



# **MERLIN PROPERTIES, SOCIMI, S.A.**

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## Corporate Governance System and summary of Corporate Policies

(updated January 2020)



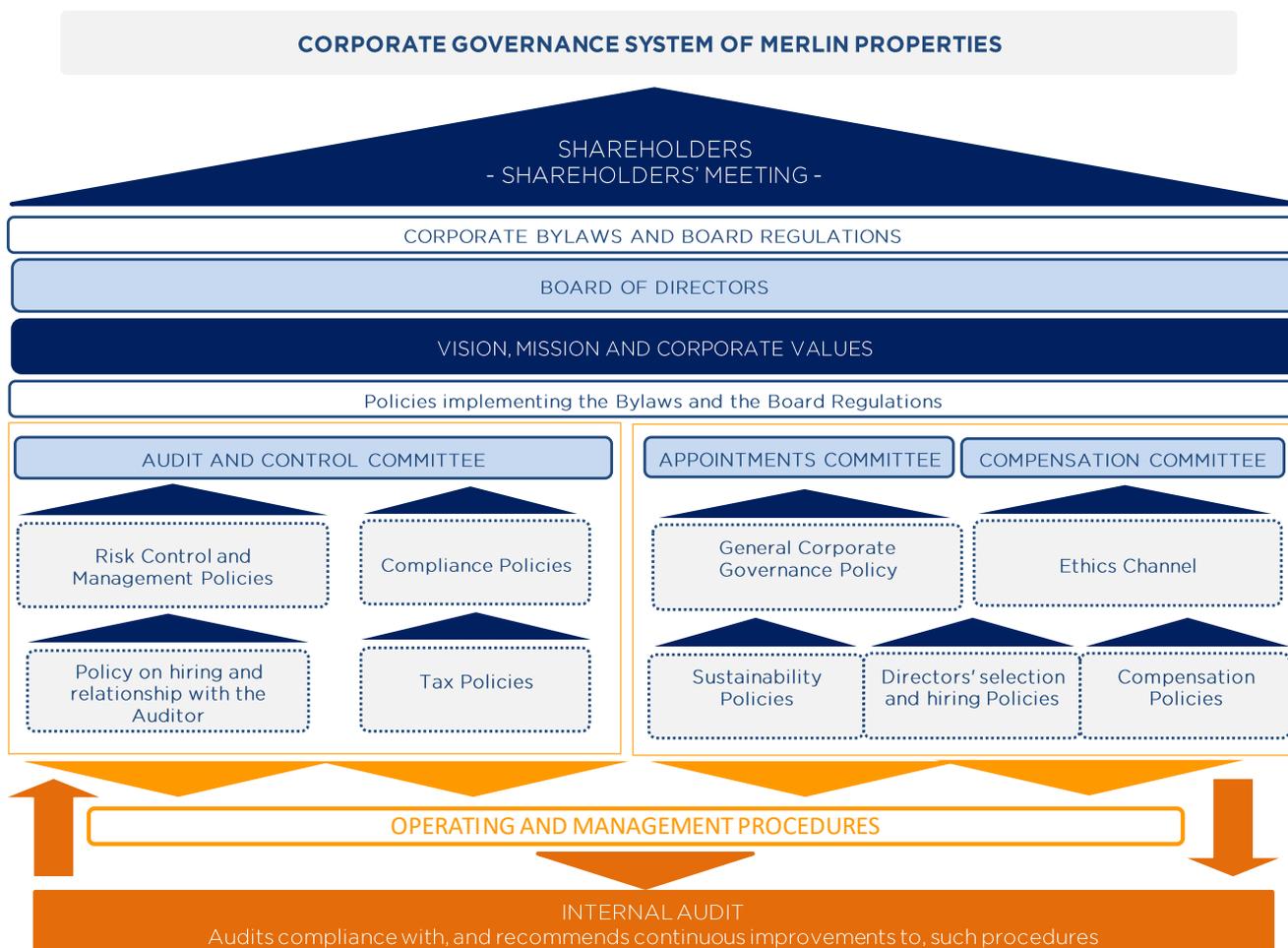
## Introduction

The Board of Directors of MERLIN Properties, SOCIMI, S.A. (the “Company”), in implementation of the provisions of article 529 ter, letter (C) of the Capital Companies Law (*Ley de Sociedades de Capital*, “LSC”) and of its mandate pursuant to the Bylaws and the Board Regulations, as approved by the Shareholders’ Meeting, has the power to implement, design and approve the Corporate Governance System of the Company, which is contained in the *General Corporate Governance Policy*<sup>(1)</sup>.

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 such 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 their directors, executives and employees.

### Corporate Governance Model of MERLIN PROPERTIES SOCIMI, S.A.:



(1) Information on the corporate governance of the Company can be found on the corporate website: <http://www.merlinproperties.com/gobierno-corporativo/>

## SUMMARY OF THE CORPORATE POLICIES

*Set out below is a summary of the corporate policies which are not published in full on the corporate website, for their knowledge and dissemination by any interested party. The following information is a summary of the most salient aspects of each of the policies approved by the Board of Directors and does not constitute a literal transcription of same. Accordingly, the provisions of the documentation approved by the Board of Directors and kept by the Secretary of the Board of Directors of MERLIN shall prevail in all cases.*

## Shareholder Remuneration Policy

The Company intends to commence and maintain a **Shareholder Remuneration Policy** that takes into account sustainable levels of remuneration and reflects the Company's forecast of recurring income.

