

FOR INFORMATION PURPOSES. SPANISH VERSION PREVAILS

**REGULATIONS OF THE COMPENSATION COMMITTEE OF  
MERLIN PROPERTIES, SOCIMI, S.A.**

---

**Compensation Committee Regulations approved by the board of directors at the meeting held on December 16, 2020. In the process of registration at the Commercial Registry.**

## **REGULATIONS OF THE COMPENSATION COMMITTEE OF MERLIN PROPERTIES, SOCIMI, S.A.**

### **Chapter I Preliminary**

#### **Article 1. Nature and Purpose**

1. In accordance with the Corporate Governance System of Merlin Properties, SOCIMI, S.A. (the “**Company**” or “**Merlin**”), the board of directors has set up the compensation committee (the “**Committee**”), a permanent internal body, of an informative and advisory nature, without executive functions, with powers to advise, report and make proposals within its scope of action, which shall be governed by the provisions of the bylaws, the board regulations and these compensation committee regulations (the “**Regulations**”).
2. The purpose of the Regulations is to define:
  - (i) the principles of action of the compensation committee;
  - (ii) the basic rules governing its organization and functioning; and
  - (iii) the rules of conduct of its members.
3. The Regulations have been prepared taking into account the good governance recommendations generally recognized on the international markets and form part of the Company’s corporate governance system.

#### **Article 2. Approval and amendment of the Regulations**

1. These Regulations have been approved by the board of directors.
2. The Regulations may only be amended by the board of directors, at the proposal of (i) the board chairman, (ii) half plus one of the directors, (iii) the Committee itself, or (iv) the appointments committee.
3. Proposed amendments to the Regulations must be accompanied by an explanatory report and, if the appointments committee is not the proposing body, must be reported on by the appointments committee. The wording of the proposal, the explanatory report and the report by the appointments committee (if it is not the proposing body) must be attached to the call notice for the board meeting that is to discuss the proposal, and it must be expressly included on the meeting agenda. In order for the amendment to be valid, the relevant resolution must be adopted by an absolute majority of the directors present at the meeting, in person or by proxy.

### **Article 3. Interpretation**

1. The Regulations implement and supplement the regulations applicable to the board of directors pursuant to the legislation in force and the Company bylaws which, in the event of any discrepancy, shall prevail over the provisions of the Regulations.
2. The Regulations shall be interpreted in accordance with the applicable statutory and bylaw provisions and with the principles and recommendations on the corporate governance of listed companies, having regard fundamentally to their spirit and purpose and to the corporate interest.
3. Any question or discrepancy relating to the interpretation of the Regulations shall be resolved by the Committee and, failing that, by its chairman, assisted by the persons designated for such purpose by the board of directors, as the case may be. The interpretation and resolution of any questions or discrepancies must be reported to the board of directors.

### **Article 4. Dissemination**

Committee members, as well as board members (the “**directors**”), to the extent applicable to them, are obliged to know, comply with and ensure compliance with the Regulations. For such purpose, the board secretary must provide all of them with a copy of the Regulations when they accept their respective appointments, and a copy of the Regulations shall be posted on the corporate website of the Company.

## **Chapter II Actions and powers of the Committee**

### **Article 5. Basic principles of action**

The Committee, in exercising its powers, must comply with the basic principles of:

- (i) independence, preserving at all times the Committee’s independence to act with respect to instructions and relationships with third parties that could compromise it, as well as the freedom of opinion and judgment of its members;
- (ii) skepticism, performing its function with a critical mindset, without perfunctorily approving proposals and reports from persons outside the Committee, particularly those from executives and senior executives of the entity (it being understood for the purposes of these Regulations that executives who report directly to the board of directors, its executive committees or the chief executive, as well as the internal auditor, are senior executives – hereinafter, the “**Senior Executives**”);
- (iii) constructive dialog that promotes the free speech of its members, a critical mindset and that, by favoring a diversity of opinions, contributes to enriching analyses and proposals;

- (iv) dialog both:
  - (a) among its members, so as to favor a diversity of opinions that enriches analyses and proposals, establishing a climate within the Committee that fosters constructive dialog among its members, promoting free speech and a critical mindset; and
  - (b) with the chairman of the board of directors, the chief executive or the lead independent director, and, where it deems it necessary, with executives; and
- (v) sufficient analytical capability, seeking, where deemed necessary or advisable, the expert advice of a third party who may assist the Committee with aspects that are technical or particularly relevant, although the Committee must take into account any potential conflicts of interest that may exist when engaging the services of such third party.

