MERLIN PROPERTIES, SOCIMI, S.A.

Financial Statements for the year ended 31 December 2020 and Director's Report, together with Independent Auditor's Report

Translation of a financial statements originally issued in Spanish and prepared in accordance with regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails (See Notes 2, and 25).

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Merlin Properties SOCIMI, S.A.,

Opinion

We have audited the financial statements of Merlin Properties SOCIMI, S.A. (the Company), which comprise the balance sheet as at 31 December 2020, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2020, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Compliance with the REIT tax regime

Description

On 22 May 2014, the Company applied to be included in the REIT (Spanish "SOCIMI") tax regime, which was applicable from 1 January 2014. Therefore, in 2020 the Company was regulated by Spanish Real Estate Investment Trusts (SOCIMI) Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December. One of the main characteristics of companies of this nature is that they are subject to an income tax rate of 0%.

The applicability of the REIT tax regime is conditional upon compliance with certain requirements in relation, inter alia, to company name and object, minimum share capital, the obligation to distribute the profit of each year in the form of dividends and the trading of the entity's shares on a regulated market, as well as other requirements such as the investments made and the nature of the income earned each year, predominantly, which requires significant judgements and estimates to be made by the directors, since failure to comply with any of these requirements will lead to the loss of entitlement to the special tax regime unless the cause of the non-compliance is rectified the following year.

Therefore, compliance with the REIT tax regime requirements is a key matter in our audit, to the extent that the related tax exemption has a significant impact on both the financial statements and shareholder returns, since the business model of the Company is based on continuing to qualify for taxation under the REIT regime.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with compliance with the REIT tax regime, as well as tests to verify that the aforementioned controls operate effectively.

We obtained and reviewed the documentation prepared by the Company's directors on compliance with the obligations associated with this special tax regime, and we involved our internal experts from the tax area, who assisted us in analysing both the reasonableness of the information obtained and the completeness thereof in relation to all the matters provided for in the legislation in force at the analysis date.

Lastly, we verified that Notes 1, 16 and 22 to the financial statements contained the disclosures relating to compliance with the conditions required by the REIT tax regime and other matters associated with the taxation of the Company.

Valuation of investment property and of non-current investments in Group companies and associates

Description

The Company manages, both directly and indirectly through its ownership interests in Group companies and associates, a portfolio of urban property assets earmarked for lease (offices, shopping centres, logistics parks, etc.) located mainly in Spain and Portugal. The Company measures these assets at acquisition cost, recognising the necessary impairment losses if the fair value of the assets is lower. At 31 December 2020, the total carrying amounts of the portfolio of property assets and the ownership interests in Group companies and associates that also engage in real estate activities were EUR 4,474 million and EUR 3,156 million, respectively.

The Company periodically uses third parties independent of it as experts to determine the fair value of its property assets, both those it manages directly and those managed through the Group companies and associates in which it has ownership interests. The aforementioned experts have substantial experience in the markets in which the Company operates and employ valuation methodologies and standards widely used in the market.

The valuation of the property asset portfolio is a key audit matter, since it requires the use of estimates with a significant degree of uncertainty, exacerbated by the current covid-19 situation and the uncertainty expected in the coming months in relation to the evolution of the pandemic (see Note 2.9).

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the valuation of investment property and investments in Group companies and associates, as well as tests to verify that the aforementioned controls operate effectively. In particular, we tested those controls used by the directors to supervise and approve the engagement of and the work performed by the experts engaged for this purpose, and to ensure that no influence is exercised over the findings and conclusions of the work of those experts.

We obtained the valuation reports of the experts engaged by the entity to value the entire property asset portfolio and evaluated the competence, capability and objectivity of the experts and the adequacy of their work for use as audit evidence. In this connection, with the assistance of our internal valuation experts, we:

- analysed and concluded on the reasonableness of the valuation procedures and methodology used by the experts engaged by the Company's directors;

Valuation of investment property and of non-current investments in Group companies and associates

Description

Specifically, the discounted cash flow method is generally applied to the valuation of the rental property assets, which requires estimates of:

- the future net revenue from each property based on available historical information and market surveys;
- the internal rate of return or opportunity cost used when discounting;
- the residual value of the assets at the end of the projection period (exit yield).

In addition, small percentage changes in the key assumptions used for the valuation of the property assets, could give rise to significant changes in the financial statements.

Therefore, we considered this matter to be a key matter in our audit.

Procedures applied in the audit

- performed a review of the valuations of a sample of assets, chosen from among those of most significance in the Company's portfolio and those whose change in value might imply an atypical characteristic with respect to the available market information and the other property assets, and evaluated, in conjunction with our internal experts, the matters involving the highest level of risk, including the occupancy rates and expected returns on the property assets. On conducting that review, we took into account the information available on the industry and transactions with property assets similar to the property asset portfolio owned by the Company; and
- held meetings with the experts engaged by the Company's directors, in order to check the findings of our work and obtain the necessary explanations.

Lastly, we also checked that the disclosures made by the Company in relation to these matters, included in Notes 7 and 10 to the financial statements for 2020, contained the information required in this connection by the applicable financial reporting framework.

Other Information: Directors' Report

The other information comprises only the directors' report for 2020, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the directors' report, in accordance with the audit regulations in force, consists of:

a) Solely checking that certain information included in the Annual Corporate Governance Report, to which the Spanish Audit Law refers, has been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) Evaluating and reporting on whether the other information included in the directors' report is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the directors' report was consistent with that contained in the financial statements for 2020 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit and Control Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description, which is on the following pages, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital file in European Single Electronic Format (ESEF) of Merlin Properties SOCIMI, S.A. for 2020, which comprise the XHTML file including the financial statements for 2020, which will form part of the annual financial report.

The directors of Merlin Properties SOCIMI, S.A. are responsible for presenting the annual financial report for 2020 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation").

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the financial statements included in the aforementioned file corresponds in full to that of the financial statements that we have audited, and whether those financial statements were formatted, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined corresponds in full to the audited financial statements, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional Report to the Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and control committee dated 25 February 2021.

Engagement Period

The Annual General Meeting held on 17 June 2020 appointed us as auditors for a period of one year from the year ended 31 December 2019.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 2014.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Ignacio Alcaraz Elorrieta
Registered in ROAC under no. 20.687

25 February 2021

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have

communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit and control committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

MERLIN PROPERTIES, SOCIMI, S.A.

Financial Statements for the year ended 31 December 2020 and Management Report

Translation of a financial statements originally issued in Spanish and prepared in accordance with regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

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MERLIN PROPERTIES SOCIMI, S.A.

BALANCE SHEET AS OF 31 DECEMBER 2020

(Thousands of euros)

ASSETS	Notes	31-12-2020	31-12-2019	EQUITY AND LIABILITIES	Notes	31-12-2020	31-12-2019
NON-CURRENT ASSETS		**8,533,832**	**8,590,954**	**EQUITY:**	**Note 11**	**3,791,649**	**3,868,527**
Intangible assets		**116,590**	**222,536**	***OWN FUNDS***		***3,797,262***	***3,875,118***
Goodwill	**Note 5**	115,801	138,962	**Subscribed capital**		**469,771**	**469,771**
Consession projects	**Note 6**	—	82,903	**Share premium**		**3,813,409**	**3,813,409**
Other intangible assets		789	671	**Reserves**		**(406,842)**	**(438,200)**
Property, plant and equipment		**2,292**	**2,697**	**Treasury shares**		**(54,149)**	**(56,860)**
Investment property	**Note 7**	**4,474,152**	**4,513,252**	**Other equity holder contributions**		**540**	**540**
Land		2,153,744	2,172,566	**Profit / (loss) for the period**		**(25,467)**	**179,397**
Buildings		2,170,355	2,228,634	**(Interim dividend)**	**Note 3**	**—**	**(92,939)**
Under construction and advances		150,053	112,052	***VALUATION ADJUSTMENTS***	Note 11.4	**(5,613)**	**(6,591)**
Non-current investments in group companies and associates		**3,626,576**	**3,553,683**	Hedging transactions		(625)	(1,889)
Equity instruments	**Note 10**	3,155,797	3,131,190	Finanacial assets available for sale	**Note 11.5**	(4,988)	(4,702)
Loans to companies	**Notes 8 y 17.2**	470,779	422,493				
Non-current investments	**Note 8**	**236,106**	**219,884**	**NON-CURRENT LIABILITIES:**		**5,425,780**	**5,059,322**
Equity instruments		2,595	1,173	**Non-current provisions**	**Note 13**	**17,527**	**31,364**
Financial assets held for sales		103,775	17,540	Long-term employee benefits		9,220	22,683
Loans to third parties		95,550	165,704	Other provisions		8,307	8,681
Other financial assets		34,186	35,467	**Non-current payables**		**4,998,465**	**4,623,923**
Deferred tax assets	**Note 15.3**	**78,116**	**78,902**	Debt instruments and other marketable securities	**Note 12**	4,065,802	3,723,414
				Non-current bank borrowings	**Note 12**	870,875	840,415
CURRENT ASSETS		**929,335**	**608,818**	Derivatives	**Note 12**	15,971	10,570
Inventories		**43**	**69**	Other financial assets	**Note 13**	45,817	49,524
Advances to suppliers		43	69	**Group companies and associates, non-current**	**Notes 8 y 17.2**	**14,621**	**8,771**
Trade and other receivables	**Note 8**	**10,755**	**15,763**	**Deferred tax liabilities**	**Note 15.4**	**395,167**	**395,264**
Trade receivables		610	7,672				
Trade receivables from groups and associates	**Note 8 y 17.2**	3,327	1,167				
Other receivables		435	377	**CURRENT LIABILITIES:**		**245,738**	**271,924**
Personnel		184	184	**Current provisions**	**Note 13**	**—**	**778**
Public entities, other	**Note 15**	6,199	6,363	**Current payables**		**40,614**	**38,397**
Current investments in group companies and associates	**Notes 8 y 17.2**	**718,561**	**452,630**	Debt instruments and other marketable securities	**Note 12**	36,291	34,631
Loans to companies		718,523	430,024	Current bank borrowings	**Note 12**	1,525	1,026
Other financial assets		38	22,606	Other financial liabilities	**Note 13**	2,798	2,740
Current investments	**Note 8**	**75,694**	**4,532**	**Group companies and associates, current**	**Notes 8 y 17.2**	**112,725**	**101,591**
Equity instruments		18	18	**Trade and other payables**	**Note 14**	**92,349**	**131,158**
Loans to companies		71,767	236	Suppliers		23,045	34,944
Debt securities		3,849	3,849	Suppliers, group companies and associates	**Notes 8 y 17.2**	34,351	32,014
Other financial assets		60	429	Other payables	**Note 14**	10,065	7,343
Short term accruals		**12,564**	**9,978**	Personnel (salaries payable)	**Note 14**	16,875	51,423
Cash and cash equivalents	**Note 9**	**111,718**	**125,846**	Current tax liabilities	**Note 14**	8,013	5,432
Cash		110,930	113,058	Public entities, other	**Note 15**	—	2
Cash and cash equivalents		788	12,788	Short term accruals	**Note 14**	50	—
TOTAL ASSETS		**9,463,167**	**9,199,773**	**TOTAL PATRIMONIO NETO Y PASIVO**		**9,463,167**	**9,199,773**

The accompanying notes 1 to 25 are an integral part of the statement of financial position as of 31 December 2020.

MERLIN PROPERTIES SOCIMI, S.A.

STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED ON DECEMBER 31 2020

(Thousands of euros)

	Notes	Period 2020	Period 2019
CONTINUING OPERATIONS:			
Revenue	**Note 19.1**	**338,466**	**485,583**
Other operating income		**1,217**	**2,306**
Personnel expenses	**Note 19.2**	**(38,435)**	**(74,706)**
Salaries and wages		(35,795)	(72,320)
Social contributions		(2,640)	(2,386)
Other operating expense	**Note 19.3**	**(39,773)**	**(40,958)**
Depreciation and amortization	**Notes 5, 6 y 7**	**(64,005)**	**(68,207)**
Provision surpluses		**(704)**	**154**
Imapairment and gains / (losses) on disposal of fixed assets	**Note 7 y 10**	**(27,524)**	**(1,741)**
Impairment and losses		(27,524)	(1,741)
PROFIT / (LOSS) FROM ORDINARY ACTIVITIES		**169,242**	**302,431**
Finance income	**Note 19.4**	**3,335**	**656**
Marketable securities and other financial instruments		3,165	494
- Group companies and associates		3,165	494
Other finance income	**Note 9**	170	162
Finance expenses	**Note 19.4**	**(113,904)**	**(93,861)**
Group companies and associates		(1,086)	(1,956)
Third parties		(105,954)	(91,580)
Other finance expense		(6,864)	(325)
Change in fair value of financial instruments		**(9,508)**	**(8,721)**
Impairment and gains / (losses) on disposals of financial instruments	**Note 8.3 y 10**	**(73,942)**	**(21,091)**
Impairment and losses		(73,766)	(21,283)
Gains / (losses) on disposals		(176)	192
NET FINANCE INCOME / (EXPENSE)		**(194,019)**	**(123,017)**
PROFIT / (LOSS) BEFORE TAX		**(24,777)**	**179,414**
Income tax	**Note 15.2**	(690)	(17)
PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**(25,467)**	**179,397**

The accompanying notes 1 to 25 are an integral part of
the consolidated income statement for the period ended 31 December 2020.

MERLIN PROPERTIES SOCIMI, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2020

A) STATEMENT OF INCOME AND EXPENSES RECOGNISED

(Thousands of euros)

	Period 2020	Period 2019
PROFIT / (LOSS) FROM INCOME STATEMENT (I)	**(25,467)**	**179,397**
Income and expenses recognised directly in equity		
- Income and expenses recognised directly in equity		
Financial assets available for sale	(286)	(581)
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (II)	**(286)**	**(581)**
Total amounts transferred to income statement		
- From cash flow hedges	1,264	1,260
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT	**1,264**	**1,260**
TOTAL INOCME AND EXPENSES RECOGNISED (I+II+III)	**(24,489)**	**180,076**

The accompanying explanatory Notes 1 to 25 an integral part of the statement of changes in equity as of 31 December 2020.

MERLIN PROPERTIES SOCIMI, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2020

B) TOTAL STATEMENT OF CHANGES IN EQUITY

(Thousand euros)

	Share capital	Share premium	Reserves	Merger Reserve	Treasury shares	Valuation adjustments	Other equity holder contributions	Profit / (loss) for the period	Interim dividend	TOTAL
BALANCES AS OF PERIOD ENDED 2018	**469,771**	**3,858,624**	**(159,431)**	**(309,966)**	**(68,322)**	**(7,270)**	**540**	**208,572**	**(93,522)**	**3,898,996**
Total recognised income and expense	—	—	—	—	—	679	—	179,397	—	180,076
Transactions with equity holders:	—	—	—	—	—	—	—	—	—	—
- Application of the profit / (loss) for the period 2018	—	—	115,050	—	—	—	—	(208,572)	93,522	—
- Distribution of dividends	—	(45,215)	(94,193)	—	—	—	—	—	(92,939)	(232,347)
Acquisition of own shares	—	—	—	—	(633)	—	—	—	—	(633)
Recognition of share-based payments (Note 18)	—	—	32,026	—	—	—	—	—	—	32,026
Delivery of shares of 2016 stock plan	—	—	(21,686)	—	12,095	—	—	—	—	(9,591)
BALANCES AS OF PERIOD ENDED 2019	**469,771**	**3,813,409**	**(128,234)**	**(309,966)**	**(56,860)**	**(6,591)**	**540**	**179,397**	**(92,939)**	**3,868,527**
Total recognised income and expense	—	—		—	—	978	—	(25,467)	—	(24,489)
Transactions with equity holders:	—	—	—	—	—	—	—	—	—	—
- Application of the profit / (loss) for the period 2019	—	—	86,458	—	—	—	—	(179,397)	92,939	—
- Distribution of dividends	—	—	(68,518)	—	—	—	—	—	—	(68,518)
Acquisition of own shares	—	—	—	—	(279)	—	—	—	—	(279)
Recognition of share-based payments (Note 18)	—	—	16,258	—	—	—	—	—	—	16,258
Delivery of shares of 2017 stock plan	—	—	(2,840)	—	2,990	—	—	—	—	150
BALANCES AS OF PERIOD ENDED 2020	**469,771**	**3,813,409**	**(96,876)**	**(309,966)**	**(54,149)**	**(5,613)**	**540**	**(25,467)**	**—**	**3,791,649**

The accompanying explanatory Notes 1 to 25 are are an integral part of the statement of changes in equity as at 31 December 2020.

