MERLIN PROPERTIES

ANNUAL DIRECTORS’ REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Contents

Letter from the Chair of the Appointments and Remuneration Commission

Dear Shareholders,

On behalf of the appointments and remuneration commission (the "Commission" or the "Appointments and Remuneration Commission") and the board of directors (the "Board") of MERLIN PROPERTIES, SOCIMI, S.A. (also referred to as the "Company", the "Group" or "MERLIN"), I am pleased to present the Annual Directors' Remuneration Report (the "Report" or "ADRR"), which will be subject to advisory voting at the General Meeting 2023 .

In accordance with Spanish Law 5/2021, of 12 April, amending the consolidated text of the Corporate Enterprises Act, this Report forms part of the Company's Management Report and will remain accessible on the Company website and the Spanish National Securities Market Commission (CNMV) website for the legally established period.

This Report was prepared in a free-design format, in accordance with the regulatory provision contained in Circular 4/2013 (consolidated text), although its contents cover the minimum content established in the regulation. The main sections included in the Report are as follows:

1. Description of the Remuneration Policy ("the Remuneration Policy") applicable in 2023, approved by the 2022 General Meeting with 90.66% of the vote.
2. Description of how the Remuneration Policy was implemented in 2022.
3. Standard statistical Schedule established in Circular 4/2013 on the results of the advisory vote on the last ADRR and the detail of the individual remuneration corresponding to each of the directors in 2022.

MERLIN's results in 2022 and their reflection on the remuneration accrued by the executive directors:

FFO in 2022 exceeded 290 million euros (+ 6.4% vs. 2021, equivalent to 62 euro cents per share), which is above the revised forecast for 2022 (60 euro cents per share). This is the result of strong growth in all key financial and operational metrics. In particular, gross rents (like-for-like) experienced growth of + 7.9% vs. 2021 in all three of the categories of assets we manage, thanks to an increase in occupancy, which in offices reached pre-Covid-19 levels one year earlier than expected, and to inflation indexing.

In June 2022, the disposal of 662 BBVA bank branches was closed for EUR 1,987 million (TREE disposal), an extraordinary transaction that represented the largest real estate deal in Spain since 2016 and the fifth largest transaction in Europe in 2022.

The transformational transaction has generated significant added value for shareholders, through the following measures:

- Reducing net debt by EUR 1,637 million after the transaction, enabling improvement of the leverage ratio with respect to asset value.
- Distribution of an interim dividend of profit for the year of EUR 351 million (EUR 0.75 per share). The dividend distributed in 2022 totalled EUR 1.20 per share.
- Recycling the capital in logistics and data centers development with a significant higher return than the one generated by the assets sold.

Section 3.2, "Executive Directors' remuneration in 2022" includes additional details on this exceptional transaction.

The share has outperformed the EPRA Europe indexed by 30% in 2022.

In sustainability, the following significant targets were achieved in 2022:

- Completion of the green financing programme, with the conversion of all senior bonds in circulation into green bonds.
- Launch of our "Pathway to Net Zero", involving reducing operational carbon, embodied carbon, tenant emissions, offsetting of residual emissions and supply with 100% renewable energy.
- Improvement in the reference sector indexes: improvement in 5 out of 6 indexes in absolute terms and 6 out of 6 in relative term.
- Inclusion in the selective Dow Jones European Sustainability Index
- Attainment of the best scoring in Sustainalytics of all Ibex-35 (7.2 points)
- Improvement in the environmental performance of the asset portfolio

In view of the results achieved in 2022, the Board, at the Appointments and Remuneration Commission's proposal, approved:

- Payment of the short-term incentive ("STIP") at an amount equal to 82.8% of the maximum incentive. Of this amount, 50% will be paid in cash in 2023. The vesting and receipt of the remaining 50% will be take place in halves on the first and second anniversary of the date the STIP was approved.
- Payment of an additional incentive to reward the significant added value for shareholders due to execution of the TREE disposal, equivalent to 85% of each Executive Director's annual Fixed Remuneration. The incentive will be paid in cash in the first quarter of 2023.

  The detail on the criteria considered is included in section 3.2. "Executive Directors' remuneration in 2022".

No long-term incentives matured or were accrued in 2022.

Process for consultation with our shareholders and Remuneration Policy applicable in 2023

The Remuneration Policy approved by the shareholders at the General Meeting held on 4 May 2022 applies in 2023.

In line with previous years, MERLIN held an ongoing dialogue with institutional investors in 2022. Twenty-three meetings and conferences were held with a total of approximately 400 investors.

As a result, the main Board of Directors' decisions for this year, at the Appointments and Remuneration Commission's proposal, are as follows:

- In relation to the executive directors:
  - Fixed items: levels of Fixed Remuneration and Remuneration-in-kind are maintained.
  - Short-term incentive: the weight of financial targets is maintained at 70% in 2023. Of the remaining 30% linked to non-financial targets, half will continue to be linked to environmental, social and corporate governance ("**ESG**") targets, with a focus on reducing CO_2 emissions per m^2, improving or maintaining MERLIN's position, in absolute and relative terms, in 7 indexes of reference (GRESB, CDP, S&P CSA, Sustainalytics, ISS ESG, MSCI y Vigeo Eiris).
  - Long-term incentive ("LTIP"): the General Meeting held on 4 May 2022 approved, with 92.67% of votes in favour, the 2022-2024 Long-term Incentive Plan aimed at the Executive Directors, among others. The LTIP, implemented through a single cycle performance share plan, will be payable by means of delivery of MERLIN shares in 2025 and is linked (i) to achievement of the value creation, financial and ESG targets for 2022-2024, and (ii) to the beneficiary remaining with the Company.
  - Contractual terms: these remain unchanged.
- With regard to directors in their capacity as such, the remuneration levels established in the Remuneration Policy are maintained.

Finally, I would like to thank you on behalf of the Commission for taking the time to read this report, in the hope that it will be clear and comprehensible. MERLIN is committed to listening carefully to its shareholders and applying best practices with regard to remuneration. We hope that you will continue to support us by voting in favour of this report.

Approved by the Board and signed on their behalf by

Signed: Maria Luisa Jordá Castro, Chair of the Appointments and Remuneration Commission

1. Summary of executive directors' remuneration

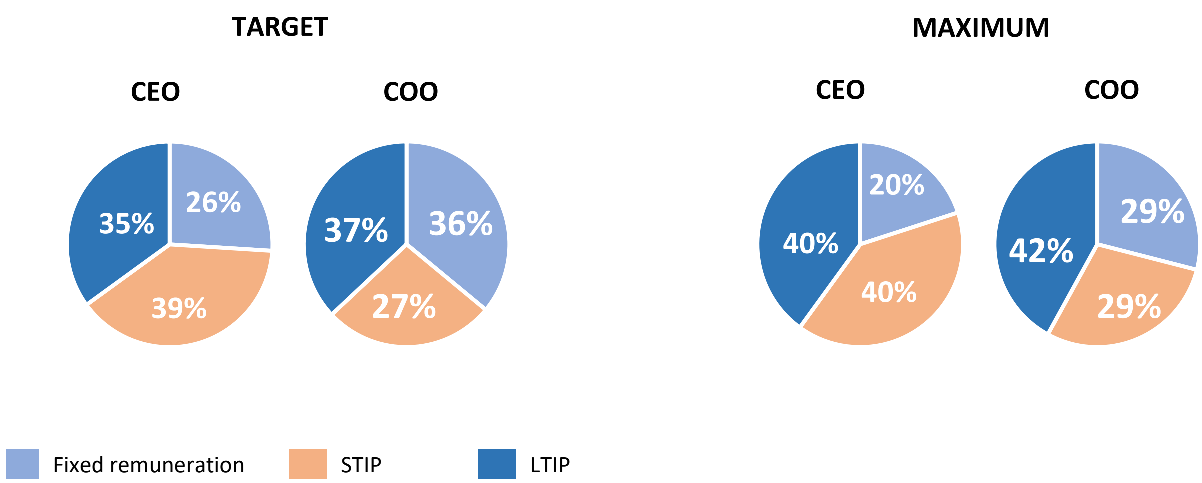
Executive directors' remuneration package in 2023

Remuneration items:

Fixed remuneration + Remuneration-in-kind	Short-term variable remuneration (2023 STIP)	Long-term variable remuneration (2022-2024 LTIP)	Termination benefits
Fixed remuneration: • CEO: EUR 1,000,000 • COO: EUR 1,000,000 Remuneration-in-kind • CEO < EUR 14.000 • COO < EUR 14.000	Maximum STIP: • CEO: 200% FR. • COO: 100% FR.	Maximum annualised LTIP: • CEO: 200% FR*. • COO: 150% FR*.	2 x (FR + STIP allocated during the previous 12 months). Post-contractual non-competition agreement included in compensation equivalent to 6 monthly payments of Fixed Remuneration.

