FOR INFORMATION PURPOSES. SPANISH VERSION PREVAILS.

COMPENSATION POLICY FOR DIRECTORS OF MERLIN PROPERTIES, SOCIMI, S.A.

May 13, 2020

COMPENSATION POLICY FOR DIRECTORS OF MERLIN PROPERTIES, SOCIMI, S.A.

The Board of Directors of MERLIN Properties, SOCIMI, S.A. has approved the following directors' compensation policy (the "**Compensation Policy**").

1. Introduction

1.1 Compensation Policy for directors of Merlin

Legislative Royal Decree 1/2010, of July 2, 2010, approving the Revised Capital Companies Law ("**LSC**") establishes, inter alia, the need for listed companies to have a compensation policy for their directors.

This policy must be in line with the compensation system established in the Bylaws and must be approved by the Shareholders' Meeting at least every three (3) years as a separate item on the agenda.

In order to comply with the above-mentioned article, the Board of Directors of MERLIN Properties, SOCIMI, S.A. ("**Merlin**", or the "**Company**"), at the proposal of the Compensation Committee, has approved the Compensation Policy which will be submitted to the Shareholders' Meeting for a vote as a separate item on the agenda.

The proposed Compensation Policy entails amending article 38 of Merlin's Bylaws (the article regulating the director compensation system) and accordingly the new wording of the Bylaw article will be subject to a vote at the Shareholders' Meeting.

Any compensation received by the directors for the discharge or termination of their office as well as, if applicable, for the discharge of executive functions, will be in accordance with the Compensation Policy, except for any compensation that has been expressly approved by the Shareholders' Meeting of Merlin.

1.2 Merlin internal regulations relating to the Compensation Policy for directors

The compensation system applicable to members of the Board of Directors is set out in the new wording of article 38 of the Bylaws, which, as stated above, will be subject to a vote at the Shareholders' Meeting which will also vote on this Compensation Policy.

The director's compensation system is also mentioned in article 22 of the Regulations of the Board of Directors, which refers to the regulations contained in the Bylaws of Merlin and therefore requires no amendment whatsoever.

1.3 Explanation of the changes to the Compensation Policy and the preparation process

The Compensation Policy has been defined on the basis of the Compensation Committee's guidelines and with support from an external expert that has prepared a report on benchmark compensation practices, using compensation and sector data from other US/UK and European companies comparable to Merlin (SOCIMIs or Real Estate Investment Trusts – REITS), as well as non-financial IBEX companies. A benchmark report has also been requested from a different external expert on compensation bands in Spain, at IBEX 35 companies, for certain positions, including different executive positions on the board equivalent to those existing at the Company.

In this regard, the Compensation Committee coordinated the entire process, met with the executive directors to discuss the different alternatives considered, analyzed the two requested benchmarks and the data it has been necessary to prepare and, in light of all of the above, drawn up guidelines which have formed the basis for the preparation of this Compensation Policy.

Following the approval of the draft Compensation Policy by the Compensation Committee, it was submitted to the Board of Directors for approval as a prior step to its presentation so that it can be voted on at the Shareholders' Meeting.

The Board considers that this Compensation Policy contributes to the business strategy and the interests and long-term sustainability of the Company, since its parameters are fully aligned with and related to the targets that the Company has set in both the short and long term.

The main changes made with respect to the previous policy are set out below.

Firstly, it was deemed advisable to update the principles governing the previous policy, extending or further specifying them in some cases, and adding new principles in others, such as those referring to consistency with legislative developments and best practices, proportionality and alignment with the Company's financial position and market standards, the guarantee of non-discrimination on any ground, and the inclusion of the principle that compensation shall be sufficient to recognize the effort and dedication of the directors, so that it is attractive and additionally helps retain talent on the Board.

As regards the compensation levels for executive directors, the Board, based on the report by the Compensation Committee, considered it appropriate to adjust the compensation for executive directors following an initial stage of high growth and acquisitions in the Company (in which growth was extraordinary), a stage in which the compensation policy was appropriate for that exceptional growth and consistent with the principles guiding the Company when it was first listed on the stock exchange.

Accordingly, the Compensation Committee has decided to commence a new period of adjustment of the compensation of executive directors, on the terms indicated below:

(i) In the short term, a reduction is proposed in the maximum STIP for the CEO from 275% to 200% of the annual fixed compensation (and from 275% to 100% for executive directors other than the CEO and/or the chief officer), which will be determined based on quantitative metrics, with a weighting of 60% of targets, and qualitative metrics, with a weighting of 40% of targets.