The Company does not intend to create reserves that cannot be distributed to shareholders, other than the legally required reserves.

The Board of Directors, in the scope of its powers, shall propose to the Shareholders' Meeting the decisions it deems most suitable regarding the distribution of dividends and, as the case may be, shall resolve on the payment of interim dividends.

The Company elects to apply the special regime for Listed Corporations for Investment in the Real Estate Market (*Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*, or SOCIMI). In accordance with the provisions of article 6 of the Law on SOCIMIs, SOCIMIs that elect to apply the special tax regime must distribute the income obtained in the year, once all relevant commercial obligations have been fulfilled, as dividends to their shareholders, and such distribution must be resolved on within the six (6) months following the end of each fiscal year and paid in the month following the date of the distribution resolution. As stipulated in the Law on SOCIMIs, the Company must distribute the following as dividends:

- 100% of the income from dividends or shares in income distributed by the entities referred to in article 2.1 of the Law on SOCIMIs.
- At least 50% of the income from the transfer of properties or shares referred to in article 2.1 of the Law on SOCIMIs, performed once the periods referred to in article 3.2 of said Law have elapsed, linked to the fulfillment of its main corporate purpose.
- At least 80% of the rest of the income obtained. Where dividends are distributed out of reserves from income in a fiscal year in which the special tax regime has been applied, they must be distributed in the manner described above.

In light of the above, the Company has set itself the target of remunerating shareholders annually, through the distribution of dividends and/or any other shareholder remuneration measure (i.e., distribution of reserves, premiums or similar), in an amount representing 80% of the FFO of the companies controlled by the Company (the "**Group**") (where FFO is the operating cash flow of the Group after interest on debt and ordinary CAPEX).

This Shareholder Remuneration Policy was approved by the Board of Directors on February 26, 2016.

### Shareholders' Meeting Attendance Fee Policy

The Board of Directors shall be responsible for deciding on the payment of an attendance fee for each Shareholders' Meeting held by the Company, taking into account the content of the agenda for the meeting, the economic position of the Company, and any other circumstances existing from time to time, determining the nature and amount of such payment.

Where the Board of Directors resolves to pay an attendance fee for a specific Shareholders' Meeting, the amount of the fee per share shall not exceed 1.5% of the par value of each share held by the attending shareholder.

The decision on whether or not to pay an attendance fee and the amount thereof shall be indicated in the call notice.

Following adoption of the resolution to pay an attendance fee, the shares included on the list of attendees at the Shareholders' Meeting shall be entitled to receive such fee. Accordingly, shareholders who attend the Shareholders' Meeting or who participate in same by other means, such as by proxy or distance voting, shall be entitled to receive the attendance fee.

The Board of Directors, or any persons authorized by it, may decide to pay the attendance fee to shares not included on the list of attendees, due to the fact of having joined the meeting after the list was drawn up or due to other reasons beyond the control of the Company and the shareholder.

Any modification of the Attendance Fee Policy set out above shall require a resolution of the Board of Directors. This Shareholder Remuneration Policy was approved by the Board of Directors on February 26, 2016.

## Policy on communication and contacts with shareholders, investors and proxy advisors

The Board of Directors, in addition to fulfilling the transparency and reporting requirements laid down in the law and the Group's corporate governance system, states that one of its main objectives is to act in a transparent manner towards shareholders, investors and other stakeholders, as well as towards proxy advisors. To this end, this Communication Policy sets out the basic principles to be applied to meet such transparency and reporting objectives.

The Board of Directors, in fostering communication with shareholders, investors and other stakeholders and in fulfilling its duties of managing and monitoring the information to be provided, has approved this Communication Policy, which is governed by the following general principles:

- transparency, truthfulness and immediacy in the disclosure of information;
- parity, applying the same treatment to all shareholders, investors and other stakeholders, eliminating any type of bias that may lead to any differentiation between them;
- appropriateness and completeness, in the sense of providing all the information that is appropriate and enables shareholders, investors and other stakeholders to exercise their rights vis-à-vis the Company;
- recurrence and frequency, in the sense of publishing information with a minimum frequency, enabling shareholders, investors and other stakeholders to have a minimum level of ongoing knowledge;
- accessibility, making available to shareholders, investors and other stakeholders effective means of communication, taking advantage of the benefits offered by new technologies;
- shareholder cooperation, so that reporting practices and relations with the markets are transparent, effective and in keeping with the corporate interest and encourage shareholder involvement in the Company;
- compliance with the law, the corporate governance system, and cooperation and transparency in dealings with the competent authorities, regulatory bodies and governments.

As part of the above principles, the Company shall particularly comply with any restrictions established from time to time by the applicable legislation and the different rules of the Group's corporate governance system with respect to confidential information and relevant information. The Board, by means of the material information notified to the Spanish National Securities Market Commission, shall immediately inform the public of all relevant information on the terms established in Securities Market Law and its implementing regulations.