** For this purpose, the Reference Value of the share taken into account at the beginning of the 2022-2024 LTIP was considered.*

Remuneration mix



Notes on the charts:

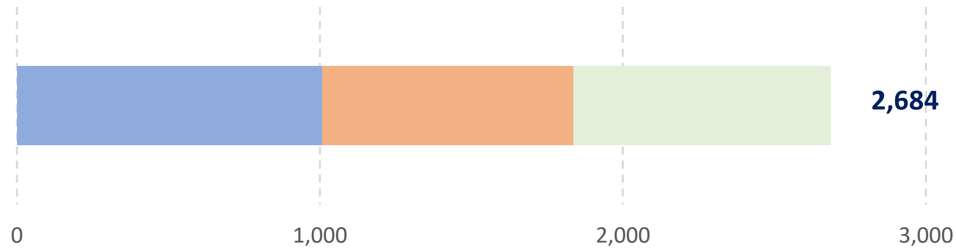
- No Remuneration-in-kind was considered.
- Target STIP: 75% of the maximum STIP to be paid if the targets set in the 2023 annual budget are met, without prejudice to the fact that 50% of this is deferred for a period of 2 years.
- Maximum STIP: amount of STIP if maximum achievement of targets is reached, above the budget, without prejudice to 50% of this being deferred for a period of 2 years.
- Annualised target LTIP: 2/3 of the maximum LTIP to be paid if the targets set in the business plan established for 2022-2024 are met, taking into account the Reference Value of MERLIN's share at the beginning of the LTIP.
- Maximum annualised LTIP: amount of LTIP if maximum achievement of targets is achieved, taking into account the Reference Value of MERLIN's share used at the beginning of the LTIP.

The Executive Directors have a variable, flexible and progressive remuneration system, whereby they may not receive any amount in this regard if the minimum compliance thresholds are not reached.

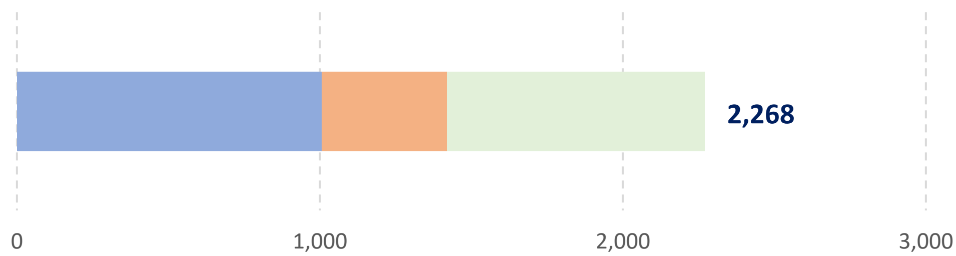
Also, and in order to ensure that the remuneration of the Executive Directors is based on long-term results that take the Company's underlying economic cycle into account, the relative weight of the LTIP continues to be significant within the Executive Directors' remuneration package.

Executive Directors' remuneration in 2022 (thousands of euros)

CEO



COO



Fixed remuneration + Remuneration-in-kind | Upfront STIP | Deferred STIP | TREE incentive

The amounts reflected in the figures above relate to remuneration generated in 2022. The difference with the remuneration accrued in 2022 is indicated below. This is detailed in the Statistical Schedule (section 7 of this Report):

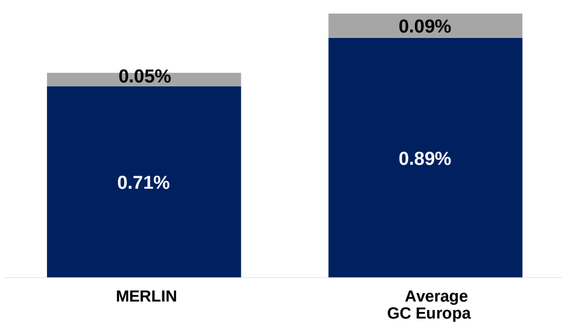
Remuneration generated in 2022 (CEO: EUR 3,512; COO: EUR 2,682):	Remuneration generated in 2022, regardless of whether the payment of a portion may be deferred to future years and is not understood to have been accrued for the purposes of the ADRR. This is the result of summing the Fixed Remuneration, Remuneration-in-kind, the total 2022 STIP generated and the incentive for the TREE disposal.
Remuneration accrued in 2022 (CEO: EUR 2,684; COO: EUR 2,268):	Remuneration accrued in accordance with the instructions established in Spanish National Securities Market Commission Circular 3/2021, of 28 September. This is the result of summing the Fixed Remuneration, Remuneration-in-kind, the Upfront 2022 STIP and the incentive for the TREE disposal.

In 2022, the Executive Directors received the second payment of the deferred STIP generated in 2019 (CEO: EUR 181,250; COO: EUR 175,000). This amount was already included in the Annual Remuneration Report for that year.

The remuneration generated in 2022 is aligned with the results obtained by MERLIN in 2022. Specifically, in relation to the 2022 STIP, the Company almost achieved the budgeted financial targets (operating cash flow or FFO per share, NOI + other income, pre-tax profit, level of leverage and divestments). The Appointments and Remuneration Commission gave a positive assessment of achievement of non-financial targets related to ESG and the individual performance of the Executive Directors in 2022. As a result, the Board, at the Appointments and Remuneration Commission's proposal, approved the payment of a short-term incentive equal to 82.8% of the maximum.

Other relevant information

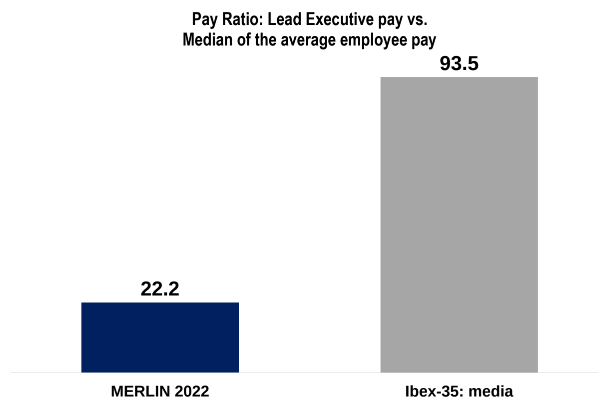
MERLIN continues to be one of Europe's most efficient REITs in terms of the ratio of total structural costs to the EPRA NAV, as shown in the following chart:



Source: MERLIN's data refer to 2022, while those for the REITs relate to latest available (2021 or 2022).

- The European REIT Peer Group ("PG Europe"), consisting of: Altarea, British Land, Covivio, Derwent London, Deutsche Wohnen, Gecina, Inmobiliaria Colonial, Land Securities, LondonMetric Property, SEGRO, Unibail-Rodamco, Vonovia and Workspace.

The difference in remuneration in 2022 between the total remuneration generated by Company's CEO and the average remuneration of MERLIN's staff members is well below the IBEX 35 average.



* Source: Directors' remuneration reports published in the CNMV as of the date of this report

Data shows the relationship between the total remuneration accrued by the CEO and the average total annual remuneration of the entire workforce. This data relates to that included in the table in section C.2. of Statistical Schedule III of the Annual Directors' Remuneration Report for listed public limited liability companies (CNMV Circular 3/2021, of 28 September).

Main features of the Remuneration Policy in force

What we do:

- Variable remuneration is aligned with both the interests of shareholders and those of the Company as a whole, incorporating targets linked to the Company's sustainability strategy.
- Link a high percentage of remuneration to the Company's results ("pay for performance").
- 2023 STIP:
  - The weight of the financial metrics linked to the STIP represents at least 70%.
  - The weight of the non-financial metrics linked to the STIP represents a maximum of 30%.
  - Deferment for 2 years of payment of 50% of the STIP generated, where applicable.
  - Inclusion of targets linked to ESG.
- 2022-2024 Long-Term Incentive Plan:
  - 3-year target measurement period.
  - Delivery as shares.
  - Linked mainly to metrics aligned with shareholder return.
  - Inclusion of targets linked to ESG.
  - Obligation to hold 100% of the shares delivered for a period of two years.
- Reduction (*malus*) and recovery (*clawback*) clauses applying to any variable remuneration element.
- Compensation for termination of contract and non-competition commitment: limited to 2 years of annual Fixed Remuneration + the STIP allocated over the previous 12 months.
- The Executive Directors must hold a number of shares equivalent to two years of their Fixed Remuneration.
- Support from external advisers: the Board and the Appointments and Remuneration Commission take external advice to consider and interpret market remuneration information as a further element to be taken into account in the decision-making process on the design of the Remuneration Policy.

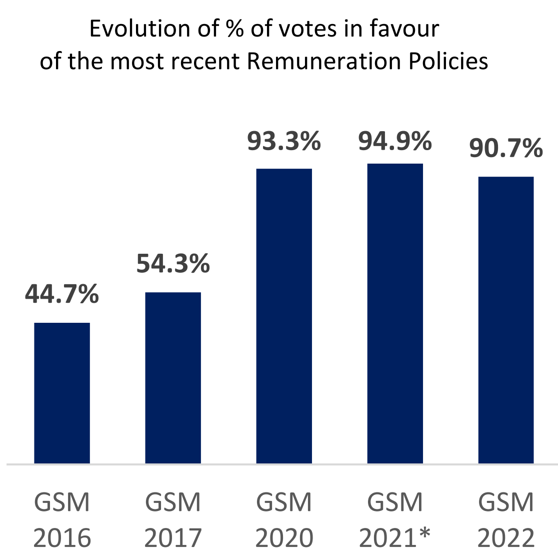
What we do not do:

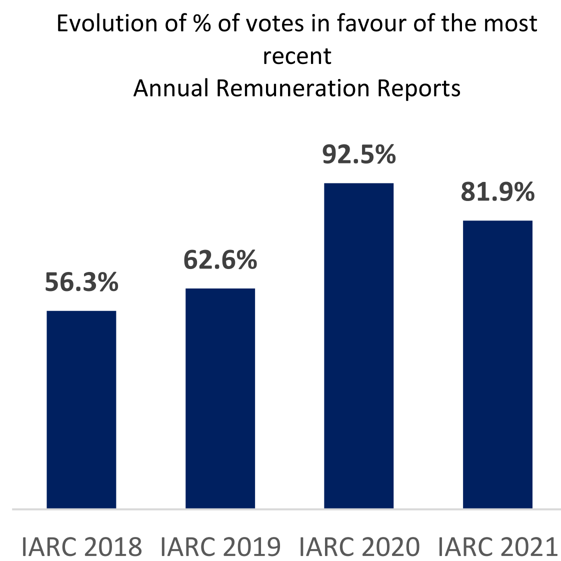
- There are no guaranteed variable remunerations.
- The Executive Directors do not currently participate in long-term savings systems such as pension plans, retirement systems or other pension systems.
- External directors do not participate in remuneration formulas or systems linked to the Company's results or to their individual performance. They do not participate in long-term savings or other social welfare systems.
- No loans or advances were granted.