In addition, the new Compensation Policy will establish more definite and specific targets than in the previous policy, providing a clearer distribution between quantitative and quantitative targets, in line with industry practices. In this context, targets are focused on reinforcing flows from operations and the dividend per share announced to the market at the start of the year, share trends over the course of the year, and aspects relating to sustainability, in a context of cost containment, fulfillment of budgets and of investment and divestment plans, and controlling leverage. These metrics will be revised, updated and altered by the Board, following a report by the Compensation Committee, in order to adapt them to the actual situation and to any targets or circumstances that may arise annually during the period of validity of the Compensation Policy, in order to best adjust to the challenges faced by the business each year.

(ii) In the long term, a reduction is proposed in the maximum LTIP for each target measurement year under said plan, and, with respect to the CEO, from 650% to 200% of the annual fixed compensation of (from 625% to 100% for executive directors other than the CEO and/or the chief officer) for each target measurement year, and linked to the achievement of a shareholder profitability target that will be assessed using the following metrics: (i) absolute TSR, relative TSR or other metric to be considered by the Compensation Committee; and (ii) return on investment measured according to EPRA NAV or other metric to be considered by the Compensation Committee.

In view of the uncertainty generated by the COVID-19 health crisis, the Compensation Committee considers that definitively setting the weightings and targets at this point in time might not be the most prudent course of action, and could lead to future changes. Consequently, the weightings and targets will be set in the coming months through a proposal that may be made to the Shareholders' Meeting and for the future Incentive Plan Regulation, once a clearer understanding is possible of the possible impacts and once it is feasible to identify realistic targets in line with the scenario that may emerge from the current situation, so as to bring the interests of shareholders, executives and the Company into line with the new context.

Furthermore, the proposal calls for the incorporation of a malus clause, which the previous policy did not envisage, in order to be able to reduce compensation still to be paid in the event any extraordinary circumstance arises that the Company wishes to be protected from. This is widespread practice at IBEX companies, since in the short term and in the long term, in 2020, 73% and 82%, respectively, of companies have such a clause.

Lastly, in the case of non-executive directors and in line with practices at comparable companies, the proposal introduces, in addition to fixed compensation, compensation in the form of fees for attending Board meetings. In order to draw up this proposal, an analysis was carried out of the total compensation for non-executive directors in a peer group made up of non-financial IBEX companies of a comparable size and other European and Spanish REITs. As a result, the compensation limit approved by the Shareholders' Meeting was increased in order to implement the update.

Additionally, a proposal is made to incorporate compensation for the non-executive chairman and to compensate the functions of the lead director, all in line with best market practices. These items had not been quantified or contemplated in the previous policy, which was somewhat inconsistent with comparable market practice.

It is also clarified that the compensation envisaged for both the chairman and for any of the directors will be subject at all times to the individual decision of the director in question, in light of the flexibility set out in the principles, who will decide whether to receive the compensation or assign it to the Company.

2. General principles of the Compensation Policy

The Compensation Policy seeks to attract, retain and ensure the commitment of the best professionals and in this way achieve the Company's long-term objectives, while incorporating the necessary safeguards to avoid excessive risk taking and rewarding poor results.

The Compensation Policy also takes into account the economic environment, the Company's results, the group's strategy, legal requirements, corporate governance recommendations and best market practices.

With that in mind, the Compensation Policy is based, in short, on the following principles and criteria:

(i) compensation decisions will take into account the principles of proportionality and the financial position of both the Company and the larger context, as well as market standards;

(ii) transparency of information on the compensation of the members of the Board of Directors;

(iii) alignment of directors' interest with the interests of shareholders, the business targets and with the creation of long-term value in Merlin.

(iv) focus on boosting the Company's profitability, prudent risk management and sustainability in the long term;

(v) compensation that is in line with the professional merit, experience, dedication and responsibility of each director and, in the case of executive directors, with compensation only relating to the performance of executive functions and not for serving on the Board;

(vi) variable but not guaranteed compensation in line with the achievement of targets related with the Company's strategic plans in both the short- and long-term and with shareholder interests, and with sufficient flexibility so as to not pay, or to partially pay, this component if the defined targets are not met;

(vii) consistency with new developments in national and international trends, recommendations, best practices and regulations as regards the compensation of directors in listed companies;

(viii) ensuring no discrimination on grounds of gender, age, culture, religion or race, and coherent with the group's sustainability targets;

(ix) sufficient compensation to reward the directors' qualification, dedication and responsibility, to attract and retain talent on the Board of Directors.