Translation of a financial statements originally issued in Spanish and prepared in accordance with regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

MERLIN PROPERTIES SOCIMI, S.A.

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Thousand euros)

	Notas de la Memoria	Period 2020	Period 2019
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES (I)		**104,899**	**418,018**
Profit/(loss) for the period before tax		**(24,777)**	**179,414**
Adjustments for-		**176,205**	**10,974**
- Depreciation and amortisation	**Notes 5, 6 y 7**	64,005	68,207
- Changes in fair value of investment property	**Notes 7 y 10**	97,280	23,121
- Changes in provisions		19,079	95
- Gains/(losses) on disposals of assets	**Notes 7 y 10**	4,010	(96)
- Gains/(losses) on disposals of financial assets		(11)	(5)
- Changes in fair value of financial instruments		9,508	8,721
- Finance income		(3,335)	(656)
- Finance expenses	**Note 19.4**	113,904	93,861
- Dividend income	**Note 19.1**	(103,308)	(208,982)
- Other Income and expenses		(27,927)	26,708
Changes in working capital		**(74,320)**	**119,466**
- Inventories		25	684
- Trade and other receivables		4,913	135,594
- Other current assets		369	(1,939)
- Trade and other payables		(70,823)	(6,616)
- Other assets and liabilities		(8,804)	(8,257)
Other cash flows from/(used in) operating activities		**27,791**	**108,164**
- Interest paid		(121,281)	(88,064)
- Trade and other receivables		68,370	208,982
- Other current assets		995	162
- Trade and other payables		79,337	(341)
- Other assets and liabilities	**Note 15.1**	370	(12,575)
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**(107,174)**	**(188,913)**
Payments for investments		**(107,174)**	**(368,830)**
- Group companies and associates		(1,119)	(313,388)
- Intangible assets		(468)	(1,196)
- Property, plant and equipment		(3)	(242)
- Investment property	**Note 7**	(104,086)	(54,004)
- Financial investments		(1,498)	—
Proceeds from sale of investments		**—**	**179,917**
- Group companies and associates		—	—
- Investment property		—	179,917
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES (III)		**(11,853)**	**(203,696)**
Proceeds and payments from equity instruments		**(68,548)**	**(232,980)**
- Treasury stock acquisitions	**Note 11.3**	(30)	(633)
- Share premium refund		—	(45,215)
- Dividends paid		(68,518)	(187,132)
Proceeds and payments from financial liabilities		**56,695**	**29,284**
- Issue of debt with financial institutions		28,249	842,249
- Issue of debentures and bonds		595,691	493,621
- Redemption and payment of debt with financial institutions		—	(990,000)
- Issue of debt with group companies and associates		(308,331)	(316,586)
- Redemption and payment of other debt		(258,914)	—
EFFECT OF CHANGES IN EXCHANGE RATES (IV)			
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(14,128)**	**25,409**
Cash and cash equivalents at beginning of period		**125,846**	**100,437**
Cash and cash equivalents at end of period		**111,718**	**125,846**

The accompanying explanatory Notes 1 to 25 are an integral part of the statement of cash flows for the period ended as at 31 December 2020.

Merlin Properties, SOCIMI, S.A.

Notes to the Financial Statements
Year ended 31 December 2020

1. Nature and activities of the Company

Merlin Properties SOCIMI, S.A. ("the Company") was incorporated in Spain on 25 March 2014 under the name Merlin Properties, S.A. Sociedad Unipersonal, in accordance with Corporate Enterprises Act (Ley de Sociedades de Capital). On 22 May 2014, the Company requested to be included in the tax regime for real estate investment trusts (REITs), effective from 1 January 2014.

On 27 February 2017, the Company changed its registered office from Paseo de la Castellana 42 to Paseo de la Castellana 257, Madrid, Spain.

The Company's corporate purpose is:

– The acquisition and development of urban real estate for subsequent leasing, including the refurbishment of buildings as per the Value Added Tax Law 37/1992, of 28 December;

– The holding of equity interests in other REITs or in other non-resident entities in Spain with the same corporate purpose and that operate under a similar regime as that established for REITs with respect to the mandatory profit distribution policy enforced by law or by the Articles of Association;

– The holding of equity interests in other resident or non-resident entities in Spain whose corporate purpose is to acquire urban real estate for subsequent leasing, and that operate under the same regime as that established for REITs with respect to the mandatory profit distribution policy enforced by law or by the Articles of Association, and that fulfil the investment requirements stipulated for these companies; and

– The holding of shares or equity interests in collective real estate investment undertakings regulated under Law 35/2003, of 4 November, on collective investment undertakings, or any law that may replace it in the future.

In addition to the economic activity deriving from the principal corporate purpose, the Company may also carry on any other complementary activities; these being any that generate income representing less than 20%, taken as a whole, of the Company's income in each tax period, or any that can be classified as complementary as per applicable legislation.

The activities included in the Company's corporate purpose may be indirectly carried on, either wholly or in part, through the ownership of shares or equity interests in companies with a similar or identical corporate purpose.

The direct and, where applicable, indirect performance of any activities which are reserved under special legislation are excluded. If the law prescribes the need for a professional qualification, administrative authorisation, entry in a public register, or any other requirement for the purpose of exercising any of the activities within the corporate purpose, no such activity can be exercised until all the applicable professional or administrative requirements have been met.

The 2016 financial year saw the merger by absorption of Testa Inmuebles en Renta SOCIMI, S.A. as well as the business combination carried out with the property business of Metrovacesa, S.A. The information required by section 107 of Law 43/1995, of 27 December, on Corporation Tax (Spanish Corporation Tax Act [Ley 43/1995 de 27 de diciembre del Impuesto sobre sociedades]) relating to mergers is broken down in the 2016 financial statements.

Merlin Properties SOCIMI, S.A. ("the Company") engages mainly in the acquisition and management (through leasing to third parties) of offices, industrial buildings, logistic centres, local premises and shopping centres, and it may also invest to a lesser extent in other assets for lease.

All the Company's shares can be publicly traded and are listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. The market price of the Company's shares at 31 December 2020 and the average market price for the fourth quarter amounted to EUR 7.78 and EUR 7.22 per share, respectively.

Starting 15 January 2020, the Company's shares were listed on Euronext Lisbon under a dual listing.

The Company is the head of a group of subsidiaries and is obliged under current legislation to prepare consolidated financial statements separately. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, and with all the related implementing provisions and interpretations. The separate and consolidated financial statements for 2020 were formally prepared by the directors at the Board meeting held on 25 February 2021.

The consolidated financial statements for 2020 of the Merlin Group prepared in conformity with the IFRSs adopted by the European Union present total assets of EUR 13,477,612 thousand and equity attributable to the Parent's shareholders of EUR 6,696,267 thousand. Consolidated sales and consolidated profit attributable to the Parent in 2020 amount to EUR 446,132 thousand and EUR 56,358 thousand, respectively.

In view of the business activities currently carried out by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that could be significant with regards to its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

1.1 REIT Tax Regime

Merlin Properties, SOCIMI, S.A., as the Parent of its Group, is governed by Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, by which REITs are ruled.

Article 3 of this Law sets out the investment requirements for these types of companies, namely:

1. At least 80% of an REIT's assets must be invested in urban real estate for leasing purposes and/or in land to be developed for leasing purposes provided such development starts within three years of acquisition, along with investments in the capital or equity of other entities referred to in Article 2.1 of the Law.

   The value of the assets will be determined according to the average of the individual balance sheets for each quarter of the year, whereby the REIT may opt to calculate such value by taking into account the market value of the assets included in such balance sheets instead of their carrying amount, in which case that value would apply to all balance sheets for the year. For these purposes, the money and collection rights arising from the disposal of these properties or shareholdings, if applicable, during the same year or previous years will not be calculated, provided that, in this last case, the reinvestment period referred to in article 6 of this Law has not elapsed.

2. Similarly, at least 80% of the income for the tax period for each year, excluding that arising from the disposal of shareholdings and properties used in the compliance of its main corporate purpose, once the holding period referred to below has elapsed, should come from the lease of properties and from dividends or shares in profit from these investments.

   This percentage is calculated based on consolidated profit if the company is a Parent of a group, as defined in article 42 of the Commercial Code, redardless of the place of residence and the obligation to prepare consolidated financial statements. That group must be exclusively composed by the REIT and all the other entities referred to in article 2.1 of that Law.

3. The REIT's real estate assets must be leased for at least three years. The time that the properties have been offered for lease, up to a maximum of one year, will be included for the purposes of this calculation. This period will be calculated:

   a) In the case of properties that are included in the REIT's assets before it avails itself to the regime, from the date of commencement of the first tax period in which the special tax regime set forth in this Law is applied, provided that the property is leased or offered for lease at that date. Otherwise, the following letter will apply.

   b) In the case of properties developed or acquired subsequently by the REIT, from the date in which they were leased or offered for lease for the first time.

   c) In the case of shares in entities referred to in article 2.1 of the aforementioned Law, they must be held in the assets of the REIT's balance sheet for at least three years following their acquisition or, where applicable, from the beginning of the first tax period in which the special tax regime set forth in this Act is applied.

As established in First transitional Provision of Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, regulating REITs, these companies may opt to apply the special tax regime pursuant to article 13 of this Law, even when the requirements stipulated therein are not fulfilled, under the condition that such requirements are met within two years since the application of the REIT tax regime is sought.

REITs are taxed at a rate of 0% for Income Tax. However, where dividends distributed to an equity holder owning at least 5% of the REIT's share capital are exempt from taxation or taxed below 10%, the REIT will be subject to a special charge of 19% of the dividends distributed to the said equity holder, under the denomination of corporate income tax. If deemed applicable, this special charge will be paid by the REIT within two months after the dividend distribution date.

On 17 June 2020, the Annual Shareholders General Meeting of the Company agreed to distribute an ordinary dividend from the P&L for 2019 on which the exemption established in article 21 of Law 27/2014, of 27 November, from Corporate Income Tax applicable to shareholders who meet the requirements of that provision.

The transitional period in which the Company had to meet all requirements of this tax regime ended in 2017. The Company's Directors, supported by the opinion of their tax advisers, assessed its compliance with the Regime's requirements in 2020, and concluded that all requirements are met.

Consequently, the Company's financial statements for 2020, prepared by its Directors, awaiting approval by the General Shareholders' Meeting, have been prepared under the REIT Scheme. However, the Company's directors consider that the aforementioned financial statements will be approved without any significant changes.

1.2 Corporate transactions

2020

No corporate transactions were performed in 2020.

2019

In 2019 Holding Jaureguizar 2002, S.A.U. was wound up and there was no impact on the Company's equity. The Company did not receive any taxable profit from the wound-up company.

2. Basis of presentation of the financial statements

2.1 Regulatory financial reporting framework applicable to the Company

These financial statements were prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- The Commercial Code and all other Spanish corporate law;
- The General Accounting Plan approved by Royal Decree 1514/2007 and its industry adaptations.
- The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and its supplementary rules.
- Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December, governing REITs.
- All other applicable Spanish accounting legislation.

The figures included in the financial statements are expressed in thousands of euros.

2.2 Fair presentation

The accompanying financial statements for 2020, which were obtained from the Company's accounting records, are presented in accordance with Royal Decree 1514/2007 approving the Spanish National Chart of Accounts, as well as the amendments made thereto by Royal Degree 1159/2010, and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for 2020.

These financial statements, which were formally prepared by the Board of Directors, will be submitted for approval by the shareholders at the Ordinary General Shareholders Meeting, and it is considered that they will be approved without any changes.

2.3 Comparative information

For comparison purposes the directors present, in addition to the figures for 2020 for each item in the balance sheet, income statement, statement of changes in equity, statement of cash flows and notes to the financial statements, the figures for 2019.

2.4 Accounting principles applied

The directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect on them. All obligatory accounting principles were applied. No non-obligatory accounting principles were applied.

2.5 Key issues in relation to the measurement and estimation of uncertainty

In preparing the Company's financial statements, the directors made estimates based on past experience and other factors that are deemed to be reasonable in view of the current circumstances and that constitute the basis for establishing the carrying amount of the assets and liabilities whose value is not easily determinable through other sources. These estimates relate basically to the following:

- The market value of the Company's property assets (see Note 4.3). The Company obtained valuations from independent experts at 31 December 2020.
- The assessment of possible impairment losses on certain assets (see Notes 4.1, 4.2, 4.3 and 4.5).
- The fair value of certain financial instruments (see Note 4.5).
- The assessment of provisions and contingencies (see Note 4.9)
- The recovery of deferred tax assets and the tax rate applicable to temporary differences (see Note 4.11).
- Definition of the transactions carried out by the Company as a business combination in accordance with Recognition and Measurement Standard 19 or as an acquisition of assets.
- Compliance with the requirements governing REITs (see Notes 1 and 16).
- Management of financial risk and, in particular, of liquidity risk (see Note 22).

Although these estimates were made based on the best information available at 2020 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

2.6 Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

2.7 Correction of errors

In preparing the accompanying financial statements, no significant errors were detected that would have given rise to restating the amounts included in the financial statements for 2019.

2.8 Changes in estimates and accounting policies

The effect of any change in accounting estimates is recognised under the same income statement line item as that in which the expense or income based on the previous estimate had been recognised prospectively.

Changes in accounting policies and correction of errors: if material, the cumulative effect at the beginning of the year is adjusted under "Reserves" and the effect for the current year is recognised in the income statement. In these cases, the financial data for the comparative year presented together with those for the current year are restated.

2.9 Quantitative and qualitative information on the impacts of COVID-19

The appearance of COVID-19 in China in January 2020 and its recent global expansion has resulted in the viral outbreak being classified as a pandemic by the World Health Organisation since 11 March 2020. This situation has affected global financial markets, since restrictions have been placed on transportation and business activity in many sectors.

On March 14th, 2020, the Government of Spain declared a State of Alarm under Royal Decree 463/2020, which remained in force until 21 June 2020. According to the declaration of the state of alarm, certain commercial and lodging activities have been classified as essential, where opening is permitted, while the others have been classified as non-essential based on their nature and therefore subject to forced administrative closure.

In addition, in 2020, the Spanish Government and the Autonomous Communities took coordinated action to control the COVID-19 pandemic, including limiting mobility at night and between regions.

The Company's activity has been affected in various areas, before which it has taken various measures to mitigate the effects of the COVID-19 pandemic. The Company's Directors believe that the COVID-19 crisis represents a significant event that, under accounting regulations, requires the submission of separate breakdowns on the impacts. The main impacts related to COVID-19 and the actions carried out by the Company to mitigate their impact are presented below.