2. Directors' Remuneration in 2023

2.1 Remuneration Policy applicable in 2023

As indicated above, the General Meeting ("GSM") held on 4 May 2022 approved the Remuneration Policy for 2023, 2024 and 2025 with 90.66% of votes in favour[1].





* The Remuneration Policy approved by the General Meeting held on 17 June 2020 was subsequently amended by the General Meeting held on 27 April 2021 with 94.9% of votes in favour.

In line with previous years, MERLIN held an ongoing dialogue with institutional investors in 2022. Twenty-three meetings and conferences were held with a total of approximately 400 investors.

The reasons and bases for the voting results obtained at the 2022 General Meeting on the remuneration agreements were analysed in particular. As a result, the main improvement was identified as continuing progress in the transparency of elements of variable remuneration and the justification for their relationship to the results achieved.

[1] The Remuneration Policy is available at this link: https://www.merlinproperties.com/wp-content/uploads/2022/04/06.-Merlin-Propuesta-Acuerdo-Sexto-Aprobaci n-Pol tica-de-Remuneraciones-310322-CON-ANEXOV-PUBLIC.pdf

2.2 Elements of Executive Directors' remuneration in 2023

2.2.1 Fixed Remuneration

Fixed Remuneration seeks to attract and retain talent, by rewarding the level of responsibility and professional consolidation in the position, and to recognise the experience and relevance in the market.

The amount of annual fixed remuneration in 2023 will be EUR 1,000,000 for each of the Executive Directors. This amount is paid in full in cash and has not been increased since 2017. This amount covers any amount corresponding to expenses for belonging to and attending the Board and the Planning and Coordination Committee, in the case of the CEO.

2.2.2 Remuneration-in-kind

Under the Policy, executive directors may be beneficiaries of:

- A policy for death and any degree of permanent disability, the beneficiary of which will be the Executive Director and/or the persons designated by the director in the case of coverage for death.
- A health insurance policy, with global health coverage with a leading company, under which the Executive Director, together with their spouse and dependent children, will be included as beneficiaries.

The cost of premiums corresponding to the death and permanent disability policy and health insurance will amount, for each of the Executive Directors, to a maximum of EUR 14,000 per year, which will be updated annually in accordance with the circumstances at the time and current parameters customary for this type of insurance.

The directors form part, as insured parties, of the third-party liability policy for directors and executives taken out by MERLIN, under normal market terms and conditions.

2.2.3 Short-term Variable Remuneration 2023 (STIP 2023)

Purpose

The STIP seeks to recognise the contribution to achievement of targets within the annual budget, and to motivate and guide the work of the management team for the year.

Maximum amount

The maximum amount of the 2023 STIP for the Executive Directors, if a maximum level of achievement of targets is reached above the budget, is as follows:

- CEO: 200% of Fixed Remuneration (EUR 2,000,000).
- COO: 100% of Fixed Remuneration (EUR 1,000,000).

Metrics

To determine the 2023 STIP, the Appointments and Remuneration Commission set the following targets and weightings:

Metric	Definition	Weighting
FINANCIAL TARGETS		**70%**
FFO per share	Accounting FFO or accounting Funds From Operations is calculated as EBITDA less net finance costs and recurring taxes (excluding taxes on divestments and other extraordinary events). FFO per share is calculated by deducting the company's non-overhead costs from the accounting FFO, divided by the number of shares in circulation at the calculation date.	15%
Net Operating Income (NOI) + Other Income	NOI is calculated as the amount resulting from deducting expenses for incentives and linearisation from Gross Revenue, and property expenses not passed on to tenants and irrecoverable debts. Other income not resulting from gross rents is also included.	15%
Adjusted pre-tax profit	Adjusted profit before taxes (without taking into account valuation impact of assets and derivatives).	10%
Net Debt to EBITDA	The Net Debt to EBITDA ratio is calculated as the net debt divided by the EBITDA. Both KPIs are defined in the APM.	15%
Divestments	Level of the divestments performed in accordance with the Company's asset rotation plan.	15%
NON-FINANCIAL TARGETS		**30%**
MERLIN's scoring in Sustainability Indexes	Improvement and maintenance in MERLIN's score in absolute terms, and improvement in MERLIN's relative position with respect to comparable averages in 7 ESG sustainability indexes: GRESB, CDP and S&P CSA, Sustainalytics, ISS ESG, MSCI and Vigeo Eiris.	7.5%
CO_2 emissions reduction	Reduction in emissions intensity in kg CO_2/m^2 with respect to the previous year. The information used for this will be latest available on the date on which fulfilment of STIP targets is assessed.	7.5%
Performance assessment	Executive Directors' individual performance in 2023.	15%
		100%

Scales of achievement and evaluation of targets

Each metric has thresholds and associated payment scales based on the difficulty of achievement and its criticality for the Company's plans in 2023. If the minimum threshold set is not reached, that part of the 2023 STIP linked to the corresponding metric will be zero. If the targets set in the Company's budget for 2023 are met, 75% of the maximum STIP will be received and, in case of maximum achievement of targets, 100% of the maximum STIP will be received.

The Appointments and Remuneration Commission will be supported in this evaluation function by (i) the Audit and Control Commission, which provides information on the results verified by the Company's external auditor and the internal auditor; and (ii) the Sustainability and Innovation Commission, which will report on the level of fulfilment of the targets associated with ESG. Both in setting the targets and evaluating their achievement, the Commission also considers any associated risk.

When determining each Executive Director's amount of 2023 STIP, the Board will take other criteria into account in addition to meeting of targets. These include proportionality, quality of management and talent retention, and the application of fair and competitive remuneration, comparable to market standards.

Generation and payment schedule for the 2023 STIP

Once the achievement (and level of achievement) of the targets and the final total amount of 2023 STIP has been determined, generation of the right to this item of remuneration and its payment will abide by the following rules, unless exceptional circumstances regulated under the Policy arise:

(i) The executive director will vest and receive 50% of their corresponding STIP ("Upfront STIP") in cash on the date that the achievement and amounts of the STIP are approved by the Board (the "STIP Approval Date"). The incentive will be paid jointly with the amount of the Fixed Remuneration paid in the calendar month following that of the STIP Approval Date ("Upfront STIP Payment Date"). Under normal circumstances, the STIP Approval Date will coincide with the date of preparation of the financial statements for 2023 (i.e. in the first quarter of 2024).

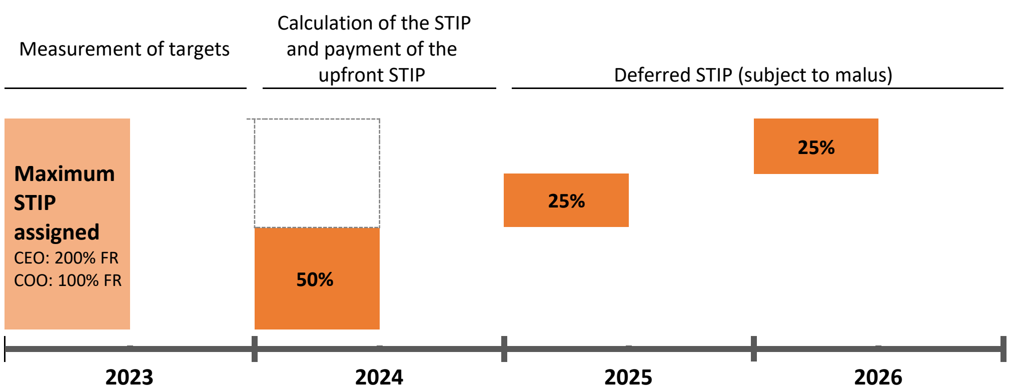
(ii) The vesting and receipt of the remaining 50% of their STIP ("Deferred STIP") will take place in accordance with the schedule indicated below, provided that the malus clauses described in section 2.3 are not applicable:

a) the Executive Directors will vest the right to, and receive in cash, 25% of the STIP corresponding to them on the date of the first anniversary of the STIP Approval Date;

b) the Executive Directors will vest the right to, and receive in cash, the final 25% of the STIP corresponding to them on the date of the second anniversary of the STIP Approval Date;

The Deferred STIP will be paid in cash on the business day following the date of the respective anniversary of the STIP Approval Date (the "Deferred STIP Payment Date").