The Company has a specific investor relations department (the "Investor Relations Department") which is in charge of coordinating, analyzing and managing relations and contacts with shareholders, investors and other stakeholders.

This Policy was approved by the Board of Directors in February 2016.

## Policy on Transactions with Own Shares

The aim of the Treasury Stock Policy is to determine the framework applicable to transactions involving treasury stock and the associated risks. Control and management thereof shall be carried out by the Finance Department, taking as a basis the guidelines contained in the Treasury Stock Policy.

The Treasury Stock Policy applies to transactions involving own shares performed by the Company, whether directly or through companies in its group (including any investees directly or indirectly controlled by the Company) (the “Group”).

The following rules shall be observed in such Transactions:

- the Transactions and associated risks must be reported in a transparent manner to market supervisory authorities and governing bodies;
- any appearance that the trading volume of the Company shares is higher than that resulting from normal supply and demand, and which could be misleading to investors, shall be avoided;
- prices shall be formulated in such a way that they do not interfere with the free determination of prices; and
- management of the Transactions or any specific program may be entrusted to a financial institution, provided that a contract is entered into that establishes the appropriate safeguards and is approved by the Board of Directors. The Company shall notify the engagement of any such institution to the supervisory authorities on the terms established in the applicable legislation.

In managing the transactions, the applicable legislation shall be observed at all times and, in particular, the restriction established in article 509 LSC regarding the upper limit of 10% of share capital held as treasury stock at listed companies, and any step that could be considered or constitute market manipulation shall be avoided. The set of transactions may also not exceed the statutory limit established at any time.

The Finance Department shall monitor the Company’s risk position at all times, as well as the coverage arranged in relation to same. It shall also report regularly to the Audit and Control Committee on the Transactions performed by the Company and shall provide the Board of Directors, when so requested, with any information necessary in order to check that Transactions have been performed in accordance with the Treasury Stock Policy.

This Policy was approved by the Board of Directors on February 26, 2016.

## General Risk Management and Control Policy

The Board of Directors is generally responsible for supervising risk and ensuring there is an effective risk management and internal control system at the company. The Board Regulations establish the functions reserved by law or the bylaws to the Board of Directors of MERLIN, which include the approval of both the general risk policy and the risk management and control policy, and the periodic monitoring of the reporting and control systems.

The Audit and Control Committee, in accordance with the powers established in the Audit and Control Committee Regulations, is responsible for supervising the effectiveness of the Company's internal controls, internal audit function and risk management systems, and for discussing any significant weaknesses detected in the internal control system.

The Audit and Control Committee performs this supervisory function through the Internal Audit Department, which annually verifies the suitability and integrity of the Risk Management System implemented by Company Management.

MERLIN considers that the entire company should be actively involved in managing risks, with MERLIN Management being responsible for leading, implementing, conveying and managing the strategy and resources making up the Risk Management System.

The MERLIN Group has a Risk Management System based on a comprehensive and systematic approach. This system is conceived as a key tool for managing uncertainty and, as such, aims to help reduce threats and take advantage of opportunities that may arise in the businesses of the Company and its Group.

The MERLIN Risk Management System is aligned with benchmark international risk management standards (COSO 2017 Enterprise Risk Management Framework - Integrating with Strategy and Performance) and is based on a model that identifies the Company's key risk events, assesses them according to their Impact and Likelihood in light of the Controls in place, and periodically monitors and reports on progress.

In all cases, the ultimate objective of the company is to maintain a risk profile aligned with a mid-low risk tolerance, consistent with a business model of a SOCIMI that is committed to long-term value creation and the generation of a sustainable and increasing shareholder dividend against a backdrop of transparency, ethics and responsibility in business and corporate matters. It is important to note the existence of "zero" tolerance risks, i.e. risks for which the response strategy is "avoid", which implies not proceeding with the activity that generates the risk or changing the course of action. These notably include risks relating to the SOCIMI tax regime and to corruption, fraud and bribery.

The Risk Management and Control Policy shall be reviewed periodically. This policy was initially approved by the Board of Directors in February 2016. A second version was approved in April 2018, and the current wording was approved in April 2019.

## Investment Policy

The purpose of the Investment Policy is to establish a common framework for the analysis, monitoring and control and new investment or divestment projects. The Investment Policy applies to the Company's investment or divestment projects, including those carried out through investees effectively controlled by the Company, within the limits provided for in the applicable legislation.

The making of investments by the Company constitutes one of the basic aspects for its growth and value creation; however, these investments entail the need to establish specific objectives to be met in terms of risk and reward, which need to be identified and, where possible, duly mitigated.

In this connection, any decision relating to new projects shall be developed and taken in line with the principles set out by the Board of Directors, and must also abide by the following basic operating principles:

- efficient allocation of resources, having regard to the strategic objectives of the investment and the risk/reward ratio;
- definition of the responsibility of each department involved in the processes for justification, approval and monitoring of the projects;
- standardization of the criteria and methodology applied in investment and divestment decisions;
- provision of adequate reporting systems and procedures to ensure the confidentiality, integrity and availability of the information;
- in projects that require the provision of guarantees, the necessary mechanisms shall be established to secure their return;
- projects shall be monitored in order to anticipate potential risks of nonfulfillment or deviation, with a view to adopting the most suitable corrective management measures sufficiently in advance; and
- contracts shall be reviewed by the Group's legal department or external advisers engaged for such purpose.