The Directors continue to evaluate and implement additional measures to adapt the Company's operations and to adopt the necessary measures based on how the pandemic progresses, and they believe that it is not possible to reasonably predict the impact of COVID-19. The general operational and financial impact will greatly depend on the extent and duration of the COVID-19 pandemic, including the possible appearance of additional new outbreaks, and it may be affected by other factors that cannot yet be foreseen.

The Directors and Management of the Company believe that the COVID-19 health emergency and its effects on the Group's activities primarily affect the following aspects:

a. The Group's estimates and, the case being, the book value of the assets and liabilities on the balance sheet.

b. Financial risks: credit risk and liquidity risk.

These do not include all of the impacts, although the Directors and Management believe that the others not listed above will not have a significant effect on the Company's activity.

Valuation of investment property and participation in Group companies and associates

The Company regularly uses third parties from outside the Company as experts to determine the fair valueof its real estate assets, whether directly managed and through the Group companies and associates in which it participates, on which the recoverable value of the assets is mainly recognised.

On December 31st, 2020, the valuations carried out by CBRE Valuation Advisory, S.A. and Jones Lang LaSalle, S.A. (responsible for the valuation of 71.5% of the Group), although they point out that the pandemic and the measures taken to deal with COVID-19 continue to affect the economy and the real estate market at the global level, they highlight that, at the date of their valuation, the real estate markets have already begun to function again, with a volume of transactions and other sufficient market evidence to base their valuation opinion. In the case of the valuations carried out by the independent external party, Savills Consultores Inmobiliarios, S.A. (which, at 31 December 2020, valuates 28.5% of the Group's GAV), these are issued based on 'material valuation uncertainty' according to VPS 3 and VPGA 10, the RICS Global Valuation Standards, and therefore recommend keeping the valuation under frequent review.

The valuation methods from last year have not been modified, although they were influenced by, among other things, the following aspects derived from the effects of COVID-19.

- Closure of activities in shopping centres.

- Loss of customers and reductions in traffic.

- The positive impact on logistics distributors.
- The risk of losing major contracts.
- Payments of rent for commercial spaces.
- Increased discount rates and exit capitalisation rates due to future uncertainty.

Liquidity risk

The Directors of the Company believe that the appearance of the health crisis and the impact on the economy caused by the need for lockdown has caused a significant impact on the general financial position of companies, which can be divided into the specific liquidity risk of the companies or groups and the liquidity risk of customers (credit risk).

In this context, at 31 December 2020, the Company had a treasury position of EUR 111.7 million at the end of 2020 and a liquidity position of EUR 1,108.7 million, including its cash position, EUR 786 million of the undrawn credit facility and EIB loans, EUR 54 million in treasury stock and EUR 157 million of receivables from the sale of non-core portfolio and purchases of shares in Silicius. Both transactions were carried out in the last quarter of 2019 and the first quarter of 2020 respectively.

The S&P and Moody's rating agencies also confirmed MERLIN Group's credit rating following the COVID-19 pandemic taking into account the commercial policy it implemented, which will be explained below. S&P rated the Group BBB with a stable perspective, while Moody's rated it Baa2 with a negative perspective.

The Company, in turn, has taken the following measures to strengthen its capital structure:

- CapEx investments. The Group has revised its investment plans to prioritise the implementation of investments in assets already started or with high levels of pre-rentals.
- Reduced structure costs. In its meeting on the 8th of April 2020, the Board of Directors decided to reduce its remuneration by 25%, and it agreed with the CEO, the General Corporate Director and the management team to renounce all of their remuneration and incentives plans for 2020. These measures represent EUR 11 million in savings on the year.
- Drawdown of additional financing. On the 20th of March 2020, the Group drew down from its corporate line of credit, which was fully available, for a sum of EUR 700 million. This drawdown was made with the goal of strengthening the Group's financial position in the uncertain setting of the pandemic. After June, EUR 500 million of bond financing was issued with a 7-year maturity, which was used to partially repay two bonds maturing in 2022 and 2023 and two mortgage loans maturing in 2025 (see Note 12). The Group also repaid EUR 700 million of the credit facility mentioned at the beginning of this point.
- Dividends. On 8 July 2020, the supplemental 2019 dividend was paid out after it was passed in the General Shareholders Meeting held on 17 June 2020, for a sum of EUR 68,518 thousand. However, that General Meeting approved a refund of the share premium for a maximum of EUR 0.174 per share payable in cash, and the decision on its payment was delegated to the Board of Directors, which will decide if it should be paid out once the impact of COVID-19 on the evolution of the business becomes clear. The Board of Directors finally decided not to refund the share premium.

The Company's Directors and Management are constantly monitoring the evolution of the situation and the effects it may have on the credit market, and they believe that the Company's situation at 31 December 2020 and the measures mentioned above ensure that solvent to fulfil the current obligations on the balance sheet at 31 December 2020, and there is no material uncertainty about the continuity of the Company's operations.

Credit risk

As indicated in the director's report for the year ended 31 December 2019, the deterioration of the Company's receivables was not significant, taking into account that the risk of default was less than 1% of turnover and that the Company has deposits from its tenants to secure the credits.

In 2020, in response to the COVID-19 pandemic, the Company launched two commercial policies:

Commercial policy

After the outbreak of the pandemic, the Company implemented a commercial policy that offered 100% rent credits to commercial tenants whose activities where shut down administratively due to the state of alarm and that were current in their contractual obligations. This policy was in force during the shutdown mandated due to the state of alarm and involved a 100% rent relief for tenants that continued to pay common expenses and waived their right to any future actions against Merlin in relation to COVID-19.

This commercial policy has resulted in a EUR 9.9 million net income reduction at 2020 year-end.

The Company recorded these reliefs as lower turnover, in accordance with accounting regulations and the consideration that there are have been no significant changes to the leases.

Additional commercial measures

The Company also approved a series of complementary commercial measures that will last from June to 31 December 2020. These measures are designed for most of the tenants with commercial activities in the portfolio of assets of the Group headed by the Company, to help them reopen and recover during the rest of 2020. The measures consist on applying a decreasing partial rent relief, from 60% applicable in June, to 10% applicable in December 2020.

These measures have resulted in a EUR 9.4 million net income reduction at 2020 year-end, the equivalent of 10.1% of gross rental income of the Company during the year.

The Directors recorded the entire amount subsidised at 31 December 2020 under the heading 'Net amount of turnover' in the accompanying income statement.

Due to the current situation and evolution of the COVID 19 pandemic, the Spanish Government has continued to take various measures to contain the spread of the virus, which continue to affect the performance of economic activities such as trade, food and beverage, and tourism. In this context, and with the aim of continuing to assist the tenants, the Group, of which the Company is a Parent, has approved complementary commercial measures, the implementation period of which ranges from January to 30 June 2021. These measures are aimed at retail tenants who are up to date in their contractual obligations, including the payment of prior rent and common expenses. The measure consists of a 100% rent-relief in the event of forced lockdown exclusively during the period in which the tenants are not legally authorised to open and an average 25% rent-relief granted to the tenants (30% for leisure and catering).

Accounting implications of COVID-19 on the calculation of the expected loss of receivables

One of the implications considered by the Company due to COVID-19 has been the assessment of customer credit risk in the current market setting, which may increase, depending on the activity of its businesses and the degree of severity that COVID-19 has on them.

At the date of preparation of these financial statements, the Directors assessed possible impacts arising from COVID-19, taking into account the characteristics of the Company's contracts. It should thus be noted that the Company's usual practise is to bill each month in advance, while also holding deposits and security from tenants as an additional guarantee of payment. It should also be taken into account that the Company has a very high-quality base of customers, which mitigates the credit risk.

In this context, the Company has tried to help its customers affected by mandatory closures or severe restrictions in their operations, by implementing the commercial policies described above, which has allowed the Company to present very low default rates.

Based on these facts, the Company evaluated applying the simplified approach of impairment and credit risk, and also taking into consideration other differential factors of the Company's portfolio of tenants and the characteristics of their leases, and the amounts collected thus far, the Company has concluded that the increased credit risk of its customers has not been significantly affected.

At 31 December 2020, the default risk was less than 1% of turnover.

In relation to its other financial assets exposed to credit risk, which mainly correspond to loans to associates and third parties, the Directors have determined that there has not been a significant increase in the risk, considering the measures agreed in some cases with tenants and the long-term expectations based above all on the historical experience with those entities, which make it possible to estimate that the credit risk of the financial asset will remain in line with the previous year.

Nevertheless, the Company is constantly monitoring the evolution of this credit risk.

Other effects

Investment in assets and health measures derived from COVID-19

Since the start of the COVID-19 pandemic, the Company has launched various initiatives in its assets, which have been categorised into the main lines of recommendations from the competent authorities: (i) social distancing measures; (ii) hygiene and cleaning measures; and (iii) and organisational measures. The objective of these measures is to minimise the risk of infection with COVID-19, preserving the health and safety of those who enter the buildings, taking into consideration the evolution of the spread of the virus, and the latest provisions adopted by the various administrations, in addition to the various recommendations and ministerial orders of the Ministry of Health and the Ministry of Industry, Commerce and Tourism. At any rate, since the current situation of the pandemic is highly dynamic, the adopted measures will be adapted at all times as necessary to how COVID-19 evolves and the recommendations from the competent authorities.

Based on this situation, the Company has adopted gloves, masks, sanitiser gels, protective screens and other measures for sensitive areas (stairs, lifts and restrooms).

In addition, Merlin, its employees and its management team participated in the acquisition of eight robots with an investment of EUR 668 thousand.

The Company's Directors are monitoring the evolution of the situation constantly with the goal of successfully dealing with the possible financial and non-financial impacts that may arise.

3. Distribution of profit/(loss)

The distribution of profit for the year proposed by the Company's directors for approval by its shareholders at the Annual General Meeting is as follows:

	Thousands of euros
Profit/(Loss) for the year	(25,467)
Distribution:	
To retained losses	25,467

On 17 June 2020, the General Shareholders Meeting approved the distribution of a dividend of EUR 68,518 thousand charged to the profit for 2019.

In the last five years, the Company distributed the following dividends and Share Premium refunds (thousand euros):

	2020	2019	2018	2017	2016
Shareholder remuneration	68,518	232,347	215,364	187,411	101,202

3.1 Restrictions relating to the distribution of dividends

The Company is subject to the special regime for REITs. As established in article 6 of Law 11/2009, of 26 October 2009, amended by Law 16/2012, of 27 December REITs opting to pay tax under the special tax regime are required to distribute the profit generated during the year to shareholders as dividends. Once the corresponding commercial obligations have been fulfilled, the distribution must be passed within six months from year end, and the dividends paid within one month from the date on which the pay-out is passed.

Moreover, as specified in Law 11/2009, of 26 October 2009, amended by Law 16/2012, of 27 December, the Parent must distribute the following as dividends:

– 100% of the profit from dividends or shares in profits distributed by the entities referred to in Article 2.1 of Law 11/2009.

– At least 50% of the profits arising from the transfer of the properties, shares or ownership interests referred to in article 2.1 of Law 11/2009, of 26 October, subsequent to expiry of the time limits referred to in article 3.2 of Law 11/2009, which are used for pursuit of the entities' principal corporate purpose. The remainder of these profits must be reinvested in other property or investments used for the pursuit of said activity within three years after the transfer date. Otherwise these profits should be distributed in full together with any profit arising in the year in which the reinvestment period expires. If the items to be reinvested are transferred prior to the end of the holding period, that profit must be distributed in full together with, if applicable, the profit generated during the year in which the items were transferred. The obligation to distribute profit does not apply to the portion of the profit attributable to prior years in which the Company was not included under the special tax regime established in this Law.

– At least 80% of the remaining profits obtained.

When dividend distributions are charged to reserves generated from profits in a year in which the special tax regime applied, the distribution must necessarily be approved as set out above.

4. Accounting policies and measurement bases

The principal accounting policies and measurement bases applied by the Company in preparing its financial statements for 2020 were as follows:

4.1 Intangible assets

As a general rule, intangible assets are recognised initially at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses. These assets are amortised over their useful life. When the useful life of these assets cannot be estimated reliably, they will be amortised over a period of ten years.

The gains or losses arising from the derecognition of an intangible asset are calculated as the difference between the net profit obtained on the sale and the carrying amount of the asset, and are recognised in the consolidated income statement when the asset is derecognised.

Goodwill

Goodwill is recognised as an asset when it arises in an acquisition for valuable consideration in the context of a business combination. Goodwill is allocated to the cash-generating units to which the economic benefits of the business combination are expected to flow. After initial recognition, goodwill is measured at acquisition cost less any accumulated depreciation and any recognised accumulated impairment losses. In accordance with applicable legislation, the useful life of the goodwill is 10 years and it is amortised on a straight-line basis.

These cash-generating units are analysed at least once a year for indications of impairment and, if those indications exist, they are tested for impairment in accordance with the methodology indicated below and the corresponding impairment loss is recognised.

Impairment losses recognised for goodwill must not be reversed in a subsequent period.

Specifically, the Company recognises under "Goodwill" the goodwill that arose on the merger by absorption in 2016 of Testa Inmuebles en Renta SOCIMI, S.A.

Computer software

The computer software acquired or developed by the Company is recognised at acquisition or production cost and, where applicable, amortised on a straight-line basis over four years. Computer software maintenance costs are recognised with a charge to the income statement for the year in which they are incurred.

Concession projects

This heading includes administrative concessions which are recognised at acquisition or production cost less any accumulated amortisation and any accumulated impairment losses.

Administrative concessions are recognised at the amount paid by the Company in operating fees and are amortised on a straight-line basis over the years of the concession.

The gains or losses arising from the derecognition of a concession project are calculated as the difference between the net profit obtained on the sale and the carrying amount of the asset, and are recognised in the income statement when the asset is derecognised.

Impairment of intangible assets, property, plant and equipment and investment property

Whenever there are indications of impairment of assets with a finite useful life (i.e. all the Company's intangible assets, property, plant and equipment, and investment property), the Company tests the tangible and intangible assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

The recoverable amount is the higher of fair value less costs to sell and value in use. In particular, the recoverable amount for virtually all assets and investment property is determined based on the evaluation of an independent expert (see Notes 6 and 7).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

This impairment loss reversal is recognised as income, except in the case of goodwill, as mentioned in this Note.

4.2 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition or production cost, at which the amount of the additional or supplementary investments made are included, and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, as indicated in Note 4.1 above.

The revaluation surpluses or net increases in value resulting from revaluations and the assignments of gains as a result of business combinations are depreciated over the tax periods in the remaining useful lives of the revalued assets.

Property, plant and equipment upkeep and maintenance expenses are recognised in the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

For non-current assets that necessarily take a period of more than twelve months to get ready for their intended use, the capitalised costs include those borrowing costs as might have been incurred before the assets are ready for their intended use and that have been charged by the supplier or relate to loans or other specific-purpose or general-purpose borrowings directly attributable to the acquisition or production of the assets.

Work carried out by the Company on its own property, plant and equipment is recorded at accumulated cost, resulting from external costs plus in-house costs (determined based on in-house materials consumption) and manufacturing costs applying the same criteria as those used for inventory valuation.

Depreciation of property, plant and equipment is calculated on a straight-line basis, based on the years of estimated useful life of the assets. The annual depreciation rates are applied to the respective values at the revalued cost, where applicable, and the years of estimated useful life are as follows:

	Estimated years of useful life
Buildings for lease	50 – 75
Other fixtures	10-18
Furniture	10
Computer hardware	4
Other items of property, plant and equipment	4-5

Property, plant and equipment under construction is not depreciated until it enters into operation, at which time it is transferred to the corresponding property, plant and equipment account in view of its nature.