Section One
Compensation structure for non-executive directors

3. Compensation structure for non-executive directors (independent, nominee or other non-executive directors)

The compensation structure for non-executive directors (independent, nominee or other non-executive directors) is as follows:

(i) Chairman (non-executive) of the Board of Directors: Fixed compensation of €450,000 gross per year.

(ii) Director: Fixed compensation of €100,000 gross per year, plus fees for attending Board meetings in the amount of €2,000 gross per meeting.

(iii) Lead independent director: Fixed compensation of €35,000 gross per year.

(iv) Committee membership:

(a) Fixed compensation of €35,000 gross per year for each director sitting on the Audit and Control Committee.

(b) Fixed compensation of €10,000 gross per year for each director sitting on the Compensation Committee.

(c) Fixed compensation of €10,000 gross per year for each director sitting on the Nomination Committee.

(d) Fixed compensation of €5,000 per year for the chairpersons of each committee.

Adding compensation based on attendance fees will require amending article 38 of Merlin's Bylaws (the article regulating the directors' compensation system), given that said article only envisaged compensation through a fixed amount. Said amendment will be subject to a vote at the Shareholders' Meeting which will also vote on this Compensation Policy.

Each amount remunerates each office held by a director, which are added up according to the different offices held to form the directors' total compensation (office of director and, as appropriate, committee chairmanship or membership) except in the case of compensation of the non-executive chairman of the Board of Directors, for whom the chairman's fees absorb all the compensation items for the functions performed (office of director, function of Board chairman, committee membership or chairmanship, as the case may be).

If a non-executive director is appointed, removed or tenders his or her resignation during the year, whether as director, chairman of the Board, coordinating director, member of a committee or as committee chairman, the amounts assigned in each case will be prorated according to the time that the director held such office or offices during the year.

Any director may, at his/her discretion, waive all or part of the compensation in favor of the Company.

All the foregoing amounts will be payable in cash to non-executive directors, with the Company making all pertinent personal income tax withholdings on payments in cash and in kind, social security contributions or identical or substantially similar taxes that may apply.

For the purposes of article 529 septdecies LSC, when this Compensation Policy is submitted for the approval of the Shareholders' Meeting, the new maximum limit to be paid to non-executive directors will also be submitted to a vote at that same meeting. In this regard, it is proposed to set the maximum annual limit that Merlin may pay to the entire group of non-executive directors (independent, nominee or other non-executive directors), for the office of director, at two million six hundred thousand euros (€2,600,000) gross per year. Once this amount is approved, it will remain in force until the Shareholders' Meeting resolves to change it.

The above regulation would modify the provisions applicable to non-executive directors up to December 31, 2019, and is subject to the approval of the Compensation Policy.

Section Two
Compensation structure for executive directors

4. Compensation structure for executive directors

Members of the Board of Directors with executive functions are entitled to receive compensation for the discharge of such functions, made up of the following elements:

a) fixed annual compensation (the "**Fixed Compensation**"), life and health insurance benefits (the "**Welfare Component**") and consideration for non-compete undertakings (the "**Non-compete Undertaking**");

b) a short-term cash incentive plan (the "**STIP for Executive Directors**"), payable 100% in cash;

c) a long-term incentive plan, payable 100% in shares of the Company, except in certain exceptional cases (the "**LTIP**"); and

d) severance for removal (the "**Severance**"), payable 100% in cash.

In accordance with the Bylaws, executive directors do not receive the compensation provided for in section 3, as they are not non-executive directors.

Decisions regarding compensation of executive directors will take into account the principles of proportionality and the financial position of both the Company and the larger context, as well as market standards.

By way of clarification, executive directors retain their rights to deferred compensation corresponding to periods prior to January 1, 2020, in the terms established in the applicable policies.

4.1 Fixed Compensation

The annual Fixed Compensation for each executive director during the period of validity of the Compensation Policy will be one million euros (€1,000,000.00) gross per year.

This compensation is deemed to refer to a complete year. Accordingly, if the executive director vacates his/her office on a date other than the start or the end of the year, he/she will receive the amounts actually accrued, in proportion to the time worked in that year.

Under the Compensation Policy, said compensation will not be updated during the period in which the Compensation Policy is in force, except where extraordinary circumstances so warrant in order to attract or retain talent on the Board. In this case, the Compensation Committee, subject to the pertinent analyses or studies, will propose to the Board and, as the case may be, the Shareholders' Meeting, the changes deemed appropriate.