Prior authorization must be obtained from the Board of Directors of the Company for any investment or divestment transactions exceeding 150,000,000 euros, and for any other transactions or operations of a similar nature that, due to their complexity, could undermine the transparency of the Group.

This Investment Policy was approved by the Board of Directors on February 26, 2016.

## Finance and Financial Risk Policy

The purpose of the Finance and Financial Risk Policy is to establish the basic aspects for the control, monitoring and management of financial risks. It applies to all activities pursued and transactions performed at the Company, as well as at any investees effectively controlled by the Company (the “Group”).

The Company shall perform transactions for the financing and arrangement of derivatives (or hedging instruments) that may be necessary to cover and obtain the funds required to meet its investment and operating needs, seeking the most optimal conditions from a cost and risk perspective at all times.

In this connection, the Company:

- shall centralize the management of the Group’s financial transactions in the Finance Department, which shall coordinate and control the financial operations of the Group, ensuring it has liquidity with the minimum financial expenditure;
- shall determine the appropriate risk levels to be borne, ensuring the correct use of financial instruments and implementing suitable procedures for their analysis and approval, applying in all cases the principles of financial prudence in all activities performed using such instruments;
- shall transfer the level of risk it does not wish to bear to external top-tier and reputable financial institutions specializing in managing such risk;
- shall maintain solvency indicators that enable it to maintain the Group’s credit rating, in accordance with the objectives set by the management bodies;
- shall report, with the level of details required, on the Company’s financial position and the associated risks; and
- shall maintain a Loan-to-Value (LTV) ratio in its financing transactions of around 50%.

In order to mitigate the financial risks of the Group, the Finance and Financial Risk Policy establishes guidelines and limits for the management of risks relating to interest rates, exchange rates, liquidity, solvency, creditworthiness, arrangement of derivatives or other financial instruments.

In any event, the taking up of any position or arrangement of debt instruments, or the arrangement of derivatives for coverage in excess of 150,000,000 euros, shall require prior and express authorization from the Board of Directors.

This Investment Policy was approved by the Board of Directors on February 26, 2016.

## Procurement Policy

The purpose of this Policy is to establish the guiding principles and regulate the procurement process, within the risk management and control framework, to minimize the risks associated with these processes.

In order to comply with the Policy, the Company shall adopt the following general basic operating principles:

- The Group shall adapt the processes for selecting service providers and suppliers to objectivity and impartiality criteria.
- Decision-making criteria shall be transparent, objective and exempt from any conflict of interest involving members of the decision-making team at the Group, and shall be implemented in strict compliance with the rules and procedures in force.
- All decisions adopted in this area must be substantiated, meaning that they must be justifiable, demonstrable and verifiable in the event of any review by third parties or the internal control bodies of the Group.
- Group employees shall deal with suppliers of goods and services in a lawful, ethical and respectful way. Group employees may not receive any kind of remuneration from suppliers of the Group or, in general, accept any kind of remuneration from others for services deriving from the activity of the professional within the Group or any favors, gifts or presents, pursuant to the Code of Conduct of the Group.
- Principle of zero tolerance for unlawful acts: the Group promotes a prevention culture based on the principle of zero tolerance for unlawful or criminal acts, meaning that it does not permit any of its employees, regardless of their hierarchical or functional level, to be involved or take part in any transaction or business within its business activity that entails any criminal or fraudulent act or which goes against the principles contained in its Code of Conduct.
- Duty to report: all members of the organization, and all persons who partner with it or act on its behalf have the duty to report any fact or event that could constitute an unlawful or criminal act, fraud or irregularity of which they have knowledge, through the Ethics Channel.

The MERLIN Group makes available to all persons, both Group employees and third parties, a communication channel ([canal.etico@merlinprop.com](mailto:canal.etico@merlinprop.com)) for disclosing or reporting, with the strictest guarantees of confidentiality and freedom from direct or indirect reprisal, any irregularity or conduct that breaches the law or the rules and procedures established by the Company.

The Policy shall be reviewed annually to ensure that it reflects the national and international best practices and recommendations in force at any time. Senior management shall be responsible for submitting any proposed amendments to the Audit and Control Committee, which shall subsequently submit them to the Board of Directors for approval. This policy was approved by the Board of Directors on July 31, 2019.

## Internal Control Policy

The Internal Control Policy of the Group, approved by the Board of Directors of the Company, seeks to establish a regulatory framework for the process of preparing and overseeing financial information, applicable to all Group companies, and also applicable to the preparation of consolidated financial information, in keeping with the principles of transparency, utility, veracity, coherence and suitability, and which clearly defines the responsibility of the managing bodies in such process.

The main objective of the internal control process is to ensure that the consolidated financial information published by the Group presents, in all material aspects, a true and fair view of the net worth, financial position, results and cash flows of the companies comprising the consolidated group.