**Article 6. Powers**

In this area of its powers, the Committee shall have the following main functions:

- (i) to propose to the board of directors the compensation policy for directors or those who perform functions as Senior Executives, the executive committees or the managing directors, as well as the individual compensation of the executive directors and the other terms of their contracts, ensuring the observance thereof. If the services of an external advisor are enlisted for the preparation of this policy, the Committee shall duly assess their independence;
- (ii) to evaluate the degree of fulfilment of the standards and objectives established for the executive directors and management team, in relation to the previous financial year, setting it out in the proposal for the directors' individual compensation, including short-, medium- and long-term variable components, involving, where appropriate, an external advisor;

- (iii) to ensure:
  - (a) that:
    - a. the board of directors is in a position to approve, prior to their application, the objectives, criteria and metrics of the different compensation items established for the current year, in accordance with the compensation policy approved by the shareholders' meeting.
    - b. the compensation policy applicable to directors and executives is aligned with the Company's situation and short-, medium- and long-term strategy, including as regards sustainability, diversity, long-term profitability and risk-taking, and with market conditions and to assess whether it contributes to long-term value creation and adequate risk control and management, and to verify the foregoing annually;
  - (b) that the Company is in a position to evaluate the achievement of the objectives, criteria and metrics established in the preceding year that determine the compensation earned by the directors in that year, particularly the executive directors. All of the foregoing sufficiently in advance, prior to the date of publication of the annual report on directors' compensation, to ensure the report contains all necessary information and in sufficient detail.
- (iv) to check that the compensation policies applicable to the rest of the employees are consistent with the Company's strategy;
- (v) to draw up the proposed compensation policy using a predetermined and transparent procedure and succinctly describe such procedure in the annual report on the functioning of the Committee and in the annual report on directors' compensation;
- (vi) to analyze, prepare and review the compensation programs on a regular basis, considering their suitability and returns, and proposing their modification or update;
- (vii) to review the terms of the contracts of the executive directors and Senior Executives and check that they are consistent with the compensation policies in force;
- (viii) to check that the compensation policy is applied appropriately and that no payments are made to directors that are not provided for therein. To check whether circumstances have arisen that trigger the applicability of the malus and claw-back clauses and propose the appropriate measures, as applicable, to recover any corresponding amounts;
- (ix) to assist the board in preparing the report on the directors' compensation policy and to submit to the board any other reports on compensation provided for in the Regulations and in the Company bylaws;
- (x) to review or check the information on board compensation to be disclosed by the Company;

- (xi) to check that information shared by the Company on its website regarding matters pertaining to the Committee's remit is sufficient and appropriate and follows the good corporate governance recommendations;
- (xii) to participate in possible updates to the board regulations in relation to matters pertaining to the Committee's remit;
- (xiii) to respond to queries submitted by the shareholders on matters falling within its remit;
- (xiv) to engage with proxy advisors, particularly in matters relating to the compensation policy for directors and Senior Executives, with the possibility of also involving them in the improvement of any aspect; and
- (xv) any other powers attributed to it by virtue of the bylaws, the board regulations, the law and any other legislation applicable to the Company.

In performing its functions, the Committee shall consult the chairman of the board of directors and the chief executive, particularly on matters relating to the Senior Executives.

### **Chapter III Composition**

#### **Article 7.- Induction program**

1. New Committee members shall receive an induction program on the functions of the Committee and the Company's other bodies, to ensure that they all have a uniform level of knowledge that facilitates their active participation from the outset.
2. The induction program shall cover at least:
  - (i) the Committee's role, responsibilities and objectives;
  - (ii) the functioning of the other specialized committees set up by the Company;
  - (iii) the time each Committee member is expected to dedicate to the Committee (commitment regarding level of dedication);
  - (iv) an overall view of the Company's business and organizational model and of its strategy; the Company's main activities; its financial structure; the most significant risks, both financial and non-financial; the entity's most important policies, including its code of ethics (meetings with key staff of the entity should be included); and
  - (v) the Company's reporting obligations.

#### **Article 8. Quantitative and Qualitative Composition**

1. The Committee shall be made up of a minimum of three (3) and a maximum of five (5) members, who shall all be non-executive directors and a majority of whom shall be independent directors. They shall be appointed by the board of directors in all cases.
2. It is presumed that Committee members, as members of the board of directors, ought to have the appropriate knowledge, skills and experience for the functions they are called on to discharge. This notwithstanding, as a whole they should have knowledge and experience in the design of compensation plans and policies for directors and Senior Executives.