4.2 Short-term cash incentive plan (the "STIP for Executive Directors")

Executive directors will be entitled to receive variable compensation in cash for the provision of their services, according to the following terms:

4.2.1 Amount of the STIP for Executive Directors

The STIP for Executive Directors will be determined annually by the Board of Directors, subject to a report by the Compensation Committee, after evaluating the achievement of the targets set at the beginning of the year to which the STIP for Executive Directors refers. If the executive directors meet their Targets (as this term is defined below), they may receive the STIP for Executive Directors, up to a gross maximum of:

(i) up to 200%, in the case of the CEO and/or the chief officer; or

(ii) up to 100%, in the case of any other executive director (other than the CEO and/or the chief officer),

in both cases, of the Fixed Compensation corresponding to the year of measurement.

The Board will determine the amount to be received by each executive director, within the maximum stipulated. When determining this amount, the Board, at a proposal from the Compensation Committee, will take into consideration, in addition to whether achievement of the Targets was partial or total, the degree of difficulty entailed in achieving the Targets based on the market circumstances and larger context.

In the event that extraordinary circumstances arise that warrant a STIP for Executive Directors being recognized for executive directors in the fiscal year being assessed that is higher than the indicated thresholds, at the proposal of the Compensation Committee, and if approved by the Board, it will be submitted to the Shareholders' Meeting for approval.

4.2.2 Criteria for assessing the STIP for Executive Directors

(i) In order to analyze the suitability of the proposed amount of the STIP for Executive Directors, the Compensation Committee will assess:

(a) The degree of achievement of the quantitative targets established for the year in question, which will relate to compliance with the main budget metrics, such as, by way of example, the following (which are those considered applicable for 2020):

- Forecast distribution of dividends, announced to the market by the executive team during the first quarter of the fiscal year being assessed.

- Forecast funds from operations ("FFO") per share announced to the market by the executive team during the first quarter of the fiscal year being assessed.

- Fulfillment of the degree of leverage defined by the Board of Directors at the start of the fiscal year being assessed.

- Fulfillment of the investment and divestment plan defined by the Board of Directors at the start of the fiscal year being assessed.

- Maintenance of overheads within the limit set by the Board of Directors for the fiscal year being assessed.

- Fulfillment of the budget for the year

- Share performance in the year

Quantitative targets will have a weighting of 60%.

(b) The degree of achievement of the qualitative targets such as, by way of example, the following (which are those considered applicable for 2020):

- Evaluation of performance in the year under analysis of each of the directors, carried out by the Board of Directors, and taking into account aspects such as commitment, leadership on the Board, the relation with the Board of Directors and with investors, and other matters usually considered in director evaluations.

- Maintenance or improvement in the position obtained in the Global Real Estate Sustainability Benchmark (GRESB) index.

- Evaluation of the potential impact of external factors on the achievement of targets, such as particularly unfavorable market conditions, the international environment or other similar factors.

Qualitative targets will have a weighting of 40%.

The aforementioned quantitative and quantitative targets refer to potential targets to be taken into consideration for 2020, and may or may not be used. At the beginning of the year, the Compensation Committee will select and propose those considered most appropriate for the year underway, based on the challenges facing the business, as well as the weighting for each target. Accordingly, fewer targets may be proposed within each category than listed above.

(ii) Procedure for setting targets each year:

(a) At the beginning of each year, the Board of Directors may, following a report by the Compensation Committee, specify or modify the quantitative and qualitative targets applicable for the year under way, and may adapt or modify the specific weights and parameters applying to the aforecited examples, to bring them into line with new challenges arising in the Company.

(b) At year end, following receipt of the supporting deemed appropriate in order to carry out its assessment and proposal, the Compensation Committee will inform the Board of Directors of its assessment of the degree of achievement of the established targets obtained in the year, and will submit the proposed accrued STIP for Executive Directors, in accordance with the rules set out above.

Once reported on, the proposed accrued STIP for Executive Directors will be submitted to the Board of Directors for approval. The Board of Directors may either approve or reject the proposal received from the Compensation Committee.

If the proposal is approved, the incentive will be paid in accordance with section 4.2.3. If it is rejected, the Board of Directors:

(a) must place on record the aspects that led to the rejection, for the purposes of allowing a new proposal to be received from the Compensation Committee; or, alternatively

(b) the Board of Directors will establish the amount of the STIP for Executive Directors, as well as its distribution.