The Internal Control Over Financial Reporting (ICFR) forms part of the Internal Control System and is configured as a series of processes carried out by the Board of Directors, the audit department, senior management and the entity personnel involved in order to provide reasonable certainty with respect to the reliability of financial information published in the markets. This reference framework applies exclusively to ICFR.

The ICFR is a system that affects all levels of the organization and all Group personnel. The main functions relating to the ICFR are allocated to the control structure defined in the Board Regulations:

- Board of Directors, responsible for approving the ICFR.
- The Audit and Control Committee, the Delegate Body of the Board of Directors, is entrusted with supervising the ICFR through the Internal Audit Department.
- The Group's Finance Department, which is responsible for the design, implementation and monitoring of the ICFR.
- Departments and areas at Group companies, responsible for identifying risks and implementing controls in their respective areas of responsibility.
- Internal Audit Department of the Group, responsible for oversight of the ICFR.

The powers of each level are assigned according to the principles of hierarchy and competency.

The Internal Control Policy shall be reviewed annually to ensure it reflects best practices and recommendations. The Finance Department is responsible for submitting any proposed amendments to the Audit and Control Committee, which shall subsequently submit them to the Board of Directors for approval. This policy was approved by the Board of Directors on July 31, 2019.

## Corporate Compliance Policy

The Corporate Compliance Policy finds its basis in Merlin's firm commitment to the values and principles of the 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.

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.

The objectives and functions of the Policy in the area 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.

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

- Prevention of crimes and fraud at the company.
- Legal obligations arising from the Company's activities.

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.

To this end, 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.

In addition, 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 the strictest guarantees of confidentiality and non-retaliation, any irregularity or conduct that breaches the law or the rules and procedures established by the Company.

This Policy was approved by the Board of Directors of the Company at its meeting in October 2019 (second version), and shall remain in full force until any change is made to it.

## Anti-Money Laundering and Counter-Terrorist Financing Policy

The purpose of the Anti-Money Laundering and Counter-Terrorist Financing Policy is to establish, in accordance with the relevant international standards, the criteria that will keep Merlin and the companies in its Group from being used to execute any money laundering and/or terrorist financing transaction. 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.

The Group undertakes to allocate specific and sufficient resources to ensure that the Policy is implemented effectively. The Group shall carry out suitable due diligence processes, periodically identifying the current and potential impacts in the area of money laundering and terrorist financing and taking the appropriate measures to prevent and mitigate their potential adverse consequences.

In this respect, the Group shall have an internal organizational structure in place at all times to prevent money laundering and terrorist financing, the main objectives of which are to know, forestall, prevent and report transactions related to money laundering and terrorist financing.

This structure consists of the following elements:

- (i) Board of Directors and Audit and Control Committee.
- (ii) Internal Control Body (ICB).
- (iii) Representative to the Enforcement Service of the Anti-Money Laundering and Monetary Infringements Commission (SEPBLAC).
- (iv) Anti-Money Laundering Technical Unit (ATU)

The powers of each level are assigned according to the principles of hierarchy and competency.

The ICB is the internal control body set up by the Board of Directors and it shall be attached, organically and functionally, to Merlin's Audit and Control Committee. The ICB shall be responsible for applying the anti-money laundering and counter-terrorist financing procedures. It shall also be responsible for analyzing, monitoring and reporting to the SEPBLAC any transactions or events that may be related to money laundering and terrorist financing.

In this area, the Group has a whistleblowing channel ([canal.etico@merlinprop.com](mailto:canal.etico@merlinprop.com)).

The Anti-Money Laundering and Counter-Terrorist Financing Policy shall be reviewed annually. The Internal Control Body (ICB) shall be responsible for submitting any proposed amendments to the Audit and Control Committee, which shall subsequently submit them to the Board of Directors for approval. This policy was approved by the Board of Directors on July 31, 2019.

## Anti-Corruption and Fraud Policy

The purpose of the Anti-Corruption and Fraud Policy is to establish the basic principles that the Group will follow to take preventive and proactive action in the fight against corruption and fraud in all areas of its business activity. 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.

In order to comply with the Policy, the Group shall adopt the following general basic operating principles:

1. **Zero tolerance:** the Group promotes a prevention culture based on the principle of zero tolerance of unlawful or criminal acts, meaning that it does not permit any of its employees, regardless of their hierarchical or functional level, to be involved or take part in any transaction or business within its business activity that entails any criminal or fraudulent act or which goes against the principles contained in its Code of Conduct.
2. **Transparency:** the Group is committed to the good governance recommendations generally recognized in the international markets, to the principles of business ethics and to transparency in all of its operating areas.
3. **Duty to report:** all members of the organization, and all persons who partner with it or act on its behalf have the duty to report any fact or event that could constitute an unlawful or criminal act, fraud or irregularity of which they have knowledge, through the Ethics Channel.
4. **Training and awareness-raising in regulatory compliance:** the Company shall ensure that the Group's professionals know and accept all of the provisions of the Company's Rules of Conduct on the Securities Market and they shall receive ongoing training in this area on the successive updates made by the regulator (CNMV) and any updates to the currently applicable laws.
5. **Prevention, control and monitoring:** the Group has drawn up a series of internal Merlin regulations and policies of both a general (e.g. Rules of Conduct) and specific nature that contribute to mitigating the risk of unethical practices or regulatory infringements occurring in the course of our business. The Corporate Compliance Body (CCB) shall be responsible for complying with, reviewing and continually improving the corporate compliance and good corporate governance system.
6. **Public authorities:** The Group has a specific Policy on Relationship with the Public Authorities that establishes the rules and standards of conduct for the Group's employees in their dealings with the public authorities.

