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**REPORT FROM THE BOARD OF DIRECTORS OF MERLIN PROPERTIES, SOCIMI, S.A. ON THE PROPOSAL TO AMEND THE BYLAWS AS REFERRED TO IN ITEM NINE ON THE AGENDA OF THE ANNUAL SHAREHOLDERS' MEETING CALLED FOR APRIL 26 AND 27, 2021, ON FIRST AND SECOND CALL, RESPECTIVELY**

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**1. Introduction**

The Board of Directors of MERLIN Properties, SOCIMI, S.A. (the "**Company**") has issued this report in order to justify the proposed amendment of the Company bylaws (the "**Bylaws**") which is submitted to the Shareholders' Meeting for approval under item nine on the agenda. For all appropriate purposes, this report also includes the full wording of the proposed amendments.

In order to facilitate the shareholders' understanding of the changes giving rise to these proposals, this report provides an explanation of the aim and justification of the amendments, followed by the proposed resolutions submitted to the Shareholders' Meeting for approval.

Lastly, in order to facilitate the comparison between the proposed new wording of the articles to be amended and their current wording, a text highlighting the proposed changes to be made to the current wording is included as an **Exhibit** to this report.

**2. Justification for the proposed resolution**

The proposed amendments to the Company's Bylaws fall within the context, in general, of the Company's ongoing process of reviewing and updating its internal corporate governance regulations.

In general, the purpose of these amendments is to:

- a) expressly include the possibility of calling Shareholders' Meetings to be held exclusively through electronic means (that is, without the physical presence of shareholders or their proxy-holders), provided this is so permitted by the applicable legislation in force at any given time); and
- b) to simplify the content of the article concerning the functions of the Board of Directors by making reference to the Regulations of the Board of Directors as regards non-delegable matters falling to the Board.

**3. Structure of the amendment**

The amendments would be structured in the following groups:

- a) Amendment of article 22 of the Bylaws ("Meeting venue and time") to include the possibility of calling Shareholders' Meetings to be held exclusively through electronic means (that is, without the physical presence of shareholders or their proxy-holders).

- b) Amendment of article 34 of the Bylaws (“Functions of the Board of Directors”) to simplify its content by making reference to the Regulations of the Board of Directors as regards non-delegable matters falling to the Board.

#### 4. Proposed resolution

There follows a literal transcription of the full text of the proposed new wording that is submitted to the Shareholders’ Meeting for approval:

**Amendment of article 22 of the Bylaws (“Meeting venue and time”) to include wording whereby Shareholders’ Meetings may be held exclusively through electronic means.**

#### PROPOSED RESOLUTION:

*“To amend article 22 of the Bylaws (“Meeting venue and time”) to read as follows:*

#### **ARTICLE 22. MEETING VENUE AND TIME**

1. *Shareholders’ meetings shall be held in the place and on the date indicated in the call notice, within the municipality in which the registered office is located.*
2. *Remote attendance at the shareholders’ meeting by simultaneous telematic means and electronic distance voting during the meeting may be admitted if so established in the shareholders’ meeting regulations, subject to fulfillment of the requirements provided for therein.*

*In such case, the shareholders’ meeting regulations may attribute to the board of directors the power to determine, having regard to the state of the art, when the appropriate conditions of security and simplicity permit, with the due guarantees, remote attendance at the shareholders’ meeting by simultaneous telematic means and electronic distance voting during the meeting. The shareholders’ meeting regulations may also attribute to the board of directors the regulation, in observance of the law, the bylaws and the shareholders’ meeting regulations, of all necessary procedural aspects, including, among other matters, the minimum period in advance that the connection must be established in order to consider the shareholder to be present, the applicable procedure and rules to ensure that shareholders attending remotely can exercise their rights, the ID requirements to be met by those attending remotely, and their influence on the system of drawing up the list of attendees.*

3. *The shareholders’ meeting, provided there is just cause to do so, may resolve on its extension over one or more consecutive days, at the proposal of its chairman, of the majority of directors attending the meeting or at the request of a number of shareholders representing at least one quarter (1/4) of the share capital present at the meeting. Regardless of the number of sessions, the shareholders’ meeting shall be considered a single meeting and a single set of minutes shall be drawn up for all sessions. Accordingly, it shall not be necessary to reiterate the fulfillment of the requirements provided for in the law or in the bylaws for its valid constitution in successive sessions. The shareholders’ meeting may also be*