2023 STIP schedule (assuming 100% fulfilment of targets)**:**



To receive the amount of the corresponding Deferred STIP, the Executive Director must remain in office on the corresponding vesting and payment date.

This mechanism of deferring payment of the incentive makes alignment with Recommendation 59 of the Good Governance Code possible, as the deferral established ensures that the previously set performance or other conditions have been effectively met, by means of the malus and clawback clauses described in section 2.3.

2.2.4 Long-Term Incentive Plan 2022-2024 (2022-2024 LTIP)

The General Meeting held on 4 May 2022 approved the long-term incentive plan (the 2022-2024 LTIP) with 92.67% of votes in favour.

Purpose

The 2022-2024 LTIP seeks to recognise the contribution to strategic achievements of medium- and long-term targets, to motivate and guide the work of the management team over the medium term and to align them with the interests of shareholders and other stakeholders.

Description of the LTIP

The 2022-2024 LTIP is implemented through a single cycle performance share plan. It will be payable by delivery of MERLIN shares in 2025, providing (i) achievement of the specific targets established for 2022-2024 has been verified; and (ii) the beneficiary has remained in the Company.

The 2022-2024 LTIP is aimed at members of the management team and other Company employees, including the Executive Directors, who are invited to participate in it. To determine the suitability and market levels of the LTIP beneficiaries, the Appointments and Remuneration Commission performed an assessment supported by an independent expert (WTW).

The 2022-2024 LTIP consists of a single cycle with a target measurement period of three years (2022-2024). Additionally, any shares delivered in 2025 will be subject to a retention period of two years, in the case of Executive Directors only. The total duration of the Plan will therefore be five years.

Maximum amount of 2022-2024 LTIP allocated to the Executive Directors

In case of maximum target fulfilment, the maximum total number of MERLIN shares to be received by the Executive Directors at the end of the LTIP will be as follows:

- CEO: 621,761 shares.
- COO: 466,321 shares.

Considering the weighted average price of the MERLIN share in the thirty trading days prior to 1 January 2022, equivalent to EUR 9.65 ("Reference Value"), and that the period for measurement of targets consists of three years, the value of these shares, at annualised terms, amounts to the following:

- CEO: 200% of Fixed Remuneration (600% in total over the three years).
- COO: 150% of Fixed Remuneration (450% in total over the three years).

Metrics

The metrics are TSR (50%), EPRA NTA (35%), Net Emissions (10%) and Environment and Society (5%).

Metric	Definition	Weighting
Absolute TSR **Relative TSR**	Absolute Total Shareholder Return (TSR) is the return on the share taking the cumulative change in the quoted value of MERLIN shares into account, including dividends and other similar concepts received by the shareholder in 2022-2024. Relative TSR measures the evolution of MERLIN share TSR in the 2022-2024 period, in relation to the TSR experienced in the FTSE EPRA Nareit Developed Europe Index over the same period.	50%
EPRA NTA 31/12/24 + Dividends (2022-2024)/share	The EPRA NTA is calculated based on the Company's consolidated equity and by adjusting certain items following EPRA recommendations (including value of assets on the market and excluding certain items that are not expected to result in sustained property lease business). EPRA NTA assumes that the companies buy and sell assets, so crystallising certain levels of deferred tax liabilities. On the other hand, the dividends paid and other similar items received by the shareholder during the target measurement period (years 2022, 2023 and 2024) are taken into account.	35%
Net carbon emissions	Level of reduction of MERLIN's CO_2 emissions at 31 December 2024, compared to 31 December 2021, calculated for the comparable asset portfolio over which the Company has operational control (scope of MERLIN's pathway to net zero).	10%
Environment and Society	Progress on initiatives linked to improving the environment and society. The economic and social impact of MERLIN's assets on local communities around those assets will be assessed in this regard.	5%
		100%

Scales of achievement and evaluation of targets

For each metric, the Board approved a scale of achievement, at the Appointments and Remuneration Commission's proposal, that includes a minimum threshold of compliance below which no incentive is paid and fulfilment of which would entail the delivery of 50% of the theoretical shares assigned. If the above targets were met applying the above metrics agreed by the Board, 2/3 of the theoretical shares assigned would be received. If maximum targets are met, 100% of those shares would be delivered.

In the case of TSR, the payment percentage resulting from applying the achievement scale on the Absolute TSR is adjusted (upwards or downwards) by the Relative TSR This range of adjustments can range from 50% to 150%, using the following rules:

- If MERLIN's TSR performance compared to the FTSE EPRA Nareit Developed Europe Index has not exceeded a certain threshold, the payment percentage deriving from the Absolute TSR will be multiplied by 50%.
- If MERLIN's TSR performs worse than the index, but above the minimum threshold, the payment percentage arising from the Absolute TSR will be adjusted by 50%-100%.

- If its performance is the same as the index, no adjustments will apply.
- If MERLIN's TSR performs better than the index, but without reaching the maximum threshold, the payment percentage arising from the Absolute TSR will be adjusted by a range of 100%-150%.
- If MERLIN's TSR exceeds the index in relative terms by above a certain maximum threshold, the payment percentage arising from the Absolute TSR will be multiplied by 150%.

In no case may the TSR payment percentage of the total maximum incentive exceed 50%.

The Appointments and Remuneration Commission annually monitor targets. The level of achievement will be determined once the measurement period has ended. In this evaluation work, the Appointments and Remuneration Commission will be supported by the Audit and Control Commission and the Sustainability and Innovation Commission. Both in setting the targets and evaluating their achievement, the Appointments and Remuneration Commission will also consider any associated risk.

When determining the level of achievement of targets, those economic effects, positive or negative, deriving from extraordinary events that could lead to distortions in the results of the assessment will be eliminated and the quality of the results will be considered in the long term in the LTIP proposal.

For each of the participants to have the right to receive the corresponding shares, they must maintain an employment or commercial relationship with MERLIN on the delivery date of each cycle (without prejudice to any exceptions considered appropriate) and have been associated with it for at least one year.

The participants will not receive any shares to which they may be entitled until the Appointments and Remuneration Commission has performed the actions described above and the Board has given its approval.

Generation and payment schedule

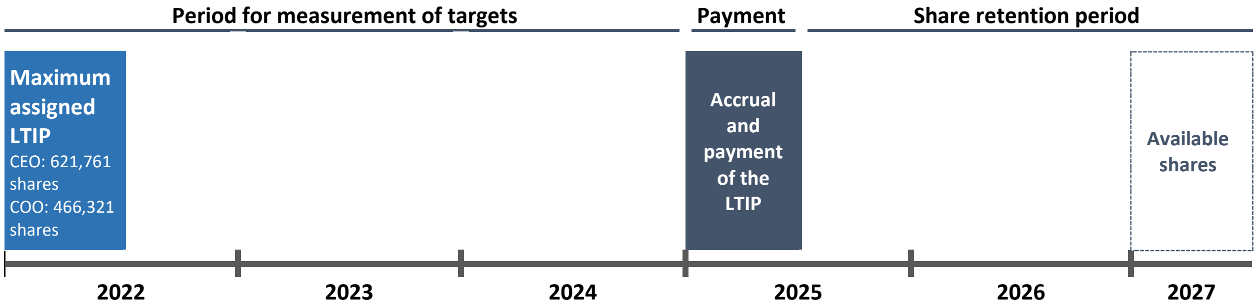
The period for measurement of targets would begin on 1 January 2022 and end on 31 December 2024. If the targets are met, the shares will be delivered in 2025, once the corresponding accounts for 2024 have been prepared and audited.

All the shares delivered to the Executive Directors under the 2022-2024 LTIP will be subject to a retention period of two years.

Additionally, under the Remuneration Policy, the Executive Directors must hold (directly or indirectly) a number of shares (including those delivered as remuneration) equivalent to two years of their Fixed Remuneration as long as they remain on the Board and perform executive functions. The above will not apply to shares that the Executive Directors need to dispose of to meet the costs related to their acquisition or, following a favourable assessment by the Appointments and Remuneration Commission, to cover extraordinary situations that require it.

Whenever this requirement is not met, the retention period to which the shares delivered to the Executive Directors under the LTIP, where appropriate, is to be subject will be three years.

LTIP schedule (assuming 100% achievement of targets and that the requirement for permanent holding of shares is met):



2.3 Malus and clawback clauses

If certain events or circumstances detailed in the Remuneration Policy occur before any STIP or LTIP amounts are paid to the Executive Director, such as restatement of the Company's financial statements, the existence of alterations or inaccuracies in the business data which are relevant for the purposes of the STIP or LTIP and are confirmed by the external auditors, or the dismissal of the Executive Director due to irregular conduct, fraud, non-compliance or serious breaches of their obligations, when that conduct has been confirmed by a final court decision, the Board may, at the Appointments and Remuneration Commission's proposal, reduce the Executive Director's entitlement to the STIP and/or LTIP by a percentage considered appropriate or even cancel it.

Malus clauses will apply to any variable component of remuneration included in the 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 remuneration will be paid or vested only if it is sustainable in accordance with the Company's overall financial position.