The Policy shall be reviewed annually. The CCB shall be responsible for submitting any proposed amendments to the Audit and Control Committee, which shall subsequently submit them to the Board of Directors for approval. This policy was approved by the Board of Directors on July 31, 2019.

## Policy on Relationship with the Public Authorities

The purpose of the Policy is to establish the basic principles that the Group shall follow and the rules and standards of conduct for the Group's employees in their dealings with the public authorities. The Group's employees shall deal with the public authorities and institutions, in the regions where they pursue their activities, in a lawful, ethical, respectful manner in accordance with the international provisions for the prevention of corruption and bribery.

In order to comply with the Policy, the Company shall adopt the following general basic operating principles:

- **Rules of conduct:** The Group's employees shall refrain from making payments to facilitate or expedite formalities, regardless of their amount, in exchange for assuring or expediting the course of a formality or action, and before any court, public authority or official body. No employee may falsify any information to favor or harm the Group.
- **Management of taxes and subsidies:** in the area of taxes, levies and charges, it is necessary to apply the Merlin Group's Tax Policy at all times, to avoid obtaining improper tax advantages for the Merlin Group, and to ensure that the information reported in this connection to the authorities is true and faithfully reflects the Company's true state of affairs.
- **Management of public tenders and competitions:** the Merlin Group's employees shall conduct themselves at all times in accordance with the terms and conditions that regulate the concession, tender or competition or similar process that applies, shall not engage in collusive practices with other participating agents, bearing this principle in mind when partnering with other economic agents, in order to participate in the process.
- **Requests for information or action from the public authorities:** the MERLIN Group's employees must act with honesty and integrity in all of their contacts or transactions with the authorities and employees of the public authorities, ensuring that all of the information and certificates that they submit, as well as the statements that they make, are true and complete.
- **Relationship with public employees and elected officials:** The rules currently in force on incompatibility in the hiring of persons who have been public employees, senior officers or elected officials in any area of the government shall be taken into account.
- **Contributions to political causes:** The Group shall not make contributions or incur expenses on behalf of any candidate for any governmental position, any political party or organization or its associated foundations, or for the purpose of participating in official acts.

The Policy shall be reviewed annually. The CCB shall be responsible for submitting any proposed amendments to the Audit and Control Committee, which shall subsequently submit them to the Board of Directors for approval. This policy was approved by the Board of Directors on July 31, 2019.

## Data Protection Policy

The purpose of the Policy is to identify the principles and requirements that anyone who participates in or is responsible for processing personal data must meet in order to ensure that the personal data for which he/she is responsible is processed respecting the principles set out in the General Data Protection Regulation (GDPR) (lawfulness, fairness, transparency, purpose limitation, data minimization, accuracy and storage limitation).

All data processing carried out by the Group, whether as the data controller or processor, must comply with the following principles and recommendations:

1. Personal data shall be processed lawfully, fairly and in a transparent manner in relation to the data subject (principle of lawfulness, fairness and transparency).
2. For processing of the data to be lawful, it must be based on one or more of the following legitimate bases set out in the GDPR:
  - **Consent:** the data subject has given consent to the processing of his or her personal data for one or more specific purposes.
  - **Contractual relationship:** the processing is necessary to perform a contract that the Merlin has with the data subject or to take steps at the request of the data subject prior to entering into a contract.
  - **Legal obligation:** the processing is necessary for the Group company to comply with a legal obligation.
  - **Vital interest:** the processing is necessary in order to protect the vital interests of the data subject or of another natural person.
  - **Public interest:** the processing is necessary for the performance of a task carried out in the public interest.
  - **Legitimate interest:** the processing is necessary for the purposes of the legitimate interests pursued by the Group or by a third party, except where such interests are overridden by the interests or fundamental rights and freedoms of the data subject.

The **department responsible for data protection**, positioned within the Group's Legal Department, shall be in charge of ensuring compliance with the Policy in order to guarantee the confidentiality, integrity and availability of the personal data and to evidence the responsible corporate culture that characterizes the business quality and excellence processes implemented at Merlin.

An email address ([protecciondedatos@merlinprop.com](mailto:protecciondedatos@merlinprop.com)) shall also be made available for notifying the department responsible for data protection of any incident, issue, query or need related to personal data processing. In addition, the Corporate Compliance Body shall receive periodic information on the status of compliance in this area, in order to report to the Board of Directors within its remit.

The Personal Data Protection Policy shall be reviewed annually and there shall be an assessment of the need to take any steps in relation to it to ensure that it reflects any legislative amendments that arise in the area and that may affect the Company. This policy was approved by the Board of Directors on July 31, 2019.