*temporarily suspended in the scenarios and manner provided for in the shareholders' meeting regulations.*

4. *Where so permitted under the law in force at any time and in the conditions established by law, shareholders' meetings may be called to be held exclusively through electronic means, without the physical attendance of shareholders or their proxies.*

**Amendment of article 34 of the Bylaws ("Functions of the Board of Directors") to simplify its content by making reference to the Regulations of the Board of Directors as regards non-delegable matters falling to the Board.**

**PROPOSED RESOLUTION:**

*"To amend article 34 of the Bylaws ("Functions of the Board of Directors") to read as follows:*

**ARTICLE 34. FUNCTIONS OF THE BOARD OF DIRECTORS**

1. *The board of directors has the broadest powers to manage the Company and, save with respect to the matters reserved to the shareholders' meeting, is the supreme decision-making body of the Company, with the authority to do and perform all things comprising the corporate purpose.*

2. *The representation of the Company in and out of court falls to the board of directors, acting as a collective body. The board may also confer the power to represent the Company on persons who are not directors by means of a power of attorney containing a specific list of the powers conferred.*

3. *The secretary and, as the case may be, the deputy secretary of the board of directors, has the necessary powers of representation to request the notarization and registration of the resolutions of the shareholders' meeting and of the board of directors.*

4. *In all cases, the board shall assume, on a non-delegable basis, any powers legally reserved for its direct consideration, as well as any other powers necessary for the responsible exercise of its general supervisory function and those specified in the Regulations of the Board of Directors, at any given time, as non-delegable matters.*

5. *The board shall discharge its functions independently of the management of the Company and shall be guided by the general interest of the Company.*

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Madrid, March 24, 2021

**Exhibit**  
**TEXT HIGHLIGHTING THE PROPOSED CHANGES TO BE MADE TO THE**  
**CURRENT WORDING**

**ARTICLE 22. MEETING VENUE AND TIME**

1. Shareholders' meetings shall be held in the place and on the date indicated in the call notice, within the municipality in which the registered office is located.
2. Remote attendance at the shareholders' meeting by simultaneous telematic means and electronic distance voting during the meeting may be admitted if so established in the shareholders' meeting regulations, subject to fulfillment of the requirements provided for therein.

In such case, the shareholders' meeting regulations may attribute to the board of directors the power to determine, having regard to the state of the art, when the appropriate conditions of security and simplicity permit, with the due guarantees, remote attendance at the shareholders' meeting by simultaneous telematic means and electronic distance voting during the meeting. The shareholders' meeting regulations may also attribute to the board of directors the regulation, in observance of the law, the bylaws and the shareholders' meeting regulations, of all necessary procedural aspects, including, among other matters, the minimum period in advance that the connection must be established in order to consider the shareholder to be present, the applicable procedure and rules to ensure that shareholders attending remotely can exercise their rights, the ID requirements to be met by those attending remotely, and their influence on the system of drawing up the list of attendees.

3. The shareholders' meeting, provided there is just cause to do so, may resolve on its extension over one or more consecutive days, at the proposal of its chairman, of the majority of directors attending the meeting or at the request of a number of shareholders representing at least one quarter (1/4) of the share capital present at the meeting. Regardless of the number of sessions, the shareholders' meeting shall be considered a single meeting and a single set of minutes shall be drawn up for all sessions. Accordingly, it shall not be necessary to reiterate the fulfillment of the requirements provided for in the law or in the bylaws for its valid constitution in successive sessions. The shareholders' meeting may also be temporarily suspended in the scenarios and manner provided for in the shareholders' meeting regulations.
4. Where so permitted under the law in force at any time and in the conditions established by law, shareholders' meetings may be called to be held exclusively through electronic means, without the physical attendance of shareholders or their proxies.

**ARTICLE 34. FUNCTIONS OF THE BOARD OF DIRECTORS**

1. The board of directors has the broadest powers to manage the Company and, save with respect to the matters reserved to the shareholders' meeting, is the supreme decision-making body of the Company, with the authority to do and perform all

things comprising the corporate purpose.