4.2.3 Payment of the STIP for Executive Directors

Subject to the provisions of section 5:

(i) The right of each executive director will vest and said director will receive 50% of the STIP for Executive Directors corresponding to him/her (the "**Upfront STIP**") in cash on the date that the STIP for Executive Directors is approved by the Board of Directors (the "**STIP Approval Date**"). The STIP Approval Date will normally coincide with the date of preparation of the financial statements for the fiscal year to which the STIP for Executive Directors refers.

(ii) The remaining 50% of the STIP for Executive Directors corresponding to said director (the "**Deferred STIP**") will vest and be received in accordance with the following timeline:

(a) the right of each executive director will vest and said director will receive in cash, 25% of the STIP for Executive Directors corresponding to him/her on the date of the first anniversary of the STIP Approval Date;

(b) the right of each executive director will vest and said director will receive in cash, 25% of the STIP for Executive Directors corresponding to him/her on the date of the second anniversary of the STIP Approval Date;

In order to receive the amount of the corresponding Deferred STIP, the executive director must remain in office on the corresponding vesting and payment date, all in the terms detailed in section 5 below.

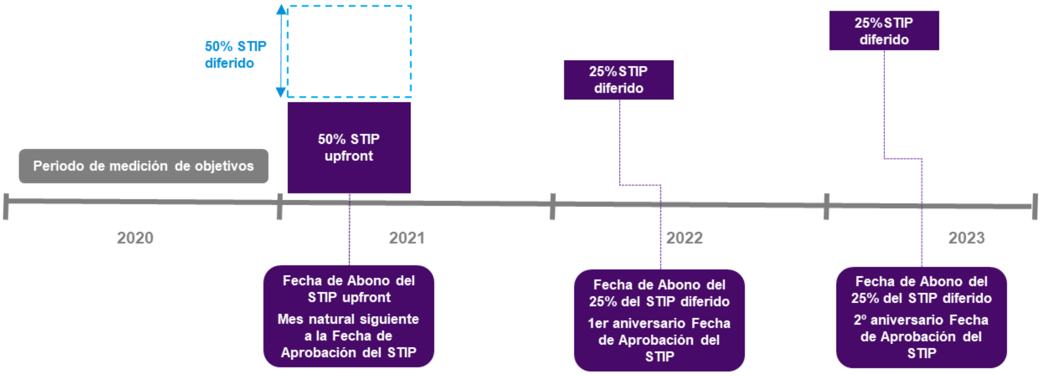
(iii) The STIP for Executive Directors will be paid in cash, once all pertinent personal income tax withholdings on payments in cash and in kind, social security contributions or identical or substantially similar taxes that may apply have been paid.

(a) With respect to the Upfront STIP, jointly with the amount of the

Fixed Compensation paid in the calendar month following that of the STIP Approval Date ("**Upfront STIP Payment Date**").

(b) With respect to the Deferred STIP, on the business day following the date of the respective anniversary of the STIP Approval Date (the "**Deferred STIP Payment Date**").

The following timeline shows how the STIP for Executive Directors is vested and paid (using the year 2020 as an example and assuming that the targets are defined for the entire year following approval of the policy):



Under no circumstances will the STIP for the Executive Directors be automatically received, nor can it be consolidated in the executive director's fixed compensation. The Company will make the pertinent personal income tax withholdings on payments in cash and in kind, social security contributions or identical or substantially similar taxes that may apply.

4.3 Long-term incentive plan

Executive directors may receive a long-term incentive structured as part of a variable compensation plan whereby its Beneficiaries (as this term is defined below) may be entitled to receive a certain number of shares in the Company (or in cash in exceptional cases) once a pre-determined time period has elapsed, and provided that they meet certain pre-established targets (the "**LTIP**").

The beneficiaries of the LTIP may be the executive directors, members of the executive and management team and other personnel whom the Board of Directors, following a report by the Compensation Committee, has formally decided to include in the system ("**Beneficiaries**"). At the start of the plan, an independent expert will assess the suitability and market levels of the LTIP beneficiaries.

The maximum gross amount of the LTIP corresponding to the executive directors will be:

(i) up to 200% of the Fixed Compensation, for each year in the LTIP measurement period, in the case of the CEO and/or the chief officer; or

(ii) up to 100% of the Fixed Compensation, for each year in the LTIP measurement period, in the case of executive directors (other than the CEO and/or the chief officer).