## Tax Policy

The purpose of the Policy is to establish the basic principles that the Group shall follow and the rules and standards of conduct for the Group's employees in their dealings with the public authorities. The Group's employees shall deal with the public authorities and institutions, in the regions where they pursue their activities, in a lawful, ethical, respectful manner in accordance with the international provisions for the prevention of corruption and bribery.

In all its actions with tax implications, MERLIN shall comply with such statutory provisions as may apply, considering in all cases the interests of the shareholder and the Company itself.

MERLIN shall endeavor to avoid generating tax contingencies and adopting actions and decisions that give rise to penalties. MERLIN shall also avoid incurring tax inefficiencies that generate unnecessary costs.

The operating principles forming the basis of the tax strategy of MERLIN and the entities controlled by it are as follows:

- Fulfillment of tax obligations and payment of legally required taxes.
- Adoption of actions in the tax area 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 utilizing structures that are contrived or lacking in an economic or business basis in order to reduce the Company's or its shareholders' tax burden.
- Not operating in territories classed as tax havens with the main objective of reducing the Company's or its shareholders' tax burden.
- 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 defense of its interests or those of its shareholders.
- Promoting, together with business associations, improvements in the law and the authorities' procedures in order to boost companies' competitiveness and employment.

The monitoring, evaluation and control of compliance with MERLIN's tax policy, as well as the detection and proper management of any uncertainties to which the Company may be subject, falls, mainly and in accordance with their functions, to the Tax Department, General Corporate Management, the Audit and Control Committee and the Board of Directors of MERLIN.

The Policy shall be reviewed annually. The Tax Department shall be responsible for submitting any proposed amendments to the Audit and Control Committee, which shall subsequently submit them to the Board of Directors for approval. This Policy was approved by the Board of Directors in April 2019.

### Policy on Hiring and Relationship with the Auditor

The purpose of this Policy is to ensure that the chosen auditor is an independent firm that has the technical capabilities required to undertake its work effectively and responsibly and in accordance with the currently applicable legislation and regulations. This Policy establishes the guiding principles and regulates the process of selection, appointment, re-appointment and removal of the auditor of the separate and consolidated financial statements of the companies included in the group whose parent company is the Company, within the meaning of the current legislation, as well as the relationship with such auditor.

**Selection process:** The Audit and Control Committee shall establish the minimum requirements to be met by the firms that apply to be chosen as the Company's auditors, as well as the procedure for selecting and hiring the firm considered most suitable, which must at all times be non-discriminatory, transparent, efficient and provide for a tender process between the various candidate firms that ensures compliance with such requirements. These selection criteria must ensure the independence, operating capacity, sufficiency, standing and suitable experience of the auditor, as well as compliance with any regulatory requirement or condition that the current legislation or regulations may establish from time to time.

**Re-appointment of auditors:** Before the end of the year in which the appointment of the Company's auditor comes to an end, the Audit and Control Committee shall analyze its possible re-appointment or, as the case may be, the launch of the procedure for selecting, hiring and appointing a new auditor, in accordance with the provisions of the preceding section.

To do so, the Audit and Control Committee shall take into consideration the outcome of the annual evaluation of the independence and quality of the work performed by the Company's auditor, as well as any time and quantitative limits established by the currently applicable legislation.

**Pre-hiring information and authorization:** The Audit and Control Committee shall endeavor to ensure that the auditor of the Company is independent and that this is made clear in the relations between them. To this end, the Audit and Control Committee must authorize, prior to its formalization, any contract it intends to sign with the auditor (or member of its network) for the provision of non-audit services to the Company or any of the companies of its Group, in order to be able to individually and globally analyze the threats to independence that may arise from such contracts.

**Annual report on independence:** The Audit and Control Committee shall, prior to the issuance of the auditor's report, issue an annual report stating its opinion on the auditor's independence. This report, which shall be made available to the Shareholders' Meeting, must contain an evaluation of the potential impact on the auditor's independence of each and every one of the additional services, other than the statutory audit, both individually and globally.

This Policy was approved by the Board of Directors in November 2017.

## Policy on Selection, Appointment and Removal of Directors

The Board of Directors has approved the Selection Policy, which ensures that any proposed appointments of directors are based on a prior analysis of the Board's needs.

**Candidate selection objectives and conditions to be met by the candidates:** The selection of candidates shall be based on a prior analysis of the Board's needs, favoring gender diversity, knowledge, experience and avoiding implicit biases that may entail discrimination. Proposed candidates must be persons who are honorable, suitable and of recognized caliber, competence, experience, qualification, training, availability and commitment to their function.

**Selection process:** it shall be based on an analysis of needs, to be performed by the Appointments Committee, which shall submit its proposals to the Board of Directors. Among the candidate's merits, the profile is expected to include knowledge of the real estate industry, as well as economic, financial and technical skills, among others.

**Appointment of directors:** The proposal for appointment or re-appointment of members of the Board of Directors is the responsibility of the Appointments Committee in the case of independent directors and the Board itself in other cases.