4.3 Investment property

“Investment Property” in the balance sheet reflects the values of the land, buildings and other structures held either to earn rentals or for capital appreciation.

Depreciation of these items is carried out systematically and rationally based on the useful life of the assets and their residual value, based on the normal decline in value caused by their use and by wear and tear, without prejudice to the technological or commercial obsolescence that may also affect the assets. The straight-line method is used to calculate the depreciation of investment property based on its estimated useful life (see Note 4.2).

Investment property is measured as described in Note 4.2 on property, plant and equipment.

The Company estimates the impairment losses on its investment property based on the fair value obtained in the appraisal performed by the independent expert. The method used to determine the fair value of the assets is detailed in Note 7.

4.4 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the tenant.

All other leases are classified as operating leases.

Finance leases:

In finance leases in which the Company acts as the tenant, the cost of the leased assets is presented in the balance sheet, based on the nature of the leased asset, and, simultaneously, a liability is recognised for the same amount. This amount will be the lower of the fair value of the leased asset and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option when it is reasonably certain that it will be exercised.

The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the landlord.

The total finance charges arising under the lease are allocated to the income statement for the year in which they are incurred using the effective interest method.

Contingent rent is recognised as an expense for the period in which it is incurred.

There are no finance leases in which the Company acts as landlord.

Operating leases:

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased assets remain with the landlord.

If the Company acts as the lessor, income and costs arising under operating leases are allocated to the income statement for the year in which they are incurred. Also, the acquisition cost of the leased asset is presented in the balance sheet in accordance with the nature of the asset, increased by the costs directly attributable to the lease, which are recognised as an expense over the lease term, applying the same method as that used to recognise lease income.

If the Company acts as the tenant, costs arising under operating leases are allocated to the income statement for the year in which they are incurred. Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment that will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment that will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

4.5 Financial assets

Classification

The financial assets held by the Company are classified in the following categories:

a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets that, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market. Interest income is calculated in the year in which it accrues on a time proportion basis.

b) Equity investments in Group companies, associates and jointly controlled entities: Group companies are considered to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other investors.

c) Held-to-maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and that the Company has the positive intention and ability to hold to the date of maturity.

d) Held-for-trading financial assets: assets acquired with the intention of selling them in the short term and assets that form part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking. This category also includes financial derivatives that are not financial guarantees and that have not been designated as hedging instruments.

e) Available-for-sale financial assets: including debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition

Financial assets are initially recognised, in general, at the fair value of the consideration given, plus any directly attributable transaction costs.

In the case of equity investments in Group companies affording control over the subsidiary, since 1 January 2010 the fees paid to legal advisors and other professionals relating to the acquisition of the investment have been recognised directly in profit or loss.

Subsequent appraisal

Loans and receivables and held-to-maturity investments are measured at amortised cost.

Financial assets held for trading are measured at fair value and the gains or losses arising from changes in fair value are recognised in the income statement.

Investments in Group companies and associates and interests in jointly controlled entities are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill). The valuation was carried out in accordance with the Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors (RICS) of the United Kingdom and the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC).

In the case of Group companies with an equity deficit, the Company follows the policy of recognising provisions for this equity deficit.

The available-for-sale financial assets are measured at their fair value, recognising in the Equity the result of the variations in that fair value until the asset is disposed or has suffered an impairment (of a stable or permanent nature). At this point, those retained earnings previously recognised in the Equity are recognised in the income statement. In this sense, the existence of impairment (permanent nature) is presumed if there has been a fall of over 40% in the market value of the asset or if there has been a decline in it over a period of one and half years without recovering the value.

At least at each reporting date the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.

4.6 Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those that, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Liability derivative financial instruments are measured at fair value using the same methods as those described above for held-for-trading financial assets.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

4.7 Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Capital instruments issued by the Company are recognised in equity at the proceeds received, net of issue costs.

The equity instruments acquired by the Company are recognised separately at acquisition cost and deducted from equity in the balance sheet, regardless of why they were acquired. No gains or losses from transactions involving own equity instruments are recognised in the consolidated income statement.

If the Company's own equity instruments are subsequently retired, capital is reduced by the nominal amount of these treasury shares and the positive or negative difference between the acquisition price and nominal amount of the shares is debited from or credited to reserves.

The transaction costs related to own equity instruments are recognised as a decrease in equity, net of any related tax effect.

4.8 Severance

Under current legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken.

In this sense, at 31 December 2020, the Company does not have commitments for this item, and there is no Downsizing Plan in force.

4.9 Provisions and contingencies

When preparing the financial statements, the Company's Directors draw a distinction between:

a) Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations; and

b) Contingent liabilities: possible obligations arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not within the Company's control.

The financial statements include all the provisions with regard to which it is considered that it is more likely than not that the obligation will have to be settled. Unless they are considered unlikely, contingent liabilities are not recognised in the financial statements, but rather are disclosed.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as finance cost on an accrual basis.

The compensation receivable from a third party on settlement of the obligation is recognised as an asset, provided there is no doubt that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised, as a result of which the Company is not liable, in which case, the compensation will be taken into account when estimating, if appropriate, the amount of the related provision.

4.10 Share-based payments

On the one hand, the Company recognises the goods and services received as an asset, if qualifying, or an expense, when obtained, with an increase to equity, if the transaction is settled in equity instruments, or with the corresponding liability, if it is settled with an amount that is referenced to the value of equity instruments.

In the case of equity-settled transactions, both the services rendered and the increase in equity are measured at the fair value of the equity instruments granted, by reference to the grant date. In the case of cash-settled share-based payments, the goods and services received and the related liability are recognised at the fair value of the latter, by reference to the date on which the requirements for recognition are met.

Additionally, the Annual General Shareholders Meeting held on 26 April 2017 approved a new remuneration plan for the management team and other important members of the Company's workforce (which includes, inter alia, the Executive Directors and Senior Management), the measurement period of which is from 1 January 2017 to 31 December 2019 ("2017-19 Incentive Plan"). In accordance with that established in this plan, members of the management team may be entitled to receive (i) a certain monetary amount based on the increase in the share price and (ii) shares of the Company, provided that certain objectives are met.

Vesting of the incentive will independently be conditional upon the total rate of return obtained by the shareholder during the three-year period due to:

- the increase in the quoted price of the Company's share plus the dividends distributed by the Company to shareholders during the measurement period; and

- the increase in the quoted price of the Company's share plus the dividends distributed by the Company to shareholders during the measurement period.

In order for the right to the share-based incentive and to the EPRA NAV-based incentive to be vested, the total shareholder rate of return (TSR) must be at least 24%, as detailed below:

TSR NAV / TSR share price	Percentage assigned to beneficiaries ("PR")	Percentage assigned to shareholders
< 24%	0%	100%
≥ 24% and < 36%	6%	94%
≥ 36%	9%	91%

To calculate the TSR, (i) the percentage assigned to the Beneficiaries in accordance with the above table will be applied to the result of multiplying the Share Price TSR multiplied by the number of Shares of the Company as of 31 December 2019; (ii) the result of that transaction will be balanced through an adjustment mechanism in favour of the Beneficiaries, as, once a minimum return is reached, the Beneficiaries will be entitled to the assigned percentage of the total return generated from the start.

The date for calculating the amount of the incentive tied to the EPRA NAV per share and the amount of the incentive tied to the quoted price of the shares was 31 December 2019. The maximum amount to be received for the incentive tied to the share price from 2017 to 2019 amounted to EUR 37.5 million, which was paid out in 2020.

Also, the maximum amount of the incentive tied to EPRA NAV per share will be EUR 75 million and a maximum of 6,000,000 shares have been allocated for its payment. At 31 December 2019, there were 5,874,111 shares that were ultimately allocated to the incentive benchmarked to the EPRA NAV. 50% of the allocated shares will be paid out on the second settlement date, i.e., on the second business day after the formulation of the 2020 annual financial statements. The remaining 50% of the allocated shares will be paid out on the third settlement date, i.e., on the second business day after the formulation of the 2021 annual financial statements. However, these amounts may be modified based on how the EPRA NAV evolves in 2021

4.11 Income tax

4.11.1 General regime

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

Current tax expense is the tax payable by the Company on its taxable income for a given year. Deductions and other tax benefits, excluding withholdings and prepayments, along with tax loss carryforwards from prior years effectively set off in the current period reduce the current tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill, goodwill for which amortisation is not deductible for tax purposes or the initial recognition of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised for temporary differences to the extent that it is considered probable that the Company will have sufficient taxable profits in the future against which the deferred tax asset can be utilised, and the deferred tax assets do not arise from the initial recognition of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss). The other deferred

tax assets (tax loss, temporary differences and tax credit carryforwards) are only recognised if it is considered probable that the Company will have sufficient future taxable profits against which they can be utilised.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

4.11.2 REIT regime

The REIT special tax regime, as amended by Law 16/2012 of 27 December, is based on a 0% corporate income tax rate, provided certain requirements are met. Particularly noteworthy amongst those conditions is that at least 80% of income must come from urban real estate used for leasing purposes and acquired in full ownership or through holdings in Spanish or foreign companies, regardless of whether or not they are listed on organised markets, that meet the same investment and profit distribution requirements. Likewise, the main sources of income for these entities must come from the real estate market, either through leasing the properties, their subsequent sale after a minimum lease period, or the income generated from holdings in entities with similar characteristics. Nevertheless, tax is accrued in proportion to dividend distributions. Dividends received by the shareholders are exempt, unless the recipient is a legal person subject to corporate income tax or a permanent establishment of a foreign entity, in which case a deduction in the tax liability is established, so that these earnings are taxed at the shareholder's rate. However, the remaining earnings will not be taxed so long as they are not distributed to shareholders.

As established in Transitional Provision Nine of Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, which regulate REITs, the entity will be subject to a special tax rate of 19% on the total dividends or profit shares distributed to shareholders with a shareholding in the entity of 5% or more, when these dividends are exempt or taxed at a rate below 10% in the shareholders. The Group has therefore established the procedure guaranteeing confirmation by shareholders of their tax rate, proceeding where applicable, to withhold 19% of the dividend distributed to shareholders that do not meet the aforementioned tax requirements.

On 17 June 2020, the General Meeting of Shareholders of the Company agreed to distribute an ordinary dividend from the profit/(loss) for 2019 on which the exemption established in section 21 of Law 27/2014, of 27 November, from Corporate Income Tax could apply to shareholders who meet the requirements of that provision.

4.12 Revenue and expenses

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Interest and dividends received from financial assets

The Company's income that relates to dividends received from investees, in accordance with Ruling no. 2 of the Official ICAC Gazette no. 79/2009, on the classification for accounting purposes in separate financial statements of income and expenses of holding companies, is recognised as revenue, as the Company's ordinary business activities include the management and administration of investments in other companies.

Interest and dividends from financial assets accrued after the date of acquisition are recognised as income in the income statement. Interest is recognised using the effective interest method and dividends are recognised when the right to receive them is declared.

For these purposes, unmatured accrued explicit interest as well as the dividends agreed upon by the competent body at the time of acquisition are independently recognised, by maturity, when the financial assets are initially recognised. Explicit interest is that obtained on applying the contractual interest rate of the financial instrument.

If the dividends distributed clearly originate from profit generated prior to the date of acquisition, as a result of the amounts distributed being greater than the profit generated by the investee since then, they are not recognised as income and the carrying amount of the investment is reduced.

Revenue from sales and services

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Rental income is recognised on an accrual basis and incentives and the initial costs of the lease agreements are allocated to income on a straight-line basis.

Revenue arising from variable rental income, which is calculated based on the sales of the tenants at the leased premises, is accrued on a regular basis by virtue of the most recent known sales data, given that the income can be reliably measured at this time, and is invoiced once the final sales data for the year is available.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. In any case, interest and dividends from financial assets accrued after the date of acquisition are recognised as income in the income statement.

4.13 Classification of assets and liabilities as current and non-current

Assets and liabilities are classified in the balance sheet as current and non-current. For this purpose, assets and liabilities are classified as current when they are associated with the Company's normal operating cycle and when they will foreseeably be sold, used, realised or settled within a maximum of one year; non-current assets and liabilities are different from the foregoing and will foreseeably mature, be sold or realised within a period of more than one year

4.14 Related-party transactions

The Company carries out all its transactions with related parties at market values and in accordance with the agreements. The Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

4.15 Environmental assets and liabilities

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

Because of their nature, the Company's business activities do not have a significant environmental impact.

4.16 Business combinations

Business combinations are accounted for using the acquisition method, to which end the acquisition date and cost of the business combination are determined, whereby the identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair value.

Goodwill or the loss on the combination is the difference between the fair values of the assets acquired and liabilities assumed recognised and the cost of the business combination all at the aforementioned acquisition date.

The cost of the business combination is the sum of:

- The acquisition-date fair values of the assets transferred, liabilities incurred or assumed and equity instruments issued.

- The fair value of any contingent consideration that depends on future events or on the fulfilment of certain pre-defined conditions.

The cost of the business combination does not include expenses relating to the issuance of equity instruments offered or financial liabilities delivered in exchange for the items acquired.

Also, the cost of a business combination does not include the fees paid to legal advisers and other professionals involved in the combination, or any costs incurred internally in this connection. Those amounts are taken directly to profit or loss.

In the exceptional case in which a loss arises on the combination, it is recognised as income in the income statement.

If at the end of the year in which a combination occurs it has not been possible to complete the valuation work needed to apply the acquisition method outlined above, the combination is accounted for provisionally. These provisional amounts can be adjusted during the period necessary to obtain the required information, which in no case may exceed one year. The effects of any adjustments made during this period are accounted for retroactively, and the comparative information is modified if necessary.

Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration was classified as equity, in which case subsequent changes in its fair value are not recognised.

4.17 Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are considered to be “foreign currency transactions” and are recognised by applying the exchange rates prevailing at the date of the transaction. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are converted to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the income statement in the period in which they arise.

4.18 Statement of cash flows

The following terms are used in the statement of cash flows, which was prepared using the indirect method, with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

5. Goodwill

The goodwill recognised at 31 December for 2020 arose from the merger by absorption with Testa Inmuebles en Renta, SOCIMI, S.A. in 2016. The changes in this heading in 2020 and 2019 were as follows (in thousands of euros):

	Balance at 31/12/2019	Additions	Amortisation	Balance at 31/12/2020
Cost	138,962	—	(23,161)	115,801
Total	**138,962**	**—**	**(23,161)**	**115,801**

	Balance at 31/12/2018	Additions	Amortisation	Balance at 31/12/2019
Cost	162,123	—	(23,161)	138,962
Total	**162,123**	**—**	**(23,161)**	**138,962**

The Company amortises goodwill over a period of 10 years and, therefore, recognised the related amortisation for the year under "Amortisation of property" in the accompanying income statement for 2020 (EUR 23,160 thousand at 31 December 2019).

The Company's Directors, in accordance with their expectations of the evolution of the real estate market, as well as the market values of the acquired assets, have not identified any signs of impairment in their recoverable value. At 31 December 2020 the existing gains in the property assets from Testa Inmuebles en Renta SOCIMI, S.A. amounted to EUR 889,637 thousand (EUR 877,957 thousand in 2019), as detailed as follows:

	2020	2019
Carrying amount of the investment property from Testa Inmuebles en Renta SOCIMI, S.A.	2,330,127	2,313,927
Fair value of the investment property from Testa Inmuebles en Renta SOCIMI, S.A.	3,219,764	3,191,884
Unrealised gains	**889,637**	**877,957**

The fair value indicated above was obtained from the valuations performed by independent experts, applying the methodology described in Note 7 below.