The LTIP will be carried out, following a report by the Compensation Committee and with the approval of the Board of Directors, and must be subject to approval, as the case may be, by the Shareholders' Meeting.

The Shareholders' Meeting resolution on the LTIP must indicate:

(i) the measurement period, in which measurements are taken to determine whether or not the conditions are met to trigger entitlement to the LTIP;

(ii) the indicators, parameters or criteria determining whether or not an individual is entitled to the LTIP;

(iii) form of calculation and thresholds for measuring the obtainment of the LTIP;

(iv) delivery date(s);

(v) the number of shares linked to the LTIP for executive directors; and

(vi) any additional information that may be legally required or that the Board of Directors considers appropriate to submit to the Shareholders' Meeting for the implementation of the LTIP.

Details of each of these items and their measurement and payment method will be set out in the LTIP regulations approved by the Board of Directors, developing the terms approved by the Shareholders' Meeting.

4.4 Severance for removal

As part of their provisions, and in addition to the above, the contracts currently signed with executive directors provide for severance (independent and cumulative with respect to the scenarios contained in section 5 below) in the event of the termination of their relationship with the Company as a result of:

(i) the removal of the executive director (from his/her office of director or executive director) without cause. Cause shall be deemed to exist where such removal is due to: (a) a serious breach or infringement of the legal duties and obligations incumbent on them; or (b) any act or omission that causes serious damage to the Company, provided, in both cases, that the existence of such ground is declared by a competent court; or

(ii) his/her resignation due to a material modification of the working conditions of the executive director that has a notably detrimental effect on his/her professional training or dignity, or that is decided upon in gross breach of good faith by the Company. Otherwise, the approval of future policies that are economically less favorable or that do not contemplate variable compensation similar to the STIP of Executive Directors or the LTIP or any future decision by the Company not to approve long-term incentive plans similar to the LTIP will not constitute a material modification for these purposes;

(iii) his/her resignation due to a change of control (where change of control is understood on the terms regulated in tender offer legislation), provided that the termination of the relationship takes place within the three months following the change of control.

Executive directors would be entitled to receive as severance, provided the payment thereof does not jeopardize the solvency of the Company:

(i) in cases (i) and (ii), an amount equal to the result of multiplying the Fixed Compensation and the STIP for Executive Directors granted to the executive director in the twelve (12) months prior to the termination by two; and

(ii) in case (iii), an amount equal to one time the sum of the Fixed Compensation and the STIP for Executive Directors granted to the executive director in the twelve (12) months prior to the termination.

Of the above amounts, an amount equal to six (6) months' Fixed Compensation will be paid as compensation for the non-compete undertaking referred to in section 4.6 below.

This severance will be received in addition to the amounts deriving from the cases envisaged in section 5 below and will be paid in cash, with the Company making all pertinent personal income tax withholdings on payments in cash and in kind, social security contributions or identical or substantially similar taxes that may apply.

The payment of the severance for termination of the contract, where appropriate, will be withheld until the Company has been able to verify that the director has met the performance criteria established in the different elements of the compensation package, as the time horizon of these elements is different, and, accordingly, said period will be assessed and determined when the severance to be paid is determined.

Once this calculation has been performed and it has been verified that the targets for the STIP for Executive Directors have been adequately achieved, the Company will pay, together with the resulting STIP, the severance to which the executive director is entitled.

4.5 Welfare Component

The Company will arrange (i) an insurance policy against death or permanent incapacity to any degree, the beneficiary of which will be the executive director and/or the persons he/she designates in the event of death, as well as (ii) medical insurance, with global healthcare coverage and with a top-tier insurer, which will include as beneficiaries the executive director and his/her spouse and dependent children. The insurance premiums will amount to a maximum of €14,000 per year (per executive director), and this amount will be reviewed on an annual basis, in line with the prevailing circumstances and the habitual current parameters for this type of insurance.

4.6 Non-compete undertaking

Each executive director will be subject to a non-compete undertaking for a period of six months as from the date of termination of their relationship as director or executive director (the "**Non-compete Undertaking**").

The Non-compete Undertaking will be remunerated with a gross amount equal to six months' annual Fixed Compensation (the "**Non-compete Compensation**") and the scope thereof will be specifically regulated in each executive director's contract.

Where the ground for termination entitles the executive director to receive the severance referred to in section 4.4 above, an amount equal to six (6) months of the annual Fixed Compensation of such severance will be paid as Non-compete Compensation.