In addition, if during the two (2) years following the payment of the STIP or LTIP for executive directors, certain events or circumstances detailed in MERLIN's Remuneration Policy occur, such as the Spanish National Securities Market Commission imposing a serious sanction on the Company due to events related to the performance of the duties of an Executive Director at the Company, if there is a material restatement of the Company's financial statements for reasons attributable to an Executive Director or if the Executive Director is dismissed due to irregular conduct, fraud, non-compliance or serious breaches of their obligations, MERLIN may require the Executive Director in question to repay up to 100% of the amount, net of taxes, received under the STIP and LTIP.

In any case, it will fall to the Company's Board of Directors, following a report by the Appointments and Remuneration Commission, to determine whether the circumstances have arisen that trigger the application of the malus and clawback clauses with regard to variable remuneration, in the cases affected and, if so, the manner in which it should take place.

2.4 Possible payments in the event of removal

Following is a summary of the payments that executive directors may receive in the event of removal:

- **Termination benefits:** severance in case of termination of the relationship with the Company is limited to an amount equal to twice the fixed remuneration received and the STIP granted in the last twelve (12) months prior to the termination. Of this amount, an amount equal to six months' fixed remuneration is paid as financial compensation for the non-competition agreement as described below. In this regard, the contracts signed with the executive directors establish that this severance will not be paid where the termination is due to a decision by the Company stemming from:

  - A gross breach or violation of the statutory duties and obligations incumbent on the director, or

  - Some act or omission that causes serious damage to the Company and provided that, in both cases, the occurrence of such grounds has been declared by a competent court.

  This severance would also be payable in the event of the resignation or termination of the Executive Director deriving from a substantial adverse modification of their conditions or functions. The amount of the severance is limited to the amount equal to one year's fixed remuneration received and the STIP granted in the last twelve (12) months prior to the removal where the termination is due to a resignation by the Executive Director deriving from a change of control at the Company (as defined in the remuneration policy). Of this amount, an amount equal to six months' fixed remuneration is paid as financial compensation for the non-competition agreement as described below.

  Payment of the amounts accrued as a result of or at the time of termination of the employment relationship, including variable remuneration, and those arising from the post-contractual non-competition agreement, will be made by the Company once it has been confirmed that the director has met the criteria or conditions established for their receipt.

- **Post-contractual non-competition agreement:** Executive Directors assume a non-competition obligation for 6 months from the date of termination of their contractual relationship. The remuneration for this obligation is a gross amount equal to six months' annual fixed remuneration (equal to EUR 500,000), which will be paid to the Executive Director in monthly instalments where the termination is due to their resignation and such resignation does not give rise to any severance in their favour, and it will be considered absorbed (and therefore no additional payment will be made) by the amount of severance for removal received in cases where the termination led to payment of severance to the director.

- **Settlement of STIP:** Executive Directors will be entitled to receive all or part of the STIP in accordance with the conditions described in the Remuneration Policy.

- **Settlement of LTIP:** Executive Directors will be entitled to receive all or part of the LTIP in certain situations or scenarios of removal.

  The terms and conditions described above comply with that established in Recommendation 64 of the Good Governance Code for Listed Companies, as they indicate that payments for termination of an employment contract include severance, contractual non-competition agreements or any other payment earned or payment obligation that arises as a result of the termination of the contract and that these amounts may not exceed twice the total annual fixed remuneration.

2.5 Conditions for Executive Director contracts

The contracts that regulate the performance of the functions and responsibilities of each Executive Director include the customary clauses included in this type of contract, in accordance with standard market practices in this regard. These are aimed at attracting and retaining the most outstanding professionals and safeguarding the Company's legitimate interests. Notwithstanding the clauses on termination benefits and the non-competition agreement described in the previous section, the main conditions of the executive directors' contracts are as follows:

- **Nature:** independent contractor.
- **Term:** the contracts with executive directors are for an indefinite term.
- **Confidentiality:** Executive Directors, both during the period they provide services to the Company and after their contract has been terminated for whatever reason, may not provide, disclose or supply to any natural or legal person, whether directly or indirectly, any data, ideas, documents, secrets, procedures, methods or, in general, any information to which they may have had access in discharging their office, except for that strictly necessary to comply with the obligations contained in the contract or information in the public domain (unless it becomes public due to a breach of the confidentiality obligation). Likewise, they may not use such information for their own benefit or for the benefit of third parties. Notwithstanding the confidentiality obligation expressly established in the contract, Executive Directors are also bound by the duty of secrecy, forming part of the duty of loyalty established in section 27 of the Board Regulations and, specifically, by the duty of confidentiality, applicable to all directors, regulated in section 24 of the Board Regulations.
- **Notice period:** it is established that both parties must respect, in general and save for specific exceptions, a notice period of four (4) months. Failure to observe the notice requirement will give rise to the obligation to compensate the other party in an amount equal to the period of notice not observed, whereby the director authorises the Company to deduct any amount that may apply in this regard from the corresponding settlement of amounts.
- **Others:** the contracts also include the standard rules regarding (i) exclusivity in the provision of the services, and (ii) intellectual property and inventions within the context of the services.

2.6 External Directors

For 2023, the remuneration of external directors (independent, proprietary or other external) will be adjusted, if approved by the shareholders at the General Shareholders Meeting, to the remuneration elements and amounts described in the Remuneration Policy. In this regard, the Policy will include the following remuneration structure for external directors for 2022:

	Board of Directors	Planning and Coordination Committee	Audit and Control Commission	Appointments and Remuneration Commission	Sustainability, Ethics and Innovation Commission
Chair	Fixed allocation: EUR 450,000	Fixed allocation: EUR 10,000	Fixed allocation: EUR 10,000	Fixed allocation: EUR 10,000	Fixed allocation: EUR 10,000
Director	Fixed allocation: EUR 100,000 Per diem attendance fees: EUR 2,000	Fixed allocation: EUR 20,000	Fixed allocation: EUR 35,000	Fixed allocation: EUR 20,000	Fixed allocation: EUR 10,000
Independent Director Coordinator	Fixed allocation: EUR 35,000	--	--	--	--

Each amount compensates each office held by a director, which are added up based on the different offices held to form the director’s total remuneration (office of director and, as appropriate, commission or committee chairing or membership), except in the case of remuneration of the non-executive chair of the Board, where the chair’s fees cover all remuneration components for the functions performed (office of director, function of Board chair, commission or committee membership or chairing, as the case may be).

Any amount detailed in this section will be payable in cash. Any director may, if considered it appropriate, waive all or part of their remuneration in favour of the Company.

If a non-executive director is appointed, removed or tenders their resignation during the year, the corresponding amounts assigned will be prorated based on the time that the director sat on the Board.

It was noted that the current Chair of the Board waived his total remuneration for his participation and positions on the board in 2023.

The maximum annual amount that MERLIN will be able to pay to all external directors (independent, proprietary or other external), as such, remains at two million six hundred thousand euros (EUR 2,600,000) gross per year (this limit was approved by the shareholders at the General Meeting held on 17 June 2020).

3. Application of the Remuneration Policy in 2022

3.1 Remuneration Policy applicable in 2022

The Board of Directors submitted a new Remuneration Policy to the General Shareholders Meeting held on 4 May 2022, applying transitional provision one of Spanish Law 5/2021, of 12 April, amending the consolidated text of the Corporate Enterprises Act. Once approved, it came into force from the date of the General Shareholders Meeting itself.

The main changes contained in this Remuneration Policy with respect to the remuneration elements for Executive Directors were as follows:

- Fixed items: levels of Fixed Remuneration and Remuneration-in-kind were maintained.
- Short-term variable incentive: the weight of the non-financial targets was limited to a maximum of 30% (up until then the weight of these targets was 40%), with the weight of the financial targets increasing to 70% (up until that time the weight was 60%). For 2022, half of the non-financial targets were linked to environmental, social and corporate governance ("**ESG**") targets. Specifically, these targets were linked to reduction of CO_2 emissions per m^2 and MERLIN's position in the GRESB, CDP and S&P CSA indexes.
- Long-term variable incentive: the General Shareholders Meeting approved a new Long-term Incentive Plan for 2022-2024 aimed, among others, at the Executive Directors. The LTIP, implemented through a single cycle performance share plan, will be payable by means of delivery of MERLIN shares in 2025 and is linked (i) to achievement of the targets the Board sets for the 2022-2024 period, and (ii) to the beneficiary remaining with the Company.

  In the case of Executive Directors, the value of the shares granted (calculated at the Reference Value – as defined in section 2.2.4) amounted, on annualised terms, to 200% of the Fixed Remuneration for the CEO and 150% of the Fixed Remuneration for the COO.

  A retention period for shares of 2 years was established for the Executive Directors.
- Special incentive: the possibility was established of granting a special incentive, under certain requirements, to Executive Directors in the event of the success of extraordinary corporate transactions which generate significant added value for shareholders and/or generate significant economic profit or equity increase in the Company. The maximum amount for the entire term of the Policy is limited to 100% of the annual Fixed Remuneration.
- Permanent holding of shares: this requirement was made explicit in the Policy to the current Executive Directors, adapted to recommendation 62 of the Good Governance Code.
- Contractual terms: these remain unchanged.
- In relation to the remuneration of External Directors:
  - The remuneration applicable to the Planning and Coordination Committee was introduced.
  - The remuneration for the Appointments and Remuneration Commission was established.
  - The specific remuneration for the chairs of the Board commissions and committees was updated.