**Obstacles to candidates for director:** The following may not be considered candidates for director:

- those subject to the prohibitions or grounds for incompatibility envisaged in the Capital Companies Law and other applicable legal provisions.
- those who sit on more than four (4) boards of directors of other companies whose shares are admitted to trading on domestic or foreign securities markets.
- those who do not meet the requirements, if any, set out in the Bylaws, regulations and other internal rules of the Company.
- those prosecuted for an alleged offense or subject to a disciplinary proceeding for serious or very serious misconduct by the supervisory authorities.
- persons who legally present any type of incompatibility because they have held senior positions in the Spanish government or positions of responsibility in the regulators of the securities markets or other industries in which the Group acts.

**Removal of directors:** directors must place their office at the disposal of the Board of Directors and formally tender their resignation where: (i) they cease to hold the executive positions, if any, to which they are linked, (ii) they are subject to any of the grounds for incompatibility or prohibition provided for by law or the corporate governance system; (iii) they are severely reprimanded by the Board of Directors; (iv) they are prosecuted for an alleged offense or they are subject to a disciplinary proceeding for a serious or very serious breach by supervisory authorities; (v) their remaining on the Board could jeopardize or adversely affect the interests of the Company.

This Selection Policy was approved by the Board of Directors in February 2016 and subsequently updated in January 2020.

## Policy on Relations with Stakeholders

MERLIN wishes to manage its activity responsibly, ensuring the achievement of objectives sustainable over time and the creation of shared value for its stakeholders against a backdrop of transparency, ethics and responsibility in business and corporate matters; all of the foregoing while ensuring strict compliance with the law and the international standards to which the Company adheres.

MERLIN's main stakeholders are its investors, employees, tenants and the surrounding communities of the active agents or organizations that are affected by the Company's activity. In addition, the business group headed by Merlin has dealings with other stakeholders on an ad hoc or periodic basis such as regulators, public authorities, analysts, suppliers and media outlets. In this connection, MERLIN:

- promotes transparency and value creation in its activities in relation to these stakeholders and maintains an ongoing relationship with them in order to identify their expectations and define the main mechanisms for responding to them;
- has defined various communication channels through which to respond to their concerns and needs and keep them informed of any significant events.

To ascertain stakeholders' expectations and needs, and offer maximum transparency, the Company carries out:

- Face-to-face meetings.
- Conferences, talks and other events.
- Corporate governance roadshows.
- Corporate website.
- Periodic reports and other corporate documents.
- Satisfaction surveys.
- Contact by phone and email.
- Communications agency.

The corporate website also contains the Rules of Conduct, which provides details of the whistleblowing mailbox ([canal.etico@merlinprop.com](mailto:canal.etico@merlinprop.com)), which is open to any third party with which the Company interacts and through which the third party can inform the Company of any suspicion of unlawful acts, corruption or bribes that come to its knowledge and affect the employees, executives and/or partners of the MERLIN Group.

Lastly, as proof of transparency, the MERLIN Group's Corporate Social Responsibility Report shall include, every year, detailed information on the Company's dealings with the stakeholders and describe the Company's economic, environmental and social performance.

The Policy shall be reviewed periodically to ensure that it reflects the best practices and recommendations in force at any time. This Policy was approved by the Board of Directors in January 2020.

## Corporate Social Responsibility Policy

The purpose of this Policy is to establish the principles that define MERLIN's actions with its stakeholders in order to ensure the responsible management of its activities. Through this Policy, MERLIN seeks:

- (i) to formalize its commitment to CSR in line with the best existing recommendations for listed companies,
- (ii) to lay the foundation for establishing relationships of trust with stakeholders and to integrate CSR into the Company's strategy, and
- (iii) to assume an exemplary role among external partners.

MERLIN wishes to manage its activity responsibly, ensuring the achievement of objectives are sustainable over time and the creation of shared value for its stakeholders;

all of the foregoing while ensuring strict compliance with the law and the international standards to which the Company adheres.

Against this backdrop, MERLIN's commitment can be none other than to achieve a sustainable return that ensures the success of its business venture and takes into account its stakeholders' interests.

In addition, this growth must be achieved without impairing the organization's environmental, energy and management system performance, while minimizing any environment impacts that may occur and firmly committing to the inclusion of sustainability in development and asset repositioning processes.

This commitment to the responsible management of activities is reflected in MERLIN's six corporate values: corporate ethics and responsibility; economic results; respect for the environment and zoning balance; objectivity and integrity; respect for human rights and asset protection.

It also aligns with the Rules of Conduct, and with other tools and policies approved by the Company, which serve as guide for pursuing its activity, such as

- Risk Control and Management Policy.
- Environmental management policy approved in the context of the management system implemented and certified according to the ISO 14001 standard.
- Policy of communication and contacts with shareholders, institutional investors and proxy advisors.
- Policy on Relationship with the Public Authorities.

This CSR Policy was approved by MERLIN's Board of Directors in February 2016 and subsequently updated in January 2020, taking effect once it was approved and shall remain in full force until any change is made to it. The Board of Directors shall, through its Committees, oversee the correct implementation of and compliance with all of the operating principles and commitments described.