In all other cases, the Company will pay the executive director the Non-compete Compensation on a pro rata basis during the months of the Non-compete Undertaking.

5. Consequences in the STIP for Executive Directors deriving from specific situations

The right to the STIP for Executive Directors and payment thereof will be subject to the following particular rules, in the specific situations indicated, in the understanding that any rights executive directors may have in the STIP for Executive Directors will be compatible with and paid additionally to the severance for removal governing in section 4.4 of the Compensation Policy.

Special Circumstances	Consequences for the STIP for Executive Directors
Termination of the relationship at the Company's request for an admissible reason	Executive directors will receive no amounts whatsoever of any Deferred STIP (that is, STIPs whose measurement period has ended but where the rights thereto had not vested or where pending payment at the date of termination of the relationship).

Termination of the relationship at the Company's request without cause or in an inadmissible manner	Executive directors will retain the right to receive 100% of the Deferred STIP as well as the proportional part of the STIP for Executive Directors for the year in which the relationship is terminated (in this latter case, the percentage of the STIP for Executive Directors corresponding to the director will be equal to the percentage of STIP for Executive Directors that corresponded to him/her in the last year). The amount corresponding to the Deferred STIPs will be paid on the date of termination of the relationship. The amount of the STIP for Executive Directors for the current year will be paid on the Upfront STIP Payment Date.
Termination of the relationship due to retirement, death or permanent incapacity	Executive directors, or their successors in title, will be entitled to early receipt of 100% of the Deferred STIPs pending payment, as well as the proportional part of the STIP for Executive Directors for the year in which the relationship with the Company is terminated (in this latter case, the percentage of the STIP for Executive Directors corresponding to the director will be equal to the percentage of STIP for Executive Directors that corresponded to him/her in the last year, pro rata for the time elapsing in the year in question). These amounts will be payable immediately on termination of the relationship, except for the amount of the STIP for Executive Directors for the current year, which will be paid on the Upfront STIP Payment Date.
Termination of the relationship due to: (i) voluntary redundancy or (ii) resignation	Executive directors will receive no amounts whatsoever for any Deferred STIP that has not yet vested and/or been paid at the date of termination of the relationship.
Termination due to change of control (at the decision of the executive or of the Company)	Executive directors will be entitled to early receipt of 100% of the Deferred STIP at the date of Change of Control, as well as the proportional part (according to the months elapsed) of the STIP for Executive Directors for the year in which the Change of Control occurs. In this latter case, the percentage of the STIP for Executive Directors corresponding to the director will be equal to the percentage of STIP for Executive Directors that corresponded to him/her in the last year (pro rata to the number of months elapsed). The Deferred STIP will be payable immediately on Change of Control and the proportional part of the STIP for Executive Directors for the year in which the Change of Control occurs on the date of preparation of the financial statements for the year.

Additionally, if an executive director does not retire on reaching Retirement age (understanding "Retirement" to be the date on which the executive director turns 65) and remains at the Company, he/she will be automatically excluded as from that date from the current STIP for Executive Directors, thereby forfeiting any right or any expectation of right thereto.

In the case of the LTIP, the special payment conditions linked to the triggering of the specific situations described above will be set out in the LTIP regulations.

6. Malus clause reducing variable incentives of executive directors

In the event that, before an executive director is paid any amounts in respect of the STIP for Executive Directors or LTIP vested pursuant to the preceding sections, the events or circumstances indicated below arise, the Board of Directors, at the proposal of the Compensation Committee, may reduce by the percentage it sees fit, or even cancel, the executive director's right to both the STIP for Executive Directors and the LTIP.

The situations that may give rise to a reduction in or the loss of the right to receive the STIP for Executive Directors or LTIP are as follows:

(i) Any event or circumstance that results in a material alteration or change in the financial statements, results, or economic or other figures on which the variable compensation in question was based, such that the figures do not faithfully reflect the Company's position or performance, those of the executive director's area of responsibility or his/her actual performance, regardless of whether or not the executive director had any kind of liability in such event or circumstance.

(ii) A restatement of the financial statements of the Company or of other companies in the Group that does not stem from a regulatory change or a revision of the accounting legislation and where it is so determined by the external auditors of the Company, and provided that the restatement results in variable compensation to be settled that is lower than that initially accrued or no compensation should have been paid in accordance with the Company's variable compensation system.

(iii) Existence of alterations or inaccuracies in the business figures that were relevant for the purposes of the STIP for Executive Directors or LTIP and are confirmed by the Company's external auditors.