Therefore, the following remuneration policies were applicable in 2022:

- Between 1 January and the holding of the General Shareholders Meeting on 4 May 2022, the Directors' receipts were under the Remuneration Policy approved by the shareholders at the General Shareholders Meeting on 17 June 2020 (and subsequently amended by the shareholders at the General Meeting on 27 April 2021).
- From the date of the 2022 General Shareholders Meeting to 31 December 2022, the new Remuneration Policy applied.

The Directors' remuneration in 2022 is in accordance with these Remuneration Policies, in accordance with section 529(r) of the Corporate Enterprises Act. It was noted that there were no deviations from the procedure for application of the Remuneration Policy, and no temporary exceptions were applied to it.

The detailed description of the Directors' remuneration system in 2022 was included in section 02 of the ADRR for the year ended 31/12/2021. That Report was approved by 81.86% of the votes cast. Therefore, and taking the degree of approval of this Report into account, the Company considered it appropriate to prepare the Annual Directors' Remuneration Report for 2022 in similar terms.

3.2 Executive Directors' remuneration in 2022

3.2.1 Fixed Remuneration

Each of the Executive Directors received EUR 1,000,000 in Fixed Remuneration. This amount was paid in full in cash and has not increased since 2017.

3.2.2 Remuneration-in-kind

Under the Policy, executive directors may be beneficiaries of:

- A policy for death and any degree of permanent disability, the beneficiary of which will be the Executive Director and/or the persons designated by the director in the case of coverage for death.
- A health insurance policy, with global health coverage with a leading company, under which the Executive Director, together with their spouse and dependent children, will be included as beneficiaries.

In 2022, the Company paid the premiums corresponding to the health and life insurance described above, which amounted to EUR 6,260 for the CEO and EUR 3,836 for the COO.

3.2.3 Short-term Variable Remuneration 2022 (STIP 2022)

To determine the 2022 STIP, the Appointments and Remuneration Commission set the following targets and weightings:

Metric	Definition	Weighting
FINANCIAL TARGETS		**70%**
FFO per share	Accounting FFO or accounting Funds From Operations is calculated as EBITDA less net finance costs and recurring taxes (excluding taxes on divestments and other extraordinary events). FFO per share is calculated by deducting the company's non-overhead costs from the accounting FFO, divided by the number of shares in circulation at the calculation date.	20%
Net Operating Income (NOI) + Other Income	NOI is calculated as the amount resulting from deducting expenses for incentives and linearisation from Gross Revenue, and property expenses not passed on to tenants and irrecoverable debts. Other income not resulting from gross revenue is also included.	15%
Adjusted pre-tax profit	Adjusted profit before taxes (without taking into account valuation impact of assets and derivatives).	10%
Loan to Value (LTV)	The loan-to-value ratio is calculated as the net debt divided by the value of the portfolio based on the latest external valuation available plus transaction costs.	10%
Divestments	Level of the divestments performed in accordance with the Company's asset rotation plan.	15%
NON-FINANCIAL TARGETS		**30%**
MERLIN's scoring in Sustainability Indexes	Improvement in MERLIN's score in absolute terms, and improvement in MERLIN's relative position with respect to comparable averages in the GRESB, CDP and S&P CSA sustainability indexes.	7.5%
CO_2 emissions reduction	Reduction in emissions intensity in kg CO_2/m^2 with respect to the previous year. The information used for this will be latest available on the date on which fulfilment of STIP targets is assessed.	7.5%
Performance assessment	Executive Directors' individual performance in 2022.	15%
		100%

The Appointments and Remuneration Commission monitored these targets set for the 2022 STIP throughout the year. Final assessment of these targets was performed on the basis of the verified results for 2022 in accordance with the following process:

- The results for 2022 and the level of achievement of the targets were analysed, firstly, by the Audit and Control Commission, based on the results verified by the external auditor.

  Following this analysis, the Appointments and Remuneration Commission established a 2022 STIP proposal to the Board. The Commission also considered the long term quality of the results and any risk associated with the proposed variable remuneration.

- Lastly, the Board approved the Appointments and Remuneration Commission's proposal for the 2022 STIP. As a result of the above, and in accordance with recommendation 59 of the Good Governance Code, the Board agreed to pay the following amounts to the Executive Directors in the first quarter of 2023, based on the following level of achievement of the targets:

- The financial targets, with a total weight of 70%, were met partially, so the payment ratio for these targets amounted to 52.8%.
- The non-financial targets, with a total weight of 30%, were met and the payment ratio is therefore 30%.

This level of achievement of targets relates to 82.8% of the weighted payment coefficient with respect to the maximum incentive. Therefore, the 2022 STIP allocated amounted to EUR 1,656,200 for the CEO (165.6% of Fixed Remuneration) and EUR 828,100 for COO (82.8% of Fixed Remuneration).

Of the above amounts, 50% ("Upfront STIP") will be paid together with the amount of Fixed Remuneration in the calendar month following the date of approval of the 2022 STIP (March 2023).

The vesting and receipt of the remaining 50% of the 2022 STIP ("Deferred STIP") will take place in accordance with the schedule indicated below, provided that the malus clauses described in section 2.3 above are not applicable:

a) the Executive Directors will vest the right to, and receive in cash, 25% of the 2022 STIP corresponding to them on the date of the first anniversary of the 2022 STIP Approval Date (March 2024);

b) the Executive Directors will vest the right to, and receive in cash, the final 25% of the 2022 STIP corresponding to them on the date of the second anniversary of the 2022 STIP Approval Date (March 2025);

The Deferred STIP will be paid in cash on the business day following the date of the respective anniversary of the STIP Approval Date (the "Deferred STIP Payment Date").

Director	Initial payment 2023	Deferred payment (subject to malus)	
		2024	2025
CEO	EUR 828,100	EUR 414,050	EUR 414,050
COO	EUR 414,050	EUR 207,025	EUR 207,025

In accordance with the instructions for completion of the ADRR contained in Spanish National Securities Market Commission Circular 3/2021, the amount of Upfront STIP is indicated in the table in section C.1 of the Statistical Schedule accompanying this Report, without prejudice to the amount corresponding to the Deferred STIP being included in subsequent years once it is verified that the malus clauses do not apply.

3.2.4 Incentive corresponding to the TREE disposal

One of the new developments incorporated in the Remuneration Policy in force, approved at the 2022 General Shareholders Meeting with 90.66% of votes in favour, was the power of the Board, after receiving a proposal from the Appointments and Remuneration Commission, to grant a special incentive to the Executive Directors in view of the success of extraordinary corporate transactions that generate significant added value for the shareholders and/or generate significant economic profit or capital increase in the Company.

In this regard, on 1 April 2022, an agreement was entered into to sell 662 BBVA bank branches through Tree Inversiones Inmobiliarias SOCIMI, S.A. (100% MERLIN subsidiary) for EUR 1,987 million.

This operation, successfully executed in June 2022, was an exceptional transaction:

- It was the largest real estate transaction in Spain since 2016 and the fifth largest transaction in Europe in 2022.
- The premium for the sale price over the last valuation was 17.1% (EUR 0.65 per MERLIN share).
- The complexity of the process was significant and it required extraordinary additional dedication by the Executive Directors. In this regard, after preparing the portfolio for sale and receiving several competitive offers, an agreement was reached with BBVA on 1 April. The execution of this agreement, performed on reasonable terms and low costs, made it possible to successfully close the transaction in June 2022.

This transformational transaction generates significant value for shareholders, through the following measures:

- Reducing net debt by EUR 1,637 million after the transaction, enabling improvement of the leverage ratio with respect to asset value.
- Distribution of an interim dividend of profit for the year of EUR 351 million (EUR 0.75 per share). The dividend distributed in 2022 totalled EUR 1.20 per share.
- Recycling the capital in logistics and data centers development with a significant higher return than the one generated by the assets sold.

In view of these results, which represent significant added value for shareholders, and as the results in ordinary activity were positive, the Board, at the Appointments and Remuneration Commission's proposal, approved the payment of an incentive associated with the TREE disposal, equivalent to 85% of the annual Fixed Remuneration of each Executive Director, in accordance with the limits established in the Remuneration Policy approved by the 2022 General Shareholders Meeting.

The incentive will be paid in cash in the first quarter of 2023.

This remuneration is subject to the clawback clauses established in the Remuneration Policy in force.

3.2.5 Other relevant information

- The Executive Directors did not receive any remuneration other than those described in section 3.2 of this Report.
- No malus or clawback clauses were activated in 2022.
- In 2022, the Executive Directors did not receive any of the potential payments that they could have received in cases of removal or resignation as described in section 2.4 of this ADRR, as no Executive Directors were removed or resigned.

- The contractual terms established with the Executive Directors for 2022 are those described under the heading on Contractual terms in section 2.5 of this Report. No compensation has been paid in the form of advances, loans, or guarantees.

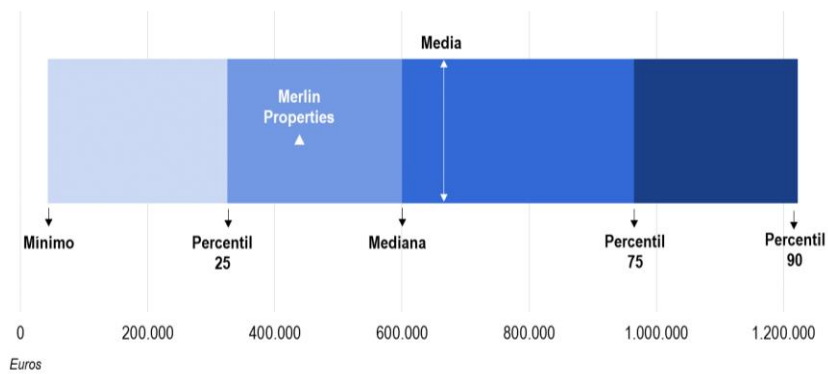
3.3 External Directors

The remuneration of external directors in 2022 was adjusted to the amounts established in the Remuneration Policies applicable in the year.

