



FOR INFORMATION PURPOSES. SPANISH VERSION PREVAILS.

**Report on the activity of the Compensation Committee of MERLIN Properties,
SOCIMI, S.A.
during the fiscal year ended December 31, 2021**

1. Introduction

The organization and powers of the Compensation Committee of MERLIN Properties SOCIMI, S.A. (the “**Committee**” and the “**Company**”) are regulated in article 45 of the Bylaws and in the Regulations of the Company’s Compensation Committee.

The main aspects of the Committee with reference to those regulations are basically as follows:

1.1. Composition

- (i) The Committee:
 - (a) shall be made up of non-executive directors, the majority of whom shall be independent directors, in the number determined by the Board, with a minimum of three (3) and a maximum of five (5);
 - (b) shall appoint a Chairman from among its number, who must be an independent director;
 - (c) shall also designate a Secretary and may designate a Deputy Secretary, neither of whom need to be Committee members or directors; if such designations are not made, those of the Board of Directors shall act as such;
- (ii) The renewal, reappointment and removal of the directors forming the Committee shall be governed by what is agreed by the Board;
- (iii) The composition of the Committee at today's date is as follows:

MEMBER	POSITION	CATEGORY	APPOINTMENT OR REAPPOINTMENT DATE
Ms. María Luisa Jordá Castro	Chairwoman	Independent	June 19, 2020
Mr. Ignacio Gil-Casares Satrustegui.	Member	Nominee	June 19, 2020
Mr. Fernando Ortiz Vaamonde	Member	Independent	June 19, 2020
Ms. Pilar Cavero Mestre	Member	Independent	April 27, 2021

The Company's website contains the information on the professional profile of each of the members of the Committee.

1.2. Operation

According to its regulations, the Committee:

- (i) is called by its Chairman, either at his/her own initiative, or at the request of the Board Chairman or of any committee member;
- (ii) shall ordinarily meet on a quarterly basis, and also when called by its Chairman, who must do so whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any event, when it is appropriate for the proper pursuit of its functions;
- (iii) shall be deemed validly convened where the majority of its members are present, in person or by proxy; and
- (iv) shall adopt its resolutions by a majority of the members present in person or by proxy, the Chairman's vote being the casting vote.

1.3. Main tasks

The main tasks assigned to the Committee are the following:

- (i) to propose to the Board of Directors the compensation policy for directors or those who perform functions as senior executives, executive committees or managing directors, as well as the individual compensation of executive directors and the other terms of their contracts, ensuring the observance thereof.
- (ii) to evaluate the degree of fulfillment 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 that 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;
- (iv) to ensure that 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;

- (v) to ensure 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.
- (vi) to check that the compensation policies applicable to the rest of the employees are consistent with the Company's strategy;
- (vii) 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;
- (viii) to analyze, prepare and review the compensation programs on a regular basis, considering their suitability and returns, and proposing their modification or update;
- (ix) 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;
- (x) to check that the compensation policy is applied appropriately and that no payments are made to directors that are not provided for therein. Also, 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;
- (xi) 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;
- (xii) to review or check the information on board compensation to be disclosed by the Company;
- (xiii) 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;
- (xiv) to participate in possible updates to the board regulations in relation to matters pertaining to the Committee's remit;
- (xv) to respond to queries submitted by the shareholders on matters falling within its remit; and

- (xvi) to engage with proxy advisors, particularly in matters relating to the remuneration policy for directors and senior executives, with the possibility of also involving them in the improvement of any aspect;

2. Meetings

During fiscal year 2021, the Committee met on seven (7) occasions (specifically, on January 19, February 4, February 15, February 22, March 15, May 26, June 9, July 28, September 6, October 26, and December 1). It also met in writing without holding a meeting on July 12, and jointly with the Appointments Committee on April 6 and 9, and held various working meetings throughout the year.

All Committee meetings were attended by all of the Committee's members (in person, by proxy or by audiovisual means). Worth noting is that the meetings of February 22, March 15, April 6 and 9, June 9, July 28 and September 6 were fully held telematically.

In the context of these meetings:

- (i) Mr. Miguel Ollero attended the meeting of February 15, to explain the metrics of STIP 2021 and the consequences of LTIP 2017/2019 in fiscal year 2021.
- (ii) Mr. Eduardo Gómez de Salazar, a partner at Garrigues, attended the meetings of February 22 and March 15, and the working meetings of March 4 and 10, to give a progress report on the development of the extraordinary incentive.
- (iii) Lawyers from Garrigues attended the joint meeting held with the Appointments Committee on April 6, to explain the situation of the work in progress in relation to equality.
- (iv) Members of the Russel Reynolds team attended the joint meeting held with the Appointments Committee on April 9, and the meeting of June 9, to give a progress report on the management team assessment work.
- (v) Members of the Willis Towers Watson team attended the meetings of October 26 and December 1, and several working meetings, to explain the work carried out in relation to the design of LTIP 2022-2024 and of the new Compensation Policy.