6. Concessions

The changes in concession projects at year-end 2020 are as follows:

	Thousands of euros
Balance at 31 December 2018	**84,419**
Additions	309
Depreciation and amortisation charge	(1,825)
Balances at 31 December 2019	**82,903**
Additions	7
Depreciation and amortisation charge	(285)
Disposals	(82,625)
Balance at 31 December 2020	**—**

In 2016, after the integration of the commercial assets of Metrovacesa, S.A., the Company added the La Fiura shopping centre located in Reus (Tarragona), which entered into service in November 2015. This shopping centre is operated under an administrative concession granted by the Reus Municipal Council for a maximum term of 50 years, maturing in 2065.

On 27 February 2020, the Company proceeded with a capital increase of Silicius Real Estate, S.L., contributing certain secondary commercial assets. That contribution included the La Fira Shopping Centre and, therefore, the Company derecognised the related administrative concession (see Note 10).

7. Investment property

The breakdown of and changes in this heading in 2020 and 2019 are as follows (in thousands of euros):

	Initial balance 31.12.2019	Entries, Additions and Contributions	Removals, Disposals, and Reversals	Transfers	Closing balance at 31.12.2020
Cost:					
Land	2,330,799	11,559	(13,411)	—	2,328,947
Buildings	2,368,578	54,390	(70,430)	—	2,352,538
Property, plant and equipment in the course of construction and advances	112,052	38,137	—	—	150,189
	4,811,429	**104,086**	**(83,841)**	**—**	**4,831,674**
Accumulated depreciation:					
Buildings	(136,162)	(39,517)	3,686	—	(171,993)
	(136,162)	**(39,517)**	**3,686**	**—**	**(171,993)**
Impairment:					
Land	(158,233)	(16,973)	3	—	(175,203)
Buildings	(3,782)	(6,410)	2	—	(10,190)
Property, plant and equipment in the course of construction and advances	—	(136)	—	—	(136)
	(162,015)	**(23,519)**	**5**	**—**	**(185,529)**
Investment property	**4,513,252**	**41,050**	**(80,150)**	**—**	**4,474,152**

	Initial balance 31.12.2018	Entries, Additions and Contributions	Removals, Disposals, and Reversals	Transfers	Closing balance at 31.12.2019
Cost:					
Land	2,491,589	1,521	(128,004)	(34,307)	2,330,799
Buildings	2,372,149	42,122	(134,103)	88,410	2,368,578
Property, plant and equipment in the course of construction and advances	158,167	10,361	—	(56,476)	112,052
	5,021,905	**54,004**	**(262,107)**	**(2,373)**	**4,811,429**
Accumulated depreciation:					
Buildings	(103,777)	(41,458)	6,700	2,373	(136,162)
	(103,777)	**(41,458)**	**6,700**	**2,373**	**(136,162)**
Impairment:					
Land	(170,525)	(1,627)	13,919	—	(158,233)
Buildings	(14,179)	(945)	11,342	—	(3,782)
	(184,704)	**(2,572)**	**25,261**	**—**	**(162,015)**
Investment property	**4,733,424**	**9,974**	**(230,146)**	**—**	**4,513,252**

The heading ‘Land and buildings’ includes operating real estate assets. In addition, undeveloped land amounting to EUR 97,151 thousand (EUR 105,577 thousand in 2019) is also included.

The “Property, plant and equipment in the course of construction and advances” heading corresponds to developing assets and assets that are being overhauled.

Buildings for lease

2020

Additions

The main acquisition of assets made in 2020 corresponds to the purchase of the office building called Plaza Cataluña in Barcelona amounting to approximately EUR 15,410 thousand.

Improvements to buildings in use and in progress

The main additions to ‘Land and Buildings’ correspond to the improvement and adaptation works that have been carried out on certain properties owned by the Company, notably including the Saler Shopping Centre in Valencia and the Porto Pi Shopping Centre in Palma de Mallorca, as well as the development of Castellana 85, Torre Gloriés and Plaza Ruiz Picasso in the office segment.

Disposals

The disposals in 2020 correspond to the contribution of two shopping centres to the investee, Silicus Socimi (see Note 10), in the capital increase process it carried out.

2019

Additions

The main acquisitions of assets during 2019 corresponded to the purchase of an office building in Barcelona for EUR 4 million.

Improvements to buildings in use and in progress

The main additions to ‘Land and Buildings’ corresponded to the improvement and adaptation works that were carried out on certain properties owned by the Company, mainly in the Torre Glóries building in Barcelona and the Larios shopping centre in Málaga. The other additions corresponded to ongoing work carried out on the buildings Castellana Building 85, Diagonal 605 and Arturo Soria 343.

Transfers

The transfers in 2019 corresponded mainly to completion of the works on Torre Glories.

Disposals

The disposals in 2019 corresponded mainly to the sale of a set of office real estate assets located in Madrid and Barcelona amounting to EUR 225,000 thousand and an associated cost of approximately EUR 202 million. The aforementioned agreement included certain investment commitments made by the Company on the aforementioned assets, amounting to a total of EUR 17.8 million to be performed according to a calendar in 2020 and 2021. Likewise, the agreement called for the Company to grant the buyer a loan amounting to EUR 70 million, with market interest and maturity in 2021 (see Note 8.4). At present, liabilities associated with the Company s investment obligations amounting to EUR 3 million remain. The costs associated with the sale amounted to EUR 9,618 thousand.

The Company takes out the insurance policies it considers necessary to cover the risks that might affect its investment property. At 31 December 2020, the Company's directors considered that the property, plant and equipment were fully insured against these risks.

At 31 December 2020, the Company does not hold any firm purchase commitments for real estate investments, with the exception of the aforementioned amounts associated with the sale of assets for 2019. In 2020 no significant finance costs were capitalised in the construction costs or as a result or improvements to or refurbishments of the properties.

At 31 December 2020, the Company did not have any investment property that was fully depreciated.

At 31 December 2020, the Company does not hold any real estate assets as collateral for loans and derivative financial instruments. The Company holds no rights of use, seizure or similar situations with regard to its investment property.

At 31 December 2020 and 2019, the gross surface areas and occupancy rates of the assets by line of business were as follows:

2020	GLA	Occupancy rate (%)
Offices	867,783	93%
Shopping centres	169,262	90%
Logistics	194,705	98%
Others*	81,619	70%
Total surface area	**1,313,369**	**92%**

** Not including projects underway or land*

2019	GLA	Occupancy rate (%)
Offices	869,234	95%
Shopping centres	254,941	89%
Logistics	194,705	98%
Others*	79,839	69%
Total surface area	**1,398,719**	**93%**

** Not including projects underway or land*

All of the Company's investment property is used for its own business activities and is located in Spain.

Impairment losses

The fair value of the property assets was determined by independent experts in accordance with the Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors (RICS) of the United Kingdom and the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC).

The method used to calculate the market value of the real estate assets involves drawing up ten-year projections of income and expenses for each asset, adjusted at the reporting date using a market discount rate. The residual amount at the end of year 10 is calculated by applying an exit yield or cap rate to the net income projections for year 11. The market values obtained are analysed by calculating and assessing the capitalisation of the returns implicit in these values. The projections are designed to reflect the best estimate of future income and expenses from the investment properties. Both the exit yield and discount rate are determined taking into account the national market and institutional market conditions.

In 2020, affected mainly by the global situation of the COVID-19 pandemic, the valuations were calculated in an uncertain environment (see Note 2.9). Therefore, the situation of the rental property market could lead to material differences between the fair value of the of the Company's investment properties and their effective realisable values.

The recoverable amount of the Company's investment property at 31 December 2020, calculated based on the appraisals carried out by Jones Lang LaSalle, S.A., Savills Consultores Inmobiliarios, S.A. and CB Richard Ellis, which are not related to the Company, amount to EUR 6,117,575 thousand at 31 December 2020 (EUR 6,147,481 thousand at 31 December 2019). Based on this appraisal, the Company's directors have identified several individual assets whose recoverable amount is less than their carrying amount and, therefore, an impairment loss of EUR 23,519 thousand (EUR 2,572 thousand at 31 December 2019) was recognised under "Impairment and gains or losses on disposals of non-current assets" in the income statement for 2020.

Income and expenses

In 2020 the rental income from the investment property owned by the Company amounted to EUR 208,248 thousand (EUR 252,818 thousand at 31 December 2019) and the operating expenses of all kinds relating to them totalled EUR 74,024 thousand (EUR 83,822 thousand at 31 December 2019).

At the end of 2020 there were no restrictions on making new investment property investments, on the collection of rental income from them or in connection with the proceeds to be obtained from a potential disposal of them.

a) Operating leases as tenant

At the end of 2020 the Company had contracted with tenants for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment revisions (in thousands of euros).

Operating leases	Nominal value	
Minimum lease payments	2020	2019
Within one year	801	801
Between one and five years	55	923
Total	**856**	**1,724**

The main expense relating to operating leases corresponds to the lease agreement that the Company entered into to rent out its offices. On 27 February 2017, the Company changed its registered office from Paseo de la Castellana 42 to Paseo de la Castellana 257, Madrid. This lease was novated at market prices and extended until February 2022, and 557 square metres of leasehold were extended in 2019.

The total lease expense accrued in 2020 amounted to EUR 760 thousand (EUR 594 thousand in 2019). The income for subleases in 2020 and 2019 from Magic Real Estate, S.L.U. increased to EUR 5 thousand respectively, and is recognised under "Other operating income" in the attached income statement for 2020.

b) Operating leases as landlord

At the end of 2020 the Company had contracted with tenants for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment revisions (in thousands of euros).

Minimum lease payments	2020	2019
Within one year	203,443	221,017
Between one and five years	362,380	417,854
After five years	51,419	26,790
Total	**617,242**	**665,661**

The detail of the operating lease and sublease payments recognised as an expense and as income, respectively, in 2020 is as follows (in thousands of euros):

	2020	2019
Minimum lease payments	208,251	252,818
Transfer of common expenses	48,658	56,443
Total	**256,909**	**309,261**

The expenses passed on to the tenants recognised in the income statement for 2020 decreased the balance of "Other operating expenses" (Note 19.3).

8. Financial assets

The detail of "Current and non-current financial investments" at 31 December 2020 and 2019 is as follows (in thousands of euros):

	31 Dec 20	31 Dec 19
Non-current financial investments-		
Equity instruments	2,595	1,173
Available-for-sale financial assets	103,775	17,540
Guarantees given and prepayments	34,186	35,467
Loans to Group companies	470,779	422,493
Loans to third parties	95,550	165,704
	706,885	**642,377**
Current financial investments-		
Equity instruments	18	18
Loans to Group companies	718,561	452,630
Loans to third parties	71,767	236
Trade and other receivables	10,755	15,763
Debt securities and other financial assets	3,909	4,278
	805,010	**472,925**
Total	**1,511,895**	**1,115,302**

8.1 Guarantees given and prepayments

"Guarantees given and prepayments" includes mainly the guarantees arranged for lease agreements as collateral that the Company has deposited in the Housing Institute of each region, the balance of which at 31 December 2020 amounted to EUR 32,317 thousand (EUR 33,400 thousand at 31 December 2019), as well as the deposits amounting to EUR 1,707.2 thousand at that date (EUR 1,707 thousand at 31 December 2019).

8.2 Available-for-sale financial assets

At 31 December 2020, the Company's holding in Aedas Homes, S.A. is included in the amount of EUR 17,254 thousand, equivalent to 1.7% of its share capital. The negative variation in the fair value of this holding in 2020 in the amount of EUR 286 thousand is recognised in the "Valuation adjustments" heading in the appended 2020 balance sheet. That valuation has been obtained from the share price of Aedas Homes, S.A. at 31 December 2020 (EUR 21.10 per share).

At 31 December 2020, the Company holds 817,727 shares of Aedas Homes, S.A., representing a 1.7% stake. This company is listed on the Madrid Stock Exchange.

The corporate purpose of Aedas Homes, S.A. is the acquisition, development and refurbishment of any property assets for their holding, enjoyment, disposal and lease; the acquisition, holding, enjoyment, swap, sale and management of national or foreign transferable securities, as well as any type of titles or rights, such as shares in private limited liability companies.

In addition, this heading includes 15.29% (after dilution of capital gains, Note 10) in Silicius Real Estate, S.L., amounting to EUR 86,521 thousand acquired by the Company through an asset injection in 2020, on which the Company has an option to sell to Silicius itself for the initial cost. This company is not yet listed. At 31 December 2020, the Company's exercise of the put option is highly probable at the acquisition price, without the Company's Management's analysis identifying any signs of impairment on the recoverable value of that financial asset.

8.3 Balances with Group companies (current and non-current)

The Company has the following long-term and short-term balances with its subsidiaries at 31 December 2020 and 2019 (in thousands of euros):

31/12/2020

	Long-term loans	Short-term loans	Current accounts - receivables	Trade receivables	Non-current payables	Current payables	Current accounts - payables	Suppliers
Group companies:								
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	—	—	—	—	—	(33,057)	—	—
Merlin Retail, S.L.U.	—	161,749	—	148	—	—	—	—
Merlin Oficinas, S.L.U.	—	—	—	386	—	(7,772)	2	—
Merlin Logística, S.L.U.	—	159,880	—	188	—	—	—	—
Sevisur Logística, S.A.	—	19,795	—	40	—	—	(143)	—
Parc Logistic de la Zona Franca, S.A.	—	—	—	62	(8,771)	(16,142)	(37)	—
Innovación Colaborativa, S.L.U.	—	5,475	—	7	—	—	—	—
Exhibitions Company, S.A.U.	—	—	—	—	—	(4,333)	—	—
Gescentesta, S.L.U.	—	—	—	—	—	(123)	—	—
Metroparque, S.A.U.	—	—	—	120	—	(26,013)	—	—
La Vital Centro Comercial y de Ocio, S.L.U.	—	—	—	21	—	(2,542)	—	—
Desarrollo Urbano de Patraix, S.A.U.	—	6,938	—	—	—	—	—	(32,007)
Sadorma 2003, S.L.U.	—	52	—	—	—	(19,936)	—	—
Global Murex Iberia, S.L.U.	2,534	—	—	—	—	(2,483)	—	—
Varitelia Distribuciones, S.L.U	—	201,321	—	124	—	—	—	—
Global Carihuela Patrimonio Comercial, S.L.U	—	49,035	—	19	—	—	—	—
MPCVI - Compra e Venda Imobiliária, S.A.	14,383	—	—	8	—	—	—	—
MPEP - Properties Escritórios Portugal, S.A.	17,363	—	—	9	—	—	—	—
MP Monumental, S.A.	58,212	—	—	19	—	—	(146)	—
MP Torre A, S.A.	36,472	—	—	14	—	—	—	—
VFX Lógística, S.A.	23,543	—	—	20	—	—	—	—
Promosete Investimentos Imobiliarios, S.A.	21,300	353	—	15	—	—	—	—
Praça do Marquês Serviços Auxiliares, S.A.	—	—	—	20	—	—	—	—
Torre Dos Oceanus Investimentos Imobiliarios S.A.	19,639	—	—	12	—	—	—	—
Forum Almada- Gestão Centro Comercial Sociedade Unipessoal, Lda	276,708	94,435	—	964	—	—	—	—
Forum Almada II, S.A.	—	—	—	691	—	—	—	—
Torre Arts-Investimentos imobiliarios S.A.	—	—	—	24	—	—	—	—
Torre Fernão Magalhaes-Investimentos Imobiliarios, S.A.	—	—	—	13	—	—	—	—
Milos Asset Development	—	17,396	—	—	—	—	—	—
Renazca, S.A.	—	—	36	49	—	—	—	—
Associates:								
Provitae Centros Asistenciales, S.L.	—	1,081	1	—	—	—	—	—
Pazo de Congresos de Vigo, S.A.	—	—	—	340	—	—	—	—
Paseo Comercial Carlos III, S.A.	—	1,005	—	10	—	—	—	—
Centro Intermodal de Logística, S.A.	—	—	—	4	—	—	—	—
G36 Development, S.A.	625	8	—	—	—	—	—	—
Silicius Real Estate, S.L.	—	—	—	—	(5,850)	—	—	(2,344)
Total	**470,779**	**718,523**	**38**	**3,327**	**(14,621)**	**(112,401)**	**(324)**	**(34,351)**