2. The representation of the Company in and out of court falls to the board of directors, acting as a collective body. The board may also confer the power to represent the Company on persons who are not directors by means of a power of attorney containing a specific list of the powers conferred.
3. The secretary and, as the case may be, the deputy secretary of the board of directors, has the necessary powers of representation to request the notarization and registration of the resolutions of the shareholders' meeting and of the board of directors.
4. In all cases, the board shall assume, on a non-delegable basis, any powers legally reserved for its direct consideration, as well as any other powers necessary for the responsible exercise of its general supervisory function and those specified in the Regulations of the Board of Directors, at any given time, as non-delegable matters. ~~In particular, and without limitation, the non-delegable powers of the board are as follows:~~

~~(a) to prepare the financial statements, the directors' report and proposed distribution of income or allocation of loss, as well as the consolidated financial statements and consolidated directors' report, as applicable;~~

~~(b) to prepare the annual corporate governance report for its submission to the shareholders' meeting and the report on directors' compensation;~~

~~(c) to call the shareholders' meeting and publish notices relating to same;~~

~~(d) to execute the Company's treasury stock policy in the context of the authorizations of the shareholders' meeting;~~

~~(e) to establish the dividend policy, proposing the relevant resolutions to the shareholders' meeting as regards application of income, and with the authority to resolve on the payment of interim dividends;~~

~~(f) to appoint directors by co-option and submit proposals to the shareholders' meeting relating to the appointment, ratification, re-appointment or removal of directors following a proposal by the appointments committee in the case of independent directors or following a report by said committee in the case of the rest of the directors, as well as acknowledge the resignation of directors;~~

~~(g) to designate and renew the internal offices on the board of directors and committee members;~~

~~(h) to make declarations regarding any tender offer made for the securities issued by the Company;~~

~~(i) to delegate powers to any of its members on the terms established in the law and in the bylaws, and revoke such powers;~~

~~(j) to perform the annual evaluation of the board, its chairman (following a report by the appointments committee) and its committees;~~

~~(k) to create or acquire holdings in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens, and perform any other transactions or operations of a similar nature which, due to their complexity, could diminish the transparency of the group.~~

~~(l) to approve:~~

~~(a) the general policies and strategies of the Company and, in particular:~~

- ~~i. the strategic plans, management objectives and annual budget;~~

- ~~ii. the definition of the structure of the group of companies of which the Company is the parent;~~

- ~~iii. the corporate governance policy;~~

~~iv. the corporate social responsibility policy;~~

~~v. the compensation policy for directors (for approval by the shareholders' meeting) and senior executives;~~

~~vi. the dividend and treasury stock policy;~~

~~vii. the general risk policy;~~

~~viii. the risk control and management policy, as well as the periodic monitoring of the internal reporting and control systems;~~

~~(b) the following decisions:~~

~~i. at the proposal of the chairman of the board of directors, the appointment and potential removal of senior executives, as well as their basic contractual conditions;~~

~~ii. the compensation of the directors and senior executives;~~

~~iii. the periodic evaluation of the performance of the chairman of the board of directors, following a report by the appointments committee;~~

~~iv. the periodic evaluation of the functioning of the board of directors and its committees, following a report by the appointments committee;~~

~~v. the periodic evaluation of the performance of the directors and senior executives of the Company, following a report by the appointments committee;~~

~~vi. the financial information to be published periodically by the Company;~~

~~vii. the investments, divestments or transactions of any kind which, given their high amount or special characteristics, are strategic in nature, save where their approval falls to the shareholders' meeting.~~

~~(c) The transactions performed, directly or indirectly, with directors, with significant shareholders or shareholders represented on the board or with persons related to them, save in those cases in which the decision~~

~~is attributed to the shareholders' meeting. Notwithstanding, this authorization of the board shall not be deemed necessary in related-party transactions when the following three conditions are met simultaneously:~~

~~i. when they are performed under contracts with standard conditions that are applied en masse to many clients;~~

~~ii. when they are performed at prices or rates established in general by whoever acts as provider of the good or service in question; and~~

~~iii. when the amount thereof does not exceed one percent (1%) of the annual income of the Company.~~

~~The board shall approve the transactions envisaged under this letter (c) with the favorable report of the audit and control committee; and, the directors affected, in addition to neither exercising nor delegating their right to vote, shall leave the meeting room while the board deliberates and votes on the transaction.~~

~~(m) to gather any additional information deemed necessary on matters falling to the board, addressing requests to the chairman or secretary of the board, unless the bylaws or board regulations stipulate otherwise;~~

~~(n) to approve and amend the board regulations; and~~

~~(o) any other matter reserved to the plenary session of the board pursuant to the law or the board regulations.~~

5. The board shall discharge its functions independently of the management of the Company and shall be guided by the general interest of the Company.