The non-executive chair of the Board, Mr. Javier García-Carranza Benjumea, director of the significant shareholder, Banco Santander, decided, as in previous years, to waive his total remuneration as chair, and did not receive any amount in 2022 for these items.

However, purely for information purposes, it was considered appropriate to state that if the non-executive chair had not waived their remuneration and had received the remuneration contained in the Policy approved by the general meeting, their competitive level of remuneration would have been close to the market median. The range of remuneration observed in the IBEX 35 for the position of non-executive chair and the relative positioning of the remuneration established in MERLIN's Remuneration Policy are shown below.

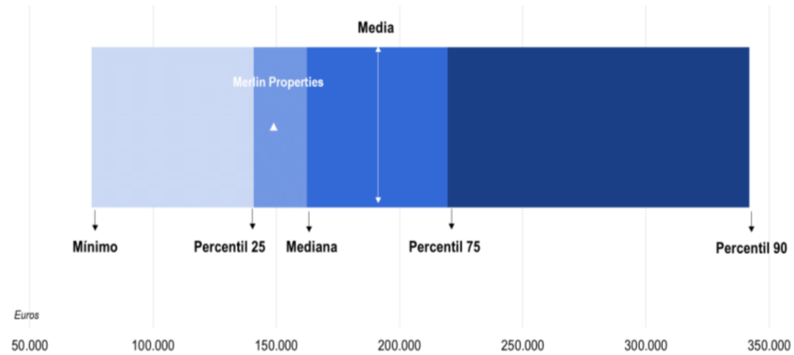
Remuneration of non-executive chair in the IBEX 35



* Arcelormittal was excluded from the calculation, as its Board of Directors is located outside Spain.

In the case of external directors, their average remuneration is set at reasonable terms and in line with the Company's size, as it is between the 25th and 50th percentile of the market. The range of remuneration observed in the IBEX 35 for the profile of an external director, member of a commission, and the relative positioning of the remuneration established in MERLIN's Remuneration Policy are shown below.

Remuneration of external directors in the IBEX 35



* Includes the remuneration that a director could receive for being on the Board, the Executive Commission (which does not exist in MERLIN) and one of the Board's other advisory Commissions (Audit, Appointments, Remuneration or others that may be constituted).

The table below summarises the amounts earned (in thousands of euros) by the external directors in 2022:

Amounts in thousands of euros	Board of Directors			Planning and Coordination Committee	Audit and Control Commission	Appointments and Remuneration Commission	Sustainability, Ethics and Innovation Commission	Total
Name	**Fixed allocation**	**Per diem attendance fees**		**Fixed allocation**	**Fixed allocation**	**Fixed allocation**	**Fixed allocation**	
		Meetings	**Amount**					
Mr. Javier Garcia-Carranza Benjumea	0	*0*	0	0	0	0	0	0
Mr. Juan María Aguirre Gonzalo	100	*12*	24		38	20		182
Ms. Pilar Cavero Mestre	100	*11*	22			20	10	152
Ms. Ana Forner Beltrán	100	*12*	24	18	35			177
Ms. Ana García Fau	100	*12*	24	28	35		20	207
Mr. Ignacio Gil-Casares Satrústegui	100	*12*	24			20		144
Mr. Donald Johnston	100	*11*	22		30	20		172
Ms. María Luisa Jordá Castro	100	*12*	24		35	30		189
Mr. Emilio Novela Berlín	135	*12*	24	18			10	187
Ms. Francisca Ortega Hernández-Agero	100	*12*	24		35		10	169
Mr. Fernando Ortiz Vaamonde	100	*11*	22			20		142
TOTAL	**1,035**		**234**	**64**	**208**	**130**	**50**	**1,721**

4. Bodies involved in the process of determining, approving and applying the Remuneration Policy

The Appointments and Remuneration Commission is responsible for, among other tasks, proposing and submitting the Remuneration Policy to the Board, and determining the remuneration of the executive directors and the other terms and conditions of their contracts, while also ensuring they are observed.

The following is a summary describing the bodies at the Company that are involved in the process of defining and implementing the Remuneration Policy, as described in the previous sections:

DETERMINATION AND APPROVAL	Appointments and Remuneration Commission	Board of Directors	General Meeting
Remuneration Policy	Proposes the Remuneration Policy to the Board.	Approves the Remuneration Policy and submits it to a vote at the General Meeting.	Approves the Remuneration Policy at least every three years as a separate agenda item.
External directors' remuneration	Proposes the Remuneration Policy to the Board.	Proposes the remuneration system at the Annual General Meeting along with the maximum amount of annual remuneration.	Approves the maximum amount of annual remuneration for non-executive directors as a whole.
Executive directors' remuneration	Proposes modifying or updating the short-term and long-term remuneration systems.	Approves the fixed remuneration and the main terms and conditions for the short-term and long-term variable remuneration systems, updating of short-term and long-term remuneration systems.	Approves the remuneration systems for the directors, which include the delivery of shares or share options, or remuneration tied to the share price.

APPLICATION	Appointments and Remuneration Commission	Other commissions	Board of Directors	General Meeting
External directors' remuneration	The ARC informs the general meeting of what the Board proposes.		Proposes the remuneration system at the Annual General Meeting along with the maximum amount	Approves, in an advisory role, the ADRR, which includes details on the remuneration accrued during the year.
Executive directors' remuneration	Assesses the degree of compliance with the criteria and targets established for executive directors in relation to the previous year Proposes to the Board the individual remuneration (fixed, STIP and LTIP) of the executive directors in accordance with the terms of the Remuneration Policy Verifies that the Remuneration Policy is properly applied and that no payments are made that are not included in the policy.	Audit and Control Commission: Analyses the accounting aspects of the STIP and the LTIP. Sustainability, Ethics and Innovation Commission Reviews the ESG metrics established in the STIP and LTIP.	Approves the individual remuneration for the executive directors, within the limits established in the Remuneration Policy.	

On the other hand, the Appointments and Remuneration Commission ensures that the Remuneration Policy is in line with the Company's short-, medium- and long-term situation and strategy, including with regard to sustainability, diversity, long-term return and risk assumption, and with market conditions, and assesses whether it contributes to the creation of long-term value and adequate control and management of risks, and verifies the above annually.

The Company also receives assistance from external consultants in preparing the various analyses and reports related to the remuneration of directors. In this regard, MERLIN received advice from WTW in relation to the preparation of this Report.

5. Work performed by the Appointments and Remuneration Commission

Introduction:

The Remuneration Commission (RC) and the Appointments Commission (AC) were unified in 2022. The reunification of the two commissions was agreed at the Board meeting of 26 January 2022 and was reported to the Spanish National Securities Market Commission on the same day. The reunification involved incorporating the functions of the AC into the RC, enabling the ARC to have a maximum of six members, with the regulation being, in all other aspects, identical to what was in the RC regulation, except for the removal of the chair's deciding vote.

All members of the reunified ARC were previously in the RC or the AC with an experience in these commissions of at least 3 years.

The Board of Directors' meeting of 23 February 2022 approved the new ARC Regulation and this was communicated to the Spanish National Securities Market Commission and published on the website.

Composition:

In accordance with its regulations, the ARC was made up of six (6) external directors. At 31 December 2022 and at the date of writing of the Report, the Commission had the following composition:

Name	Position	Category
Ms. María Luisa Jordá Castro	Chair	Independent
Mr. Ignacio Gil-Casares Satrústegui	Member	Proprietary
Mr. Fernando Ortiz Vaamonde	Member	Independent
Ms. Pilar Cavero Mestre	Member	Independent
Mr. Juan María Aguirre Gonzalo	Member	Independent
Mr. Donald Johnston	Member	Independent

<u>Functioning</u>:

In accordance with its regulations, the Commission is convened by its chair, either on his own initiative or at the request of the chair of the Board or any of its members. It meets, ordinarily, at least once per quarter, and when called by its chair, who must call a meeting whenever the Board or its chair requests the issuance of a report or the adoption of proposals and, in any case, whenever considered necessary to properly perform its functions. The Commission is considered to be validly convened when attended by the majority of its members in person or by proxy, and its resolutions are passed by a majority of members attending in person or by proxy.

<u>Main tasks</u>:

With regard to remunerations, the main tasks assigned to the Commission are as follows: (i) propose to the Board the remuneration policy for directors and general managers or those who perform senior management functions, and the individual remuneration of the executive directors and other terms of their contracts, ensuring their compliance; (ii) regularly analyse, formulate and review the remuneration programmes, weighing their suitability and performance, proposing changing or updating of them; (iii) ensure compliance with the remuneration policy established by the Company; and (iv) assist the Board in preparing the report on the Directors' remuneration policy.