In addition to the above, the board of directors shall procure that:

- (i) The composition of the Committee is diverse, taking into account the principle of proportionality as regards gender, professional experience, skills, personal capabilities and industry knowledge;
  - (ii) the Committee chairman has prior experience at comparable companies, in terms of size or complexity, as a member of the compensation committee, an executive director or Senior Executive;
  - (iii) where nominee directors are members of the Committee, the board shall procure that the following requirements are met:
    - (a) due to the characteristics, percentage and value of their shareholding (including its value in relative terms, compared with the rest of their assets), the represented shareholder must not exercise control or significant influence over the management of the Company, and must not hold a significant percentage of the capital (for example, more than 5%) or be affected by interests other than those which are generally specific to the minority shareholders of the Company; and
    - (b) that they meet the requirements to be considered independent directors in accordance with subarticle 4 of article 529 duodecies of the Capital Companies Law, including what is envisaged in the general definition that appears at the beginning of such subarticle, except as regards the fact in itself of having a relationship with a significant shareholder.
3. The number of members, the powers and the rules on the functioning of the Committee must favor its independent functioning. Thus, within the aforementioned limits, the Committee may submit a proposal to the board of directors to modify the number of its members, with a view to ensuring the most suitable number for its effective functioning.

## **Article 9. Offices**

1. The Committee shall appoint a Committee chairman from among the independent Committee members.

Among other aspects, the Committee chairman:

- (i) must have sufficient capacity and availability to provide the Committee with greater dedication than its other members;
  - (ii) shall maintain regular contact with the key staff involved in the governance and management of the Company;
  - (iii) shall be the person who channels and provides the necessary information and documentation to the other Committee members, with sufficient time for them to be able to analyze it prior to Committee meetings; and
  - (iv) with a view to favoring a diversity of opinions that enriches the Committee's analyses and proposals, shall ensure that Committee members participate freely in deliberations and shall foster constructive dialog among its members, promoting free speech and a critical mindset.
2. The Committee shall appoint a secretary and may appoint a deputy secretary, neither of whom need be a Committee member. Where no such appointments are made, the board secretary and deputy board secretary shall act as the Committee secretary and deputy secretary.

**Article 10. Term of office**

1. Committee members shall hold office for as long as their appointment as Company directors remains in force, unless the board resolves otherwise. The renewal, reappointment and removal of directors making up the Committee shall be governed by what is resolved by the board.
2. The chairman must be reappointed or replaced every two (2) years, and may be reappointed for successive terms of equal duration.
3. Committee members reappointed as Company directors pursuant to a resolution of the shareholders' meeting shall continue to hold office on the Committee, without having to be reappointed, unless the board resolves otherwise.

**Article 11. Vacation of office**

Committee members shall cease to hold office:

- (i) when they cease to be Company directors;
- (ii) when, despite continuing to be Company directors, they cease to be nonexecutive directors;
- (iii) when so resolved by the board of directors.



## **Chapter IV Functioning**

### **Article 12. Annual work plan**

1. The Committee shall approve an annual work plan covering at least:
  - (i) the specific objectives for each of the Committee's functions, particularly for any objectives that are new or refer to the most relevant matters;
  - (ii) the organization of the information and agenda for meetings, planning fixed sections (matters to be habitually discussed) and matters to be discussed only at certain meetings;
  - (iii) meetings or other means of periodic communication with Company executives;
  - (iv) the training deemed appropriate for the correct performance of the Committee's functions.
2. When preparing the plan, it should be taken into account that the responsibilities of the Committee members are fundamentally supervisory and advisory in nature, and they should not take part in enforcement or management functions specific to the management and the executive bodies of the Company.

### **Article 13. Meetings**

1. Following the approval of the annual work plan, the Committee chairman must draw up the annual meeting calendar, having regard to the time to be dedicated to the various Committee functions, as well as to the meeting calendar of the board and of the shareholders' meeting, all of the foregoing with a view to preparing, as appropriate, the reports to be sent on the matters to be discussed by the board and the shareholders' meeting, as well as the report on the activities carried out by the Committee.
2. In any event, the Committee shall be called and shall meet at least once every quarter.
3. Notwithstanding the provisions of the preceding subarticles, the Committee shall meet whenever it is called by the Committee chairman, who must do so whenever the board or the board chairman request the issue of a report or the adoption of proposals and, in any event, when it is appropriate for the proper pursuit of its functions.
4. The board chairman and the managing director may request informative meetings of the Committee on an exceptional basis.

### **Article 14. Call notice**

Committee meetings shall be called by the Committee chairman, either at his own initiative or at the request of the board chairman or any Committee member. Calls shall be made by letter, telegram, fax, email or any other means capable of providing evidence of its receipt.

