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Report prepared by the Compensation Committee for the Board of Directors of Merlin Properties SOCIMI, S.A., in compliance with the provisions of article 529 novodecies of the Capital Companies Law, in relation to the proposal for amendment of the Directors' Compensation Policy.

I. Introduction

Article 529 novodecies of Legislative Royal Decree 1/2010, of July 2, 2010 approving the Revised Capital Companies Law (the "**Capital Companies Law**") establishes that any amendment to the Directors' Compensation Policy must be approved by the Shareholders' Meeting in accordance with the established approval procedure. The current Directors' Compensation Policy was approved through a resolution adopted by the Company's Shareholders' Meeting of June 17, 2020 (the "**Compensation Policy**").

Said article also establishes that any amendment or replacement of the Directors' Compensation Policy during its period of validity will require the prior approval of the Shareholders' Meeting, in accordance with the procedure established for its approval.

In this regard, by virtue of the Regulations of the Compensation Committee of MERLIN Properties, SOCIMI, S.A. ("**Merlin**" or the "**Company**"), the Compensation Committee is entrusted, among other functions, with proposing to the Board of Directors the policy on compensation of directors (as well as any amendments thereto).

To such end, the Compensation Committee reviews whether the compensation policy is aligned with the strategy, values and long-term interests of the Company and its shareholders. It also ensures that the different elements of the compensation system are capable of attracting and retaining the best professionals, while making sure that they are compatible with appropriate and effective risk management.

In turn, one of the non-delegable functions of the Board of Directors is to prepare the compensation policy for directors, for its approval by the Shareholders' Meeting.

This document constitutes the statutory substantiated explanatory report on the amendment of the Directors' Compensation Policy.

II. Report on the amendment of the Compensation Policy

In the exercise of its functions, the Committee has analyzed the Compensation Policy applicable to date and has submitted to the Board of Directors the specific proposals regarding amendment thereof.

In summary, and pending the analysis underway of the potential creation by the Board of Directors of a new independent committee entrusted with a specific remit in sustainability matters (the “New Committee”), the Committee has submitted to the Board of Directors a proposal for a **specific** amendment to the Compensation Policy whereby reference would be made to the compensation to be received by the non-executive directors forming part of the New Committee, which would have the same compensation level as the members of the Appointments Committee and of the Compensation Committee.

The specific proposal is that such amounts be established as follows:

- (i) €10,000 gross per year for each director sitting on the New Committee.
- (ii) €5,000 gross per year for the chairperson of the New Committee.

The foregoing amendment would also entail amendment of point 3 of the Compensation Policy, to also eliminate reference made therein to approvals by the Shareholders’ Meeting which, at the time the Compensation Policy was submitted for approval were pending but that have been duly approved at the present date. Point 3 of the Compensation Policy would read as follows:

“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 Appointments Committee.*
 - (d) *Fixed compensation of €10,000 gross per year for each director sitting on any independent committee that may be created with a specific remit in sustainability matters.*
 - (e) *Fixed compensation of €5,000 gross per year for the chairpersons of each committee.*

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 the provisions of article 529 septdecies of the Capital Companies Law, the Shareholders' Meeting established 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. This amount will remain in force until the Shareholders' Meeting resolves to change it."

For the purposes of greater clarity regarding the proposed amendment, the proposed changes to the wording of the current point 3 are attached hereto as **Exhibit 1**.

III. Remaining terms unchanged

The Compensation Policy and its terms would remain unchanged as regards any aspect not mentioned above.

IV. Conclusion

The Compensation Committee concludes that the new Directors' Compensation Policy, to be submitted by the Board of Directors to the Shareholders' Meeting for approval at the proposal of this Committee, is in keeping with legislation, recommendations, the supervisory environment and best practices, and follows prudential criteria as regards the assumption of risk, good governance and transparency. In short, it provides Merlin with an adequate compensation policy that is in line with shareholder interests and prudent risk management.

Report approved by the Compensation Committee, in Madrid, on March 15, 2021.

RATIFICATION BY THE BOARD:

In light of the above, and pursuant to the provisions of article 529 novodecies LSC, the Board of Directors of Merlin proposes the foregoing amendment to the Shareholders' Meeting for approval.

Madrid, March 24, 2021

Exhibit 1

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~~Appointments Committee.
 - (d) Fixed compensation of €10,000 gross per year for each director sitting on any independent committee that may be created with a specific remit in sustainability matters.
 - (e) ~~(d)~~ Fixed compensation of €5,000 gross 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 the provisions of article 529 septdecies LSC, ~~when this Compensation Policy is submitted for the approval of~~of the Capital Companies Law, 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~~ established 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~~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.~~