<u>Meetings</u>:

The Appointments and Remuneration Commission met 11 times in 2022 (specifically, on 26 January, 4 February, 14 February, 22 February, 16 March, 29 April, 8 June, 6 July, 12 September, 27 October and 14 December).

All Commission meetings were attended (in person, by proxy or through audio-visual means) by all members of the Commission.

Within the framework of some of these meetings:

(i) The Executive Directors attended to present the 2022 STIP metrics, the TREE disposal execution process and the level of progress in 2022-2024 LTIP targets.

(ii) The contracted external advisers attended to provide market remuneration information, provide advice on the design of incentives and transparency of remuneration.

<u>Actions by the Commission</u>:

(i) Reviewing and reporting on the level of achievement of the targets set for 2022 regarding both short-term variable remuneration and the additional incentive linked to the TREE disposal, as well, therefore, as the resulting remuneration;

(ii) Analysing and proposing the review of the distribution between fixed, short-term variable and long-term variable, and the increase in remuneration for the executive directors and the management team;

(iii) Reporting favourably on the proposed allocation of the second 50% of the shares in the 2017/2019 LTIP;

(iv) Reporting on the metrics and weighting to be applied for the 2022 STIP applicable to the management team, including executive directors, and the basic guidelines in terms of volume, targets, metrics and short-term variable remuneration weighting of the rest of the workforce;

(v) Determining the proposed targets, weighting and levels of achievement of the new LTIP;

(vi) Preparing the self-assessment of the Commission in 2021;

(vii) Agreeing the proposed Remuneration Policy to be submitted to the Board for approval and subsequent submission to the 2022 General Shareholders Meeting for approval.

(viii) Supervising and informing on the 2021 Annual Directors' Remuneration Report;

(ix) Reviewing the 2022 Annual Corporate Governance Report and informing on it, on aspects within its competence;

(x) Monitoring the Equality and Remuneration Audit Plan.

(xi) Improving and establishing procedures for preparing, controlling and improving the information to be received by the Commissions and, therefore, any information that they send to the Board, with the ultimate aim of having better knowledge of the bases, comparable aspects and reasons that justify establishing the variable remuneration components to be received by the management team.

(xii) Approving the Commission's Activities Report for 2022.

<u>Action plan for 2023</u>:

(i) Reviewing and reporting on the level of achievement of the targets set for 2022 regarding short-term variable remuneration, as well, therefore, as the resulting remuneration;

(ii) Proposing the targets, metrics and weightings for variable remuneration for 2023 applicable to the Executive Directors and the management team;

(iii) Proposing the level of payment of the incentive linked to the TREE disposal.

(iv) Supervising and informing on the 2022 Annual Directors' Remuneration Report;

(v) Reviewing the 2022 Annual Corporate Governance Report and informing on it, on aspects within its competence; and

(vi) Complying in a timely manner with its duties in relation to the matters on which it must report or submit proposals.

6. Alignment of the remuneration system with the risk profile and sustainable and long-term results

The Remuneration Policy has the following features that enable reduction of exposure to excessive risks and align it with the Company's long-term sustainable results:

Adoption of measures in relation to those categories of personnel whose professional activities have a material impact on the Company's risk profile

- The Appointments and Remuneration Commission supervises the review, analysis and application of the remuneration policy for MERLIN's executives whose activities may have a material impact on the organisation's risk profile.
- There are no guaranteed variable remunerations.
- The payment of variable remuneration only takes place after the date of preparation of the corresponding financial statements, after determining the level of achievement of the targets. In relation to the financial targets, these are verified by the Company's external auditor.
- The Appointments and Remuneration Commission considers, as part of the process for assessing the STIP and LTIP, the long-term quality of the results and any associated risk.
- The total duration of the LTIP is 5 years, (3-year target measurement period and 2 years of retention of any shares delivered).
- The Remuneration Policy details certain cases whereby the Board may, at the Appointments and Remuneration Commission's proposal, reduce the percentage it considers appropriate or even cancel the right to STIP or LTIP during the deferral period, in application of the malus clauses.
- The Remuneration Policy also indicates that if, during the two (2) years following the payment of the Executive Directors' STIP or LTIP, certain events or circumstances have taken place, MERLIN may require the Executive Director in question to return up to 100% of the amount net of tax on the amounts they received under the STIP and LTIP.
- The Company's Audit and Control Commission participates in the decision-making process related to the STIP and the LTIP by verifying the economic, financial and non-financial data that may form part of the targets established in that remuneration.
- The Appointments and Remuneration Commission consists of 6 members, three of whom are also members of the Audit and Control Commission. The mutual presence of Directors on both these commissions ensures that the risks associated with remuneration are taken into account in the commissions' deliberations and in their proposals to the Board, in the process both of determining and evaluating the STIP and the LTIP. One member of the Appointments and Remuneration Commission is also a member of the Sustainability and Innovation Commission, making it possible to design the remuneration system considering any implications that may arise in ESG matters.
- In relation to the measures necessary to avoid conflicts of interest by the directors, in line with what the Corporate Enterprises Act establishes, MERLIN's Board Regulation includes a set of obligations deriving from their duties of loyalty and avoiding conflicts of interest. On the other hand, the Appointments and Remuneration Commission Regulation stipulates that, when considered necessary or appropriate, expert advice may be obtained from a third party that could assist the

Commission in relation to technical or particularly relevant aspects, although the Commission must take potential conflicts of interest existing into account when contracting them.

Consistency with MERLIN's strategy and sustainable and long-term results

- Design of the remuneration policy consistent with the Company's strategy and aimed at achieving long-term results:

  a. The total remuneration of the Executive Directors and the management team consists of various elements of remuneration, basically consisting of: (i) Fixed Remuneration, (ii) STIP, and (iii) LTIP. For the Executive Directors, under normal conditions, the LTIP has an annualised weight of 40% or more of the total remuneration in a scenario of meeting maximum targets (fixed + short-term variable + long-term variable). In 2021, the share incentive for the 2017-2019 LTIP that had been deferred for two years was accrued. To ensure that this remuneration is aligned with MERLIN's long-term results, beyond the three-year period of 2017-2019, delivery of the shares was subject to the condition that the EPRA NAV at 31/12/2021 was higher than EPRA NAV at 31/12/2019, which it was.

  b. Long-term variable remuneration plans are part of a multi-annual framework to ensure that the assessment process is based on long-term results and that it takes the Company's underlying economic cycle into account. This remuneration is granted and paid in the form of shares based on creation of value, so that the executives' interests are aligned with those of the shareholders.

  c. In accordance with the new LTIP, 100% of the shares delivered under the Executive Directors' Plan will be subject to a retention period of two years. Additionally, if an Executive Director is not complying with the commitment to permanent holding of shares, the retention period for any shares they receive arising from any variable remuneration element would increase to 3 years.

- Appropriate balance between fixed and variable components of remuneration: The Executive Directors have a fully flexible variable remuneration system, whereby they may not receive any amount in this regard if the minimum compliance thresholds are not reached. The short- and long-term variable remuneration percentage may be significant in case of maximum achievement of targets. In any case, this percentage with respect to total remuneration (considered for this purpose as Fixed Remuneration, STIP and LTIP) would not exceed 80%.

- Receipt of 15% of the 2022 STIP was linked to progress in sustainability strategy, specifically the reduction of CO_2 emissions per m^2 and MERLIN's position in the GRESB, CDP and S&P CSA indexes. In 2023 in turn, the STIP links 7.5% of the incentive. Additionally, 15% of the 2022-2024 LTIP is linked to reduction of CO_2 emissions (10% of the total) and the progress of initiatives linked to improvement of the environment and society (5% of the total).

7. Statistical Schedule to the Annual Report on Directors' Remuneration for public limited liability companies under CNMV Circular 4/2013 for Merlin Properties SOCIMI, S.A.

Comments on Table C.2:

Changes in the remuneration of Mr. Ismael Clemente and Mr. Miguel Ollero:

- The increase in remuneration accrued between 2018 and 2019 is mainly due to the receipt of the 2017-2019 LTIP linked to the TSR.
- The reduction in remuneration accrued between 2019 and 2020 was due to the Executive Directors waiving the 2020 STIP.
- The increase in remuneration accrued between 2020 and 2021 is due to the receipt of the 2017-2019 LTIP linked to the EPRA NAV, after the 2 years of deferral had elapsed and the requirements for payment had been verified.

Changes in the remuneration of Mr. Emilio Novela Berlin:

- In relation to the change between 2018 and 2019, the figure indicated shows the change between the remuneration effectively accrued in those two years. These figures are not comparable, as the Director was appointed on 7 May 2018 and the remuneration therefore corresponds to the period from 7 May to 31 December 2018. He was a Board member for the full year from 2019.

Changes in the remuneration of Ms. Ana Forner Beltrán:

- In relation to the change between 2020 and 2021, the figure indicated shows the change between the remuneration effectively accrued in those two years. These figures are not comparable, as the Director was appointed on 17 June 2020 and the remuneration therefore corresponds to the period from 17 June to 31 December 2020. He was a Board member for the full year from 2021.

Changes in the remuneration of Mr. Ignacio Gil Casares:

- In relation to the change between 2020 and 2021, the figure indicated shows the change between the remuneration effectively accrued in those two years. These figures are not comparable, as the Director was appointed on 17 June 2020 and the remuneration therefore corresponds to the period from 17 June to 31 December 2020. He was a Board member for the full year from 2021.