#### **Article 15. Meeting venue**

1. Committee meetings shall ordinarily be held at the registered office but may also be held at any other venue determined by the chairman, whether in Spain or abroad.
2. In addition, provided there are justified reasons to explain any member's inability to attend, the chairman may authorize the holding of Committee meetings with simultaneous attendance at different venues connected by audiovisual or telephonic means, provided that the identification of the members present and real-time interactivity and intercommunication and, consequently, the integrity of the meeting, is guaranteed.
3. Members not physically present at the meeting venue who use means of communication that allow for the meeting to be held simultaneously and reciprocally with the meeting venue and with other members using means of distance communication, shall be considered attendees for all purposes and may cast their vote via the means of communication used.

#### **Article 16. Constitution**

1. Committee meetings shall be validly constituted when the majority of the Committee members are present, in person or by proxy. This notwithstanding, the Committee shall also be deemed validly constituted without prior call if all Committee members are present, in person or by proxy, and unanimously resolve to hold the meeting and agree on the items to be discussed on the agenda.
2. The meeting shall be chaired by the Committee chairman. In the event of vacancy, illness, impossibility or absence of the Committee chairman, the meeting shall be chaired by the longest-serving Committee member and, where two or more members have served an equal term, by the eldest of them.
3. The designated secretary or the board secretary (if no secretary has been designated) shall act as meeting secretary. In the event of vacancy, illness, impossibility or absence of the Committee secretary, the secretary shall be the person designated by the Committee for such purpose.
4. Committee members may grant a proxy to another member by serving notice thereof on the Committee secretary, stating the terms of the proxy. They cannot, however, grant a proxy in relation to matters that involve them personally or with respect to which they have a conflict of interest.

#### **Article 17. Resolutions**

1. Resolutions shall be adopted by an absolute majority of the members present, in person or by proxy. In the event of a tie, the chairman shall have the casting vote.
2. The Committee may also adopt resolutions in writing and without holding a meeting where no member objects to the procedure, in accordance with the provisions of the law and the bylaws, and votes may be cast in writing or via email, provided that the identity of the member casting their vote can be guaranteed.
3. Minutes shall be taken of the resolutions adopted at each meeting, and details thereof shall be reported to the plenary session of the board, sending or delivering a copy of the minutes to all board members.

**Article 18. Conflicts of interest**

Where the matters to be discussed at Committee meetings have a direct impact on any Committee member or on persons related to them and, in general, where the Committee member is subject to a conflict of interest, they must leave the meeting until the decision is made, and shall be discounted from the number of Committee members used to calculate the quorum and majorities in connection with the matter in question.

**Article 19. Attendance**

1. At the request of the Committee chairman, by way of a petition addressed to the board chairman, any director may be asked to attend Committee meetings.
2. By way of a reasoned request, the Committee chairman may also require the attendance of any director, manager or employee of the Company, as well as of any member of the managing bodies of investees whose nomination was proposed by the Company, provided that there is no legal impediment.
3. Meetings cannot be attended by persons who do not form part of the Committee if the aspects discussed are not within the scope of the powers or functions of such persons.
4. The presence of executives or other directors, executive or otherwise, at Committee meetings shall be occasional and only where necessary, following an invitation by the Committee chairman, and shall be limited strictly to those items on the agenda for which they are invited.

**Chapter V.  
Relations**

**Article 20. Relations with the board**

1. The Committee chairman shall report to the board on the matters discussed and the resolutions adopted at Committee meetings at the first board meeting held after each Committee meeting.

2. Within the first three months following the end of the Company's fiscal year, the Committee shall submit a report on the Committee's work during the preceding year to the board for approval.

## **Chapter VI**

### **Prerogatives of the Committee, duties of Committee members and evaluation of its functioning**

#### **Article 21. Prerogatives**

1. The Committee may access, without restriction, any type of information or documentation available to the Company in connection with the matters under the Committee's remit and deemed necessary by the Committee for the performance of its functions.
2. The Committee may also enlist, with a charge to the Company, the cooperation or advisory services of external professionals, who must address their reports directly to the Committee chairman. In such case, the Committee must prevent any conflicts of interest from jeopardizing the independence of the external advice received.

#### **Article 22. Duties of Committee members**

1. Committee members must act with independence of judgement and action with respect to the rest of the organization and must perform their work with the utmost professional diligence and skill.
2. Committee members shall be subject, in such capacity, to all duties of directors provided for in the board regulations, insofar as they apply to the functions performed by the Committee.

#### **Article 23. Evaluation**

As a part of the annual evaluation of the board of directors, the Committee shall independently evaluate its performance, with a view to enhancing its functioning and improving the planning for the following year. For such purpose, it shall request an opinion from the other directors and, if it deems it appropriate, shall enlist the aid of an external consultant. Independently of the procedure chosen, the board of directors shall be informed of the aspects evaluated and of the findings of the evaluation, so that they can be taken into account in the annual evaluation of the board.