be included in the training plans established at the Company.

## 5.3 Action control

Action controls determine **the information that is required and how to act in situations in which infringements and/or bad practices** that are contrary to our values and principles occur.

In this respect, **the Company has set up an Ethics Channel** ([canal.etico@merlinprop.com](mailto:canal.etico@merlinprop.com)) which enables any member of the organization, regardless of his/her rank, responsibilities or geographical location, to report, with strictest guarantees of confidentiality and non-retaliation, any irregularity or conduct that breaches the law or the rules and procedures established by the Company.

The identity of the person reporting misconduct through the Ethics Channel shall be considered confidential information and therefore may not be disclosed without his/her consent to the person against whom the complaint is made, thereby ensuring the secrecy of the complainant's identity and preventing any kind of response to the complainant by the person against whom the complaint is made as result of the complaint.

Notwithstanding the foregoing, the personal data of the persons making the complaint, if it contains identifying data, may be provided to both the judicial and administrative authorities if the Company is required to do so by such authorities as a result of any proceeding arising from the subject matter of a complaint. This disclosure of data to the administrative or judicial authorities shall be made at all times in strict compliance with personal data protection legislation.

## 5.4 Review control

In response to the strategy consisting of compliance, review and continual improvement of the corporate compliance and good corporate governance system, **the Company has the Corporate Compliance Body (CCB) as its main review control.**

The functions of the body are defined and regulated in the Operating Bylaws of the CCB.

**6. Communication of the Policy**

The Corporate Compliance 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.

**7. Validity and update of the Corporate Compliance Policy**

This Policy was approved by the Board of Directors of the Company at its meeting on **July 30, 2019**, and shall remain in full force until it is changed.

Any changes made to the Policy must be approved by the Board of Directors, following a proposal and report by the CCB, and shall apply from the day after it is communicated to all of the persons affected by this Policy.

## **Schedule I. Related documents**

MERLIN has documents related to this Corporate Compliance Policy that supplement the points included in it.

The main documents are as follows:

- a) Operating Bylaws of the Corporate Compliance Body (CCB).
- b) Manual on Functions of the Corporate Compliance Model.
- c) Communication Procedure for the Ethics Channel.
- d) Disciplinary System.
- e) Crime Risk Map.
- f) Anti-Corruption and Fraud Policy.
- g) Corporate Compliance Protocol.
- h) Supervision Framework of the Corporate Compliance Model.