3. Activities carried out by the Committee

3.1. General activities

At its meetings held in 2021, the most relevant activities carried out by the Committee, in the performance of its functions, were:

- (i) Inform about the metrics and weightings to be applied for STIP 2021 applicable to the management team, including executive directors, and the basic criteria regarding volume, objectives, metrics and weightings of the short-term variable compensation of the rest of the personnel;
- (ii) Propose the design of an extraordinary incentive, together with the HCS team from Garrigues, and report on the regulations, beneficiaries and amounts thereof;
- (iii) Initiate the assessment required by the Compensation Policy of the potential recipients of LTIP 2022-2024 and the design of the Compensation Policy for 2023-2025, proposing engaging Willis Towers Watson for that work, after a competitive process in which three consultants with expertise in the area participated.
- (iv) Monitor the Remuneration Equality Plan;
- (v) Report favorably on the proposed allocation of the first 50% of the shares of LTIP 2017-2019, and the application to Messrs. Zarrabeitia and Lacadena of the retirement scheme applicable under LTIP 2017-2019;
- (vi) Report on the amendment of the Compensation Policy in order to include the compensation of the Committee members who assume sustainability functions, on analogous terms to that received by the members of other committees.
- (vii) Prepare the Committee's self-assessment during fiscal year 2020;
- (viii) Review the Annual Report on Directors' Compensation and report on it;
- (ix) Review the Annual Corporate Governance Report and report on it, in relation to the matters pertaining to its remit; and
- (x) Approve the Committee's Activity Report for 2020.

Additionally, due to the publication of the reform of the Capital Companies Law, by Law 5/2021 of April 12, 2021, modifying issues related to the compensation of directors, the Committee reviewed and identified the reforms to be implemented by the Company in order to work on their inclusion and approval by the Shareholders' Meeting of 2022.

3.2. Actions in relation to the Extraordinary Incentive and the LTIP

The Committee considers it appropriate to highlight the tasks carried out in relation to:

- (i) **Extraordinary incentive:** along with the HCS team from Garrigues, work has been done on the extraordinary incentive to be received by the management team and, in particular, on the design of the Regulation of that incentive, and on the definition of the beneficiaries and amounts of the incentive. This incentive was approved by the Shareholders' Meeting held in April 2021, and applies on an extraordinary and exceptional basis to objectives referenced to fiscal year 2021.
- (ii) **LTIP:** at the start of 2021, given the uncertainty still existing as a consequence of the pandemic, it was decided not to implement a long-term incentive which would apply to fiscal year 2021, and to plan for a new long-term incentive that would apply starting in 2022 itself, to the extent allowed by law. For that purpose, the Committee has worked together with the Willis Towers Watson team to define an LTIP for the management team for the period 2022 to 2024. In this regard, work has been done selecting objectives, deciding on the weighting of each one, and quantifying the degrees of achievement.

4. Action plan for fiscal year 2022

The action plan of the Compensation Committee for fiscal year 2022 will be centered on continuing with the functions and powers specific to such committee, regulated in the Committee's Regulations, generally acting in coordination with the other corporate bodies and with the management team, and particularly with the Appointments Committee, in the areas pertaining to the remit of both of them.

Against the above backdrop, the Committee intends, as actions for 2022, to:

- (i) review and report on the degree of achievement of the objectives established for 2021, referring to both the short-term variable compensation and the extraordinary incentive, as well as the resulting compensation;
- (ii) analyze and, as the case may be, propose the review of the distribution among fixed, short-term and long-term variable compensation, and the potential increase, if appropriate, of the compensation of executive directors and of the management team;
- (iii) propose the objectives, metrics and weightings for the variable compensation for objectives achieved in fiscal year 2022 by executive directors and the management team;
- (iv) propose the basic lines, including the maximum amount, of the short-term variable compensation applicable to the rest of the personnel:

- (v) definitively determine the objectives, weighting and degrees of achievement of the new LTIP;
- (vi) carry out the necessary actions to amend and adapt the Compensation Policy 2020-2022 to the new legislation in force after the abovementioned Law 5/2021 or, as the case may be, prepare a new Compensation Policy which will apply from the date of its approval by the Shareholders' Meeting in 2022 until 12/31/2025, as permitted by the legislation in force;
- (vii) carry out the necessary actions for the design of a new Compensation Policy to be applied until 12/31/2025;
- (viii) monitor the Remuneration Equality Plan;
- (ix) punctually comply with its duties with respect to the aspects on which it has to report and propose;
- (x) improve and establish procedures for the preparation, control and improvement of the information to be received by the Committees and, consequently, that provided to the Board of Directors, with the ultimate aim of having a better knowledge of the bases, comparables and reasons justifying the determination of the items of variable compensation of which the management team is beneficiary.