31/12/2019

	Long-term loans	Short-term loans	Current accounts - receivables	Trade receivables	Non-current payables	Current payables	Current accounts - payables	Suppliers
Group companies:								
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	-	-	-	181	-	(7,486)	-	-
Merlin Retail, S.L.U.	-	-	-	174	-	(18,399)	(11)	-
Merlin Oficinas, S.L.U.	-	-	-	237	-	(510)	(42)	-
Merlin Logística, S.L.U.	-	109,830	-	168	-	-	-	-
Sevisur Logística, S.A.	-	11,569	969	-	-	-	-	-
Parc Logistic de la Zona Franca, S.A.	-	-	-	-	(8,771)	(14,901)	-	-
Innovación Colaborativa, S.L.U.	-	5,002	-	23	-	-	-	-
Exhibitions Company, S.A.U.	-	-	-	-	-	(4,332)	-	-
Gescentesta, S.L.U.	-	-	-	-	-	(259)	-	-
Metroparque, S.A.U.	-	-	-	-	-	(31,456)	-	-
La Vital Centro Comercial y de Ocio, S.L.U.	-	-	-	-	-	(1,442)	-	-
Desarrollo Urbano de Patraix, S.A.U.	-	6,873	-	-	-	-	-	(32,007)
Sadorma 2003, S.L.U.	335	51	-	-	-	(20,270)	-	-
Global Murex Iberia, S.L.U.	2,520	-	-	-	-	(2,483)	-	-
Varitelia Distribuciones, S.L.U	-	178,401	21,622	44	-	-	-	(7)
Global Carihuela Patrimonio Comercial, S.L.U	-	25,663	-	-	-	-	-	-
MPCVI - Compra e Venda Imobiliária, S.A.	13,666	-	-	-	-	-	-	-
MPEP - Properties Escritórios Portugal, S.A.	13,554	-	-	-	-	-	-	-
MP Monumental, S.A.	43,792	-	15	-	-	-	-	-
MP Torre A, S.A.	34,687	-	-	-	-	-	-	-
Promosete, Invest Inmobiliaria	17,833	2,466	-	-	-	-	-	-
Torre Dos Oceanus Investimentos Inmobiliarios,S.A.	18,773	-	-	-	-	-	-	-
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	276,708	89,113	-	-	-	-	-	-
Associates:								
Provitae Centros Asistenciales, S.L.	-	1,054	-	-	-	-	-	-
Pazo de Congresos de Vigo, S.A.	-	-	-	340	-	-	-	-
G36 Development, S.A.	625	2	-	-	-	-	-	-
Total	**422,493**	**430,024**	**22,606**	**1,167**	**(8,771)**	**(101,538)**	**(53)**	**(32,014)**

Long-term loans to Group and associated companies

The main long-term loans granted by the Company to Group companies and associates recognised under "Loans to Group companies" were as follows:

- In 2018, as a result of the of the purchase of Forum Almada-Gestao de Centro Comercial, Sociedade Uniperssoal, Lda, the Company subrogated to three primary loans that the subsidiary had with the previous shareholder for a total amount of EUR 276,708 thousand with maturity set for 31 January 2022. Those loans accrue interest at a mean annual rate of 2.71%. At 31 December 2020, the accrued and unpaid interest amounted to EUR 29,388 thousand (EUR 21,824 thousand in 2019) and is recognised under the heading 'Short-term loans' on the accompanying balance sheet.

- Also in 2018, as a result of the of the purchase of Torre Dos Oceanus Investimentos Imobiliários, S.A., the Company subrogated to the primary loan that the subsidiary had with the previous owner for an amount of EUR 17,294 thousand with maturity set for 17 April 2022. That loan accrues interest at a fixed annual rate of 5%. The outstanding balance of principal plus accrued and unpaid interest at the 2020 year-end amounts to EUR 19,639 thousand.

– Meanwhile in 2017, as a result of the of the purchase of Promosete Investimentos Inmobiliarios, S.A., the Company subrogated to two primary loans that the subsidiary had with the previous owner for an amount of EUR 17,833 thousand with maturity set for 31 January 2022. That loan accrues interest at a fixed annual rate of 5%. The balance of principal at the end of 2020 amounts to EUR 21,300 thousand and the accrued and unpaid interest is EUR 353 thousand.

– Similarly, in 2016, as a result of the of the purchase of MP Monumental, S.A., the Company subrogated to two primary loans that the subsidiary had with the previous shareholder for an amount of EUR 38,040 thousand. Those loans accrue interest at a mean annual rate of 5.64%. The outstanding balance of principal amounts to EUR 38,000 thousand plus accrued and unpaid interest at the 2020 year-end of EUR 7,971 thousand.

– Also in 2016, as a result of the of the purchase of MP Torre, S.A., the Company subrogated to a primary loan that the subsidiary had with the previous shareholder for an amount of EUR 31,122 thousand. That loan accrues interest at a mean annual rate of 5.64%. The outstanding balance of principal amounts to EUR 31,122 thousand plus accrued and unpaid interest at the 2020 year-end of EUR 5,350 thousand.

– The Company holds a participatory loan with Global Murex Iberia, S.L.U. amounting to EUR 18,000 thousand. This loan matured in 2019, at which time an addendum was signed extending the maturity of the agreement until 1 September 2024. At 31 December 2020, the outstanding balance of the loan is impaired in an amount of EUR 15,466 thousand (EUR 15,497 thousand in 2019).

– Lastly, in 2020, the Company signed a credit facility for CAPEX with VFX Logistics, S.A., MP Monumental, S.A. and MPEP Properties Escritórios Portugal for maximum amounts of EUR 26,360, 30,250 and 7,000 thousand respectively. The maturity of these agreements is 31 December 2025, with an interest rate of 3%. The outstanding balance at 31 December 2020, including principal and interest, is EUR 23,543, EUR 12,241 and EUR 3,131 thousand respectively.

Short-term loans and debts to Group companies and associates

– As a result of the of the purchase of Forum Almada-Gestao de Centro Comercial, Sociedade Uniperssoal, Lda, the Company subrogated to a primary loan that the subsidiary had with the previous shareholder for a total current amount of EUR 98,410 thousand. That loan does not accrue interest. The main outstanding balance at the end of 2020 amounted to EUR 65,049 thousand.

– Loan agreement between Group companies with Merlin Logistics, S.L.U. lasting one year, with subsequent renewals allowed for similar periods, at an interest rate of 1.15% per year. The outstanding balance of principal at the 2020 year-end amounts to EUR 159,880 thousand.

– Loan with Global Carihuela Patrimonio Comercial, S.L.U., whose balance comes from the financing from the business combination with Metrovacesa executed in 2016 through current accounts with Group companies. That loan accrues interest at a fixed rate of 1.15%. The outstanding balance of principal plus accrued and unpaid interest at the 2020 year-end amounts to EUR 49,035 thousand.

– Inter-Group loan agreement with Varitelia Distribuciones, S.L.U. for a period of one year, allowing subsequent renewals for similar periods, at an interest rate of 1.15% per year. The outstanding balance of principal plus accrued and unpaid interest at the 2020 year-end amounts to EUR 201,321 thousand.

– Inter-Group loan agreement with with Sevisur Logistics, S.A. for a period of one year, with subsequent renewals permitted for similar periods, at an interest rate of 1.15% per year. The outstanding balance of principal plus accrued and unpaid interest at the 2020 year-end amounts to EUR 19,795 thousand.

- Loan agreement with Metroparque, S.A. whose balance comes from the financing from the business combination with Metrovacesa executed in 2016 through current accounts with Group companies. That loan accrues interest at a fixed rate of 1.15%. The outstanding balance of principal plus accrued and unpaid interest at the 2020 year-end amounts to EUR 26,013 thousand.

- Loan agreement with Sardorma S.A., whose balance comes from the financing from the business combination with Metrovacesa executed in 2016 through current accounts with Group companies. That loan accrues interest at a fixed rate of 1.15%. The outstanding balance of principal plus accrued and unpaid interest at the 2020 year-end amounts to EUR 19,936 thousand.

- Loan agreement with Tree Investments Inmobiliarias SOCIMI, S.A., the duration of which is one year, with subsequent renewals allowed for similar periods, yielding an interest rate of 1.15% annually. The outstanding balance of principal plus accrued and unpaid interest at the 2020 year-end amounts to EUR 33,057 thousand.

- Loan agreement with Parc Logisctic, Zona Franca, S.A. This agreement has a duration of one year, with subsequent renewals allowed for similar periods, at an interest rate of 1.15% per year. The outstanding balance of principal plus accrued and unpaid interest at the 2020 year-end amounts to EUR 16,142 thousand.

- In 2020, the Company generated impairment of the short-term loans with the companies Innovación Collaborativa, S.L.U and Milos Asset Development, S.L.U amounting to EUR 4,522 and EUR 90 thousand, which was recorded under the heading 'Impairment and disposal of financial instruments' in the accompanying income statement.

Current accounts with Group companies and associates

The main reductions of this heading of the Balance Sheet appended are as follows:

- At 31 December 2019, the Company maintained an account receivable with Varitelia Distribuciones, S.L.U. and Sevisur Logística, S.A. amounting to EUR 21,622 thousand and EUR 969 thousand respectively corresponding to the outstanding balance of the VAT Group that has been settled against the Company's short-term loan.

8.4 Third-party loans (current and non-current)

The loan granted to Desarrollos Urbanísticos Udra, S.A.U. amounting to EUR 86,397 thousand is recorded under the heading 'Third-Party Loans' under non-current assets (see Note 10), with a market interest rate. At 31 December 2020, the outstanding amount was EUR 86,397 thousand in principal and EUR 1,725 thousand in interest. In relation to the aforementioned loan, the Company has guarantees from the creditor associated with 10% of the shares in Distrito Castellana Norte, S.A.

In addition, under this heading, rent linearisation and tenant installation costs amounting to EUR 7,371 thousand are recorded.

The "Third-party Loans" heading under current assets includes the loan provided to Juno Holdings 1, S.a.r.l. for EUR 70,000 thousand, which has a bullet repayment on maturity in November 2021. That loan accrues an annual interest rate of 2% due at maturity. At 31 December 2020, the outstanding amount was EUR 70,000 thousand in principal and EUR 1,530 thousand in interest.

8.5 Trade and other receivables

"Trade and other receivables" included the following items at 31 December 2020 (in thousands of euros):

	31/12/20	31/12/19
Current assets		
Trade and notes receivable	610	7,672
Group companies and associates	3,327	1,167
Sundry account receivables	435	377
Employee receivables	184	184
Other accounts receivables from public authorities (Note 15)	6,199	6,363
Total	**10,755**	**15,763**

"Trade and notes receivable" in the balance sheet at 31 December 2019 mainly included the balances receivable from leasing investment property. In general these receivables are interest free and the terms of collection range from immediate payment on billing to payment at 30 days, while the average collection period is approximately 5 days (5 days in 2019).

The Company periodically analyses the risk of insolvency of its accounts receivable by updating the related provision for impairment losses. The Company's directors consider that the amount of trade and other receivables approximates their fair value.

The movement in the provision for impairment and bad debt in 2020 was as follows (in thousands of euros):

	2020	2019
Beginning balance	**(7,423)**	**(7,352)**
Charges for the year	(661)	(480)
Reversals/amounts used	230	327
Other	—	82
Ending balance	**(7,854)**	**(7,423)**

Losses from bad debts amounted to EUR 175 thousand in 2020.

The majority of impaired receivables are overdue by more than six months.

9. Cash and cash equivalents

"Cash and Cash Equivalents" includes the Company's cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. The balance of this heading of the accompanying balance sheet comprises mainly the current accounts in euros held by the Company at various financial institutions, which accrue interest at market rates, amounting to EUR 110,930 thousand (EUR 113,058 thousand in 2019).

At 31 December 2020, the balances included under "Cash and cash equivalents" amounting to EUR 788 thousand (EUR 788 thousand at 31 December 2019) were not available as they were pledged to secure the various obligations existing at that date.

The interest earned in this regard in 2020 amounted to EUR 170 thousand and is recognised under "Finance Income" in the accompanying income statement (EUR 162 thousand in 2019).

10. Non-current investments in Group companies and associates

The breakdown of and changes in the balance of "Equity instruments" at 2020 and 2019 year-end is as follows (in thousands of euros):

2020	Balance 31 Dec 19	Additions	Disposals	Impairment	Balance 31 Dec 20
Group companies:					
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	657,984	—	—	—	657,984
Merlin Retail, S.L.U.	251,408	—	—	—	251,408
Merlin Oficinas, S.L.U.	771,345	—	—	—	771,345
Merlin Logística, S.L.U.	292,304	—	—	—	292,304
Sevisur Logística, S.A.	37,629	—	—	—	37,629
Parc Logistic de la Zona Franca, S.A.	118,310	—	—	—	118,310
Innovación Colaborativa, S.L.U.	—	—	—	—	—
Exhibitions Company, S.A.U.	4,287	—	—	—	4,287
Gescentesta, S.L.U.	3	—	—	—	3
Metroparque, S.A.U.	231,557	—	—	—	231,557
La Vital Centro Comercial y de Ocio, S.L.U.	56,788	—	—	—	56,788
Desarrollo Urbano de Patraix, S.A.U.	25,090	—	—	—	25,090
Sadorma 2003, S.L.U.	18,404	—	—	199	18,603
Global Murex Iberia, S.L.U.	—	—	—	—	—
Varitelia Distribuciones, S.L.U.	48,478	—	—	(26,926)	21,552
Global Carihuela Patrimonio Comercial, S.L.U.	33,231	—	—	(20,106)	13,125
MPCVI - Compra e Venda Imobiliária, S.A.	6,418	—	—	—	6,418
MPEP - Properties Escritórios Portugal, S.A.	85	—	—	—	85
MP Monumental, S.A.	20,348	—	—	—	20,348
MP Torre A, S.A.	10,186	—	—	—	10,186
VFX Logística, S.A.	17,495	—	—	868	18,363
Promosete, Invest Inmobiliaria, S.A.	11,246	—	(860)	—	10,386
Praça Do Marques Servicios Auxiliares S.A.	56,359	—	—	—	56,359
Torre Dos Oceanus Investimentos Inmobiliarios, S.A.	15,912	—	—	—	15,912
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	31,533	2,241	—	—	33,774
Torre Arts - Investimentos Imobiliarios, S.A.	85,781	—	—	—	85,781
Torre Fernao Magalhaes - Investimentos Imobiliarios, S.A.	27,555	—	—	—	27,555
Milos Asset Development, S.A.	1	—	—	(1)	—
Associates:					
Provitae Centros Asistenciales, S.L.	4,574	—	—	(1,065)	3,509
Pazo de Congresos de Vigo, S.A.	—	—	—	—	—
Paseo Comercial Carlos III, S.A.	25,668	—	—	—	25,668
Centro Intermodal de Logística, S.A.	95,688	—	—	—	95,688
Parking del Palau, S.A.II., S.L.U.	2,136	—	—	(779)	1,357
PK Hoteles 22, S.L.	2,467	—	—	—	2,467
Distrito Castellana Norte, S.A.	168,893	1,119	—	(626)	169,386
Silicius Real Estate, S.L.	—	91,021	—	(20,478)	70,543
G36 Development, S.L.	2,027	—	—	—	2,027
Total net value of the investment	**3,131,190**	**94,381**	**(860)**	**(68,914)**	**3,155,797**