(iv) Removal of the executive director for irregular conduct, fraud, gross breaches or violations of his/her obligations as a director or of his/her statutory obligations, where such conduct has been confirmed by a final court ruling.

For these purposes, the Compensation Committee will compare the performance evaluation carried out for the director with the subsequent performance of some of the variables which contributed to the attainment of targets. Malus clauses will apply to any variable component of the compensation included in the Compensation Policy that has yet to be paid, and that relates to the year in which the event triggering the application of the clause arose, and will be in effect during the deferral period.

In any event, the variable compensation will be paid or vested only if it is sustainable in accordance with the Company's overall financial position.

It will fall to the Board of Directors of the Company, following a report by the Compensation Committee, to determine whether the circumstances have arisen that trigger the application of the malus clauses to variable compensation, in the cases that they affect and, if so, according to the degree of fulfillment of such conditions, the variable compensation that should be reduced and the manner in which it should take place.

7. Clawback clause for recovering variable incentives of executive directors

If, during the two (2) years following the payment of the STIP for Executive Directors or the LTIP:

(a) a serious penalty is imposed on the Company by the National Securities Market Commission (CNMV) for facts related to the discharge of the functions of an executive director at the Company; or

(b) there is a material restatement of the Company's financial statements for a reason attributable to one or more executive directors or senior managers and unless the restatement is caused by a change to the applicable accounting standards; in these cases provided that they temporarily relate to one or more of the years taken into consideration to determine the STIP for Executive Directors or LTIP; or

(c) the executive director is removed for irregular conduct, fraud, gross breaches or violations of his/her obligations as a director or of his/her statutory obligations, where such conduct has been confirmed by a final court ruling,

Merlin may demand that the executive director in question return up to 100%, net of tax, of the amounts received by said executive director under the STIP for Executive Directors or the LTIP.

It will fall to the Board of Directors of the Company, following a report by the Compensation Committee, to determine whether the circumstances have arisen that trigger the application of the clawback clauses to variable compensation, in the cases that they affect and, if so, the manner in which it should take place.

8. Other relevant terms of executive director contracts

8.1 Term: Contracts with executive directors are for an indefinite term.

8.2 Advance notice period: It is established that both parties must respect an advance notice period of four (4) months in the event of termination of the contract, except in the case of removal from the office of director due to a breach of duty, the performance of any act or omission that causes damage to the Company, or the presence of the necessary circumstances for the Company to bring a company action for liability against the director. Failure to observe the advance notice requirement will give rise to the obligation to indemnify the other party in an amount equal to the advance notice period not observed, and the director authorizes the Company to deduct any amount that may apply in this connection from the settlement of amounts in his or her favor.

8.3 Severance pay for removal: These terms are described in section 4.4 of the Compensation Policy.

9. Other

The directors form part, as insureds, of the civil liability policy for directors and executives arranged by Merlin, on the normal market terms and conditions.

10. Addition of new executive directors

The compensation system and the basic contractual conditions described above must be reviewed as regards any new executive director joining the Board of Directors during the period of validity of the Compensation Policy.

In this connection, annual fixed compensation commensurate with the functions performed by the new executive director and considering the competitive environment, will be established by means of a resolution of the Board of Directors, and the rest of the elements of the compensation system set out in the Compensation Policy will also apply.

In addition, new executive directors will be required, during the period they hold such office, to hold Merlin shares the market value of which (on the date of incorporation) is equal to three (3) years' Fixed Compensation, and must meet such requirement before the first anniversary of their appointment.

The current executive directors comply with this obligation at the date of the Compensation Policy.

11. Application of the Compensation Policy

Notwithstanding the provisions of the LSC on compensation policies for directors, the Compensation Committee may periodically review the general principles of the Compensation Policy, as the party responsible for overseeing its application, in accordance with article 45 of the Bylaws of Merlin. For such purpose, the Compensation Committee shall include or, as the case may be, propose any amendments, adaptations, implementing provisions or regulatory criteria deemed appropriate.

12. Term of the Compensation Policy

Notwithstanding the provisions of the LSC on compensation policies for Board members, the policies and procedures contained in this document will be valid in (and for the entirety of) the year in which they are approved by the Shareholders' Meeting (that is, from January 1, 2020) and in the following two fiscal years (2021 and 2022), unless the provisions of article 529 novodecies, subarticle 4 of the LSC are applicable beforehand.