2019	Balance 31 Dec 18	Additions	Disposals due to mergers	Additions due to mergers	Impairment	Balance 31 Dec 19
Group companies:						
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	657,984	—	—	—	—	657,984
Merlin Retail, S.L.U.	251,408	—	—	—	—	251,408
Merlin Oficinas, S.L.U.	771,345	—	—	—	—	771,345
Merlin Logística, S.L.U.	292,304	—	—	—	—	292,304
Merlin Parques Logísticos, S.A.	118,310	—	(118,310)	—	—	—
Sevisur Logística, S.A.	37,629	—	—	—	—	37,629
Parc Logistic de la Zona Franca, S.A.	—	—	—	118,310	—	118,310
Innovación Colaborativa, S.L.U.	—	3,868	—	—	(3,868)	—
Exhibitions Company, S.A.U.	4,287	—	—	—	—	4,287
Gescentesta, S.L.U.	3	—	—	—	—	3
Metroparque, S.A.U.	231,557	—	—	—	—	231,557
La Vital Centro Comercial y de Ocio, S.L.U.	56,788	—	—	—	—	56,788
Holding Jaureguizar 2002, S.A.U.	—	—	—	—	—	—
Desarrollo Urbano de Patraix, S.A.U.	25,090	—	—	—	—	25,090
Sadorma 2003, S.L.U.	20,287	—	—	—	(1,883)	18,404
Global Murex Iberia, S.L.U.	—	—	—	—	—	—
Varitelia Distribuciones, S.L.U.	40,623	18,579	—	—	(10,724)	48,478
Global Carihuela Patrimonio Comercial, S.L.U.	17,102	17,000	—	—	(871)	33,231
MPCVI - Compra e Venda Imobiliária, S.A.	6,418	—	—	—	—	6,418
MPEP - Properties Escritórios Portugal, S.A.	54	—	—	—	31	85
MP Monumental, S.A.	20,348	—	—	—	—	20,348
MP Torre A, S.A.	10,186	—	—	—	—	10,186
VFX Logística, S.A.	17,213	3,150	—	—	(2,868)	17,495
Promosete, Invest Inmobiliaria, S.A.	11,246	—	—	—	—	11,246
Praça Do Marques Servicios Auxiliares S.A.	56,359	—	—	—	—	56,359
Torre Dos Oceanus Investimentos Inmobiliarios, S.A.	15,912	—	—	—	—	15,912
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	31,533	—	—	—	—	31,533
Torre Arts - Investimentos Imobiliarios, S.A.	—	85,781	—	—	—	85,781
Torre Fernao Magalhaes - Investimentos Imobiliarios, S.A.	—	27,555	—	—	—	27,555
Milos Asset Development, S.A.	—	2	—	—	(1)	1
Associates:						
Provitae Centros Asistenciales, S.L.	4,600	—	—	—	(26)	4,574
Pazo de Congresos de Vigo, S.A.	—	—	—	—	—	—
Paseo Comercial Carlos III, S.A.	25,668	—	—	—	—	25,668
Centro Intermodal de Logística, S.A.	95,688	—	—	—	—	95,688
Parking del Palau, S.A.II., S.L.U.	2,136	—	—	—	—	2,136
PK Hoteles 22, S.L.	2,467	—	—	—	—	2,467
Distrito Castellana Norte, S.A.	—	168,893	—	—	—	168,893
G36 Development, S.L.	2,027	—	—	—	—	2,027
Total net value of the investment	**2,826,572**	**324,828**	**(118,310)**	**118,310**	**(20,210)**	**3,131,190**

In compliance with article 155 of the Corporate Enterprises Law, the Company reported the holdings that exceed 10% of share capital in the companies described in the table above.

The most significant transactions executed in 2020 are as follows:

a) Silicius Real Estate, S.L.

On 27 February 2020, the Company resorted to a capital increase of Silicius Real Estate, S.A. for a sum of EUR 173 million. The capital increase was performed by contributing certain secondary commercial assets owned by the Company, namely those entitled Thader, La Fira and Nassica. The capital increase saw the Company acquire 34.37% of the shares in the company, which is a multi-product company managed externally.

The asset contribution also entailed the assumption of certain obligations associated with the contributed assets for a total of EUR 9 million, at a rate of EUR 1.8 million a year, of which, as of December 31 2020, there are outstanding obligations of EUR 8.1 million per year, recorded as "Other financial liabilities", current and non-current, respectively.

The contribution indicated above includes certain conditions related to the shares received. Thus, for 50% of the shares it received, the Company has a put option by Silicius at the same contribution price. This option expires 24 months after the contribution.

The remaining 50%, in turn, has a liquidity mechanism starting the fifth year after the contribution, so Silicius itself has the option to buy them at a market price associated with their NAV at the time plus a differential. If the option is not exercised, the Company can sell them by collecting certain assets of the investee company at the same price indicated above.

The Company recorded the shares associated with 50% of the investment as "financial assets available for sale" for a sum of EUR 86.5 million, because it considers it highly likely that it will exercise its option to sell and that there is therefore no exposure to the investee company's future risks and benefits (See Note 8.2). For its part, the remaining amount of the stake increased by EUR 91,021 thousand, representing 17.19% of the share capital, under the heading 'equity instruments.' In 2020 Silicius Real Estate, S.L., carried out capital increase by means of non-monetary contribution in which the the Company did not participate, and the percentage of its ownership was therefore diluted to 15.29%.

This transaction caused the Company a capital loss of EUR 3,891 thousand, after considering the expenses associated with it, as well as the obligations assumed, as indicated above.

At the end of the year, the Company evaluated the recoverable value of the shares to the extent that it identified signs of impairment affected by the real estate market situation, mostly affected by the impact of COVID-19. In this context, and using the equity interest of the investee as a reference after considering the value adjustments of the properties and assets owned by the investee, it proceeded to record an impairment of EUR 18,485 thousand under the heading 'impairment and profit or loss on disposals of financial instruments' of the attached income statement.

The most significant transactions executed in 2019 are as follows:

a) Torre Arts, Investimentos inmobiliàrios, S.A. (anteriormente denominada Edificio 160 Arts, S.A.)

On 17 January 2019, the Company acquired 100% of the share capital of Torre Arts, Investimentos inmobiliàrios, S.A. for EUR 85,781 thousand. The main line of business of the acquired company is the lease of offices. Its only asset is the Arts building in Lisbon that is 97% leased and has a surface area of 22,150 square meters. Its fair value at the time of purchase according to an independent appraiser was EUR 85,391 thousand.

b) Torre Fernão Magalhães Investimentos inmobiliàrios, S.A. (formerly known as Edificio 048 Magellexpo, S.A.)

On 17 January 2019, the Company acquired 100% of the share capital of Torre Fernão Magalhães Investimentos inmobiliàrios, S.A. for EUR 27,555 thousand. The main line of business of the acquired company is the lease of offices. Its only asset is the Torre Magallanes building in Lisbon that is 100% leased and has a surface area of 7,837 square meters. Its fair value at the time of purchase according to an independent appraiser was EUR 27,455 thousand.

c) Innovación Colaborativa, S.L.U

On 26 March 2019, the Parent acquired 53.97% of Innovación Colaborativa, S.L. for EUR 1,667 thousand. With this acquisition, the Parent shares 100% of the share capital of this company. The core business of the acquired company is flexible office space management. At 31 December 2019, the holding in this company was completely impaired.

d) Distrito Castellana Norte, S.A..

On 30 October 2019, the Company acquired from Desarrollos Urbanísticos Udra, S.A.U. (part of the San José Business Group) a 14.46% stake in Distrito Castellana Norte, S.A. (DCN) for a total of EUR 168,893 million. Its current activity consists of preparing the future development of the land owned by ADIF (the Spanish Railway Infrastructure Administrator) and RENFE-Operator, in the urban areas APR 08.03 'La Castellana Extension' and APE 05.27 'Colonia Campamento' of the current Madrid General Plan for their subsequent real estate exploitation.

In addition, as an integral part of the transaction of the sale, the Company granted Desarrollos Udra, S.A. a loan amounting to EUR 129,109 thousand divided into two tranches: (i) EUR 86,397 thousand maturing in 20 years; and (ii) EUR 42,712 thousand maturing in December 2019, with both loans at an interest rate of 2% per annum due at maturity (see Note 8.4).

e) Global Carihuela Patrimonio Comercial, S.L.U.

In 2019, the Company joined the capital increase by offsetting loans made by Global Carihuela amounting to EUR 17,000 thousand, subscribing 1,700,000 shares with a nominal value of EUR 1 each and a share premium of EUR 9.

f) Varitelia Distribuciones, S.L.U

On 28 June 2019, the Company capitalised the dividend approved by its sole shareholder, Merlin Properties SOCIMI, S.A. amounting to EUR 18,579 thousand. That contribution was instrumentalised by offsetting loans between Varitelia Distribuciones, S.L.U. and Merlin Properties SOCIMI, S.A. for that amount. At 31 December 2019, the stake in this company was impaired by EUR 10,724 thousand.

g) Merger of companies

In addition to the winding up described in Note 1.2, in 2019, the reverse merger took place between Merlin Parques Logística, S.A. and Parc Logistic de la Zona Franca, S.A. approved by these companies' Managing Bodies on 5 July 2019.

The Directors annually assess the existence of signs of impairment on the holdings above and concluded that there are no further impairments at 31 December 2020.

To determine whether or not the shares in Group companies and associates have become impaired, the proportional part of equity of the investees, adjusted by any unrealised gains and goodwill at the valuation date, was considered to be the best evidence of the recoverable amount, which were mainly identified based on third-party valuations of those assets. In addition to what was noted about the stake in Silicius, indications of additional impairment were identified in the year for a total amount of EUR 48,658 thousand, mainly related to the shares held in Varitelia Distribuciones, S.L.U. and Global Carihuela Patrimonio Comercial, S.L.U.

The most significant information in relation to investments in Group companies and associates at 2020 and 2019 year-end is detailed in Appendix I.

11. Equity and owners' equity

11.1 Share capital and share premium

The detail of "Equity" and of the changes therein is presented in the statement of changes in equity.

Share capital

At 31 December 2020, the share capital of Merlin Properties SOCIMI, S.A., amounted to EUR 469,771 thousand, represented by 469,770,750 fully subscribed and paid shares of EUR 1 par value each, all of which are of the same class and confer the holders thereof the same rights.

All the Company's shares can be publicly traded and are listed on the Madrid, Barcelona, Bilbao and Valencia and Lisbon Stock Exchanges. The market price of the Parent's shares at 31 December 2020 and the average market price for the fourth quarter amounted to EUR 7.78 and EUR 7.22 per share, respectively.

At 31 December 2020, according to information extracted from the CNMV, in relation to the provisions of Royal Decree 1362/2007, of 19 October and Circular 2/2007, of 19 December, the shareholders with significant holdings in the share capital of Merlin Properties SOCIMI, S.A., both direct and indirect, in excess of 3% of the share capital, are the following according to public information:

	Shares			% of share capital
	Direct	Indirect	Total	
Banco Santander, S.A.	89,254,715	26,072,123	115,326,838	24.549%
Manuel Lao Hernandez	—	29,459,324	29,459,324	6.271%
BlackRock, INC	—	18,773,897	18,773,897	3.996%

The information of Banco Santander refers to the 2020 period, as communicated to the Company by this significant shareholder.

The most significant shareholder movement in the year was the entry into the share capital of the Company of NORTIA CAPITAL INVESTMENT HOLDING, S.L. with 6.271% (whose controlling shareholder is Manuel Lao Hernández).

Share premium

The Consolidated Text of the Spanish Limited Liability Companies Law expressly permits the use of the share premium to increase capital and establishes no specific restrictions as to its use.

This reserve is unrestricted so long as its allocation does not lower equity to below the amount of share capital.

11.2. Reserves

Legal reserve

The legal reserve will be established in accordance with article 274 of the Consolidated Text of the Corporate Enterprises Law, which stipulates, in all cases, that 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

This reserve cannot be distributed, and if it is used to offset losses, in the event no other reserves are available for this purpose, it must be restored with future profits.

At 31 December 2020, the Company had not yet reached the legally required minimum established in the revised text of the Corporate Enterprises Law.

In accordance with Law 11/2009, which regulates REITs, the legal reserve of companies that have opted to avail themselves to the special tax regime established under this Law must not exceed 20% of share capital. The Articles of Association of these companies may not establish any other type of restricted reserves.

Merger reserves

The mergers carried out in 2017 generated positive merger reserves of EUR 1,629 thousand. As a result of the merger by absorption of Testa Inmuebles en Renta SOCIMI, S.A. with the Company in 2016, this transaction generated negative merger reserves in the amount of EUR 308,131 thousand.

11.3 Treasury shares

At 31 December 2020, the Company held treasury shares amounting to EUR 54,149 thousand.

The changes in 2020 were as follows:

	Number of Shares	Thousands of euros
Balance at 31 December 2018	**6,150,000**	**68,322**
Additions	52,776	633
Disposals	(1,125,407)	(12,095)
Balance at 31 December 2019	**5,077,369**	**56,860**
Additions	26,177	279
Disposals	(267,043)	(2,990)
Balance at 31 December 2020	**4,836,503**	**54,149**

On 27 April 2017, the shareholders authorised the Board of Directors to acquire shares of the Company. The General Shareholders Meeting held on 7 May 2018 revoked the authorisation granted by the General Meeting of April 2017 in the part not used and then authorised the acquisition of shares by the Company itself or by a Group company, pursuant to section 146 and related provisions of the Corporate Enterprises Act, in accordance with the requirements and restrictions established in prevailing legislation during the five-year period. The authorisation includes the acquisition of shares that, where applicable, must be handed over directly to employees or directors of the Company or of Group companies as a result of the purchase option they hold or for the settlement and payment of share-based incentive plans of which they are beneficiaries.

In 2020, the Company acquired 26,177 treasury shares at an average cost of EUR 10.63 per share. At 31 December 2020, the Parent held treasury shares representing 1.03% of its share capital.

The withdrawals of own shares amounting to EUR 2,990 thousand (average price of EUR 11.20 per share) correspond mainly to EUR 2,765 thousand (average price of EUR 11.20 per share), to the delivery of shares to employees within the Flexible Remuneration Plan. There were also EUR 225 thousand in sales in 2020 (at an average cost of EUR 11.20 per share).

11.4 Valuation adjustments

This heading of the statement of financial position includes changes in the value of financial derivatives designated as cash flow hedges, as well as that corresponding to available-for-sale financial assets. Movement in this heading in 2020 was as follows:

	Thousands of euros
Balance at 31 December 2018	**(7,270)**
Changes in the fair value of hedges in 2019	1,260
Changes in the fair value of "Available-for-sale financial assets" (Note 8.2)	(581)
Balance at 31 December 2019	**(6,591)**
Changes in the fair value of hedges in 2020	1,264
Changes in the fair value of "Available-for-sale financial assets" (Note 8.2)	(286)
Balance at 31 December 2020	**(5,613)**

The change in the fair value of the hedging instruments corresponds to the value recorded at the time of the rupture of the efficiency that will be accrued over the life of the derivative and that has been recognised as the largest financial expense in the attached income statement.

12. Current and non-current financial liabilities

The detail of current and non-current liabilities at 31 December 2020 and 2019 is as follows (in thousands of euros):

	Thousands of euros	
	2020	**2019**
Non current:		
Measured at amortised cost		
Syndicated loan	850,000	850,000
Syndicated loan arrangement expenses	(5,052)	(6,562)
Total syndicated loan	**844,948**	**843,438**
Revolving credit facility	—	—
Non-mortgage loan	29,000	—
Formalisation costs of the revolving loan facility	(3,073)	(3,023)
Total other loans	**25,927**	**(3,023)**
Debentures and bonds	4,091,086	3,750,000
Debenture issue expenses	(25,284)	(26,586)
Total debentures and bonds	***4,065,802***	***3,723,414***
Total amortised cost	**4,936,678**	**4,563,829**
Measured at fair value		
Derivative financial instruments	15,971	10,570
Total at fair value	***15,971***	***10,570***
Total non-current	**4,952,649**	**4,574,399**
Current:		
Measured at amortised cost		
Syndicated loan	644	595
Debentures and bonds	36,291	34,631
Non-mortgage loan	125	—
Revolving credit facility	404	161
Total amortised cost	**37,464**	**35,387**
Measured at fair value		
Derivative financial instruments	352	270
Total at fair value	***352***	***270***
Total current	**37,816**	**35,657**

There is no material difference between the carrying amount and the fair value of financial liabilities at amortised cost.

On 20 April 2016, the Group led by the Company was given a credit rating of "BBB" with stable outlook by Standard & Poor's Rating Credit Market Services Europe Limited. On 24 May 2018, Standard & Poor's updated this rating to "BBB" with a positive outlook, changing it to stable outlook due to the COVID-19 pandemic on 27 March 2020.

Additionally, on 17 October 2016, the Company was given a credit rating of investment grade "Baa2" by Moody's. On 27 May 2020, Moody's updated this rating to "Baa2" with a negative outlook due to the COVID-19 pandemic.

12.1 Loans

The detail of loans at 31 December 2020 and 2019 is as follows (in thousands of euros):

31/12/2020

	Initial loan / Limit	Debt arrangement expenses	Long term	Short term	Short-term interest
Syndicated loan	850,000	(5,052)	850,000	—	644
Revolving credit facilities	700,000	(3,026)	—	—	404
Non-mortgage loan	115,000	(47)	29,000	—	125
Total	**1,665,000**	**(8,125)**	**879,000**	**—**	**1,173**

31/12/2019

	Initial loan / Limit	Debt arrangement expenses	Long term	Short term	Short-term interest
Syndicated loan	850,000	(6,562)	850,000	—	595
Revolving credit facilities	700,000	(3,023)	—	—	161
Non-mortgage loan	115,000	—	—	—	—
Total	**1,665,000**	**(9,585)**	**850,000**	**—**	**756**

Syndicated loans and revolving credit facilities

On 25 April 2019, the Company arranged a senior syndicated loan amounting to EUR 1,550 million, including two tranches, a corporate loan of EUR 850 million and a corporate credit facility of EUR 700 million due in 2024.

The initial maturity date for this revolving credit facility was 2024, with the possibility of two optional one-year extensions. The first one-year extension was approved on 2 July 2020, and the new maturity date is 9 May 2025.

The corporate loan accrues an interest rate of the one-month EURIBOR + 120 basis points, while the revolving credit facility yields an interest rate of the one-month EURIBOR + 90 basis points, and it incorporates a cost adjustment mechanism based on four sustainability criteria.

On 20 March 2020, the Company drew down EUR 700 million from its corporate credit facility to optimise and strengthen its financial position in view of the uncertainty generated by COVID-19. On 17 July 2020 the Group repaid the full amount drawn down from its credit facility.

This financing includes the commitment to maintain certain hedging ratios and in the Company's bonds. The Company's directors have confirmed that these ratios were met at 31 December 2020 and do not expect that they will not be fulfilled in the coming years.

Unsecured loans:

On 20 December 2018, the Company formalised a loan without mortgage security with the European Investment Bank in an amount of EUR 51,000 thousand and with 10-year maturity. On 4 November 2019, the Company formalised the second tranche of the mortgage-free loan with the European Investment Bank amounting to EUR 64,000 thousand, amounting to EUR 115,000 thousand. This financing has a maturity of 10 years. This credit facility will be allocated to the development of logistical assets in the Castilla–La Mancha region.

On 10 March 2020 and 26 October 2020, the Company drew down EUR 23,400 thousand and EUR 5,600 thousand corresponding to the first tranche of the financing. This loan accruals a fixed interest rate of 60 basis points.

Maturity of debt

The maturity detail of the amounts provided in these loans is as follows (in thousands of euros):

	Loan	Revolving line of credit	Total
2020	—	—	—
2021	—	—	—
2022	—	—	—
Over 3 years	879,000	—	879,000
	879,000	**—**	**879,000**

None of the Company's debt was denominated in non-euro currencies at 31 December 2020.

The Company had undrawn loans at 31 December 2020 with a number of financial institutions totalling EUR 786 million (EUR 815 million at 31 December 2019).

There are no significant differences between the fair values and carrying amounts of the Company's financial liabilities.

The finance cost for interest on the loans and the revolving lines of credit totalled EUR 14,765 thousand in 2020 (EUR 15,271 thousand in 2019) and is recognised in the accompanying income statement for 2020.

At 31 December 2020, the loan arrangement costs were recognised as a reduction in "Bank borrowings". In 2020, the Company recognised EUR 2,211 thousand (EUR 2,007 thousand in 2019) associated with the debt under "Finance costs" in the accompanying income statement for 2020.

12.2 Debenture issues

On 12 May 2017, the Company subscribed a Euro Medium Term Notes (EMTN) issue programme of up to EUR 4,000 million, which will replace the original bond issue programme and its supplement subscribed on 25 April 2016 and 14 October 2016, respectively, for an overall maximum amount of EUR 2,000 million.

On 18 May 2018, the Company extended that bond-issue scheme (Euro Medium Term Notes – EMTN) up to an amount of EUR 5,000 million. This programme was renewed on 22 May 2020.

On 7 February 2020, the Company issued a bond of EUR 100 million at 15 years at 102% of the nominal value and with a coupon of 1.875%, in addition to EUR 500 million of the same bond issued in the fourth quarter of 2019.

On June 17, 2020, the General Shareholders' Meeting approved the extension of this bond issuance program up to an amount of EUR 6 billion.

On 13 July 2020, the Company issued a bond of EUR 500 million at 7 years with a coupon of 2.375%. Some of the funds were used to repurchase EUR 151.7 million of the bond maturing in 2022 and EUR 107.2 million of the bond maturing in 2023. The remainder (EUR 241.1 million) was used to early settle mortgage loans maturing in 2025.

The terms of the bonds issued by the Company abide by UK laws and are traded on the Luxembourg Stock Exchange. The bond issue scheme has the same guarantees and ratio compliance obligations as the syndicated loan and the revolving credit facility. At year-end 2020, the Company complied with the covenants in this contract and the directors consider that they will be met in 2021.

The detail at 31 December 2020 of the bonds issued by Company is as follows:

Maturity	Nominal amount (millions of euros)	Coupon	Listed price	Yield	Market
May 2022	548	2.375%	MS + 36 p.b.	-0.16%	Ireland (*)
April 2023	743	2.225%	MS + 56 p.b.	0.04%	Luxembourg
May 2025	600	1.750%	MS + 98 p.b.	0.51%	Luxembourg
November 2026	800	1.875%	MS + 118 p.b.	0.75%	Luxembourg
July 2027	300	2.375%	MS + 146 p.b.	1.1%	Luxembourg
September 2029	600	2.375%	MS + 164 p.b.	1.32%	Luxembourg
December 2034	500	1.875%	MS + 185 p.b.	1.74%	Luxembourg
	4,091	**2.085%**			

2019

Maturity	Nominal amount (millions of euros)	Coupon	Listed price	Yield	Market
May 2022	700	2.375%	MS + 32 p.b.	0.31%	Ireland (*)
April 2023	850	2.225%	MS + 51 p.b.	0.46%	Luxembourg
May 2025	600	1.750%	MS + 72 p.b.	0.68%	Luxembourg
November 2026	800	1.875%	MS + 84 p.b.	0.89%	Luxembourg
September 2029	300	2.375%	MS + 119 p.b.	1.43%	Luxembourg
December 2034	500	1.875%	MS + 146 p.b.	1.95%	Luxembourg
	3,750	**2.068%**			

(*) Due to the business combination with Metrovacesa carried out in 2016, the Company recognised a bond issue launched by Metrovacesa for EUR 700 million. The terms of the bonds abide by UK laws and are traded on the Irish Stock Exchange. This issue also includes a series of compliance obligations and guarantees, which is common in these types of transactions. At year-end 2020, the Company complied with the covenants in this contract and the directors consider that they will be met in 2021.

The finance cost for interest on the debenture issues amounted to EUR 82,109 thousand (EUR 68,787 thousand in 2019) and is recognised in the accompanying income statement for 2020. The accrued interest payable at 31 December 2020 amounted to EUR 36,291 thousand (EUR 34,631 thousand in 2019). Debt arrangement expenses taken to the income statement in 2020 amounted to EUR 5,610 thousand (EUR 4,255 thousand in 2019). The financial expense related to premiums associated with early repurchases of bonds amounted to EUR 6,026 thousand.

12.3 Derivatives

In 2016, within the framework of the syndicated financing without mortgage guarantee signed, the Company subscribed an interest rate hedge (IRS), which matures in 2021, for 70% of the notional amount, i.e., EUR 595,000 thousand and a cost of 0.0981%. Following the early repayment of EUR 320,000 thousand relating to Tranche A of the Company's syndicated financing, the notional amount of this hedge was reduced to EUR 530,000 thousand, thus obtaining a coverage ratio of 100%.

In addition, tied to the syndicated financing without mortgage guarantee from Metrovacesa, it includes an interest rate hedge (IRS), which matures in 2021, for a notional amount of EUR 310,000 thousand and a cost of -0.12%.

On the occasion of the refinancing of the syndicated loan, a new interest rate swap (IRS) was signed to hedge the extension of the maturity of the financing from 2021 to 2024. The notional contract amounts to EUR 850,000 thousand at a cost of 0.0154%.

The detail of the financial instruments as of 31 December 2020 is as follows (in thousands of euros)

	Thousands of euros
Non-current	
Interest rate derivatives	15,971
Total non-current	**15,971**
Current	
Interest rate derivatives	352
Total current	**352**

13. Other current and non-current liabilities

The detail of non-current and current liabilities at 31 December 2020 and 2019 is as follows:

	31 Dec 20	31 Dec 19
Non-current		
Provisions	17,527	31,364
Other payables	3,000	3,000
Guarantees and deposits received	42,817	46,524
	63,344	**80,888**
Current		
Provisions	—	778
Other liabilities	2,798	2,740
	2,798	**3,518**
Total	**66,142**	**84,406**

"Provisions" includes mainly the provision for the variable remuneration indicated in Note 18 amounting to EUR 9,220 thousand (EUR 22,683 thousand in 2019) and that will be paid in the long term.

This heading also includes the provisions for the measurement of risk associated with a number of lawsuits and claims filed by third parties arising from the Company's activity, which were recognised in accordance with the best existing estimates. These most notably include the liabilities for tax debts for which there are uncertainties as to their amount or timing, whereby it is likely that the Company may have to dispose of resources to cancel these obligations as the result of a present obligation.

"Guarantees and deposits received" primarily comprise the amounts deposited by tenants to secure leases, which will be reimbursed at the end of the lease term.

14.Trade receivables and other payables

The detail of trade and other payables is as follows (in thousands of euros):

	2020	2019
Trade and other payables		
Suppliers	23,045	34,944
Payable to suppliers - Group companies and associates	34,351	32,014
Sundry accounts payable	10,065	7,343
Remuneration payable	16,875	51,423
Other accounts payable to public authorities (Note 15)	8,013	5,432
Advances from customers	—	2
Total	**92,349**	**131,158**

The decrease in the "Remuneration payable" heading comes from payment in 2020 of the incentive benchmarked to the value of the price of the 2017-19 Incentives Plan for a sum of EUR 37,500 million.

The directors consider that the carrying amount of trade payables approximates their fair value.

Information on the average period of payment to suppliers. Final provision two of Law 31/2014, of 3 December"

Below are the disclosures required by additional provision three of Law 15/2010, of 5 July (amended by final provision two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in the notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	2020	2019
	Days	
Average payment period to suppliers	32	33.6
Ratio of transactions paid	31.9	34.2
Ratio of transactions payable	35.6	24.7
	Thousands of euros	
Total payments made	175,867	154,722
Total payments pending	6,994	11,216

In accordance with the Spanish Accounting and Audit Institute's Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions corresponding to the delivery of goods or provision of services that took place from the date of entry into force of Law 31/2014, of 3 December.

For the exclusive purpose of providing the information envisaged in this Resolution, payable to suppliers are considered trade payables for debts with suppliers of goods and services, included under "Trade and other payables" under current liabilities in the attached balance sheet.

"Average period of payment to suppliers" is understood as the time elapsed between the date the supplier delivers the goods or provides the services and the date of actual payment.

The maximum payment period applicable to the Company in 2014 and 2015 under Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions (Ley 3/2004, de 29 de diciembre, por la que se establecen medidas de lucha contra la morosidad en las operaciones comerciales), and pursuant to the transitional provisions contained in Law 15/2010, of 5 July, was 60 days until the publication of Law 11/2013, of 26 July, and 30 days since publication of the aforementioned Law (unless the conditions mentioned in it are met, in which case the maximum payment period may be increased to 60 days).

15. Tax situation

The breakdown of the tax receivables and payables at 31 December 2020 and 2019 is as follows (in thousands of euros):

	31 Dec 20	31 Dec 19
Tax receivables:		
Non-current-		
Deferred tax assets	78,116	78,902
Current-		
VAT refundable	2,613	2,712
Deferred input VAT	2,229	2,229
Current tax assets	1,357	1,284
Other tax receivables	—	138
	84,315	**85,265**
Tax payables:		
Non-current-		
Deferred tax liabilities	395,167	395,264
Current-		
VAT payable	3,883	2,558
Personal income tax withholdings payable	1,695	433
Payable to the Social Security	206	212
Deferred output VAT	2,229	2,229
	403,180	**400,696**

15.1 Reconciliation of accounting profit, taxable profit and tax expense

At 31 December 2020, the taxable profit was calculated as the accounting profit for the year. The reconciliation of the accounting profit, the taxable profit from corporation tax, the corporation tax payable or refundable, and the corporation tax expenses at 31 December 2020 and 2019 is as follows (in thousands of euros):

	2020	2019
Accounting profit before tax	**(24,777)**	**179,414**
Temporary differences	**24,455**	**23,736**
Permanent differences:	**146,876**	**3,979**
Taxable profit prior to offsetting tax losses	**146,554**	**207,130**
Offset of tax losses	—	—
Taxable profit	**146,554**	**207,130**

Taxable profit under the REIT regime	**146,554**	**206,124**
Taxable profit at the standard tax rate	**—**	**1,006**
Tax charge under the REIT regime (0%)	—	—
Tax charge under the REIT regime (25%)	—	252
Adjustments to the tax charge:	—	—
Tax credit for reinvestment	—	—
Tax credit for temporary measures	—	—
Prepayments	**(1,357)**	**(1,536)**
Corporation tax payable / (receivable)	**(1,357)**	**(1,284)**

Taxable profit under the REIT regime	**146,554**	**206,124**
Taxable profit at the standard tax rate	**—**	**1,006**
Tax charge under the REIT regime (0%)	—	—
Tax charge under the REIT regime (25%)	—	252
Activated deductions	—	—
Special encumbrance	—	1,099
Total current income tax expense	—	**1,351**
Tax bases	—	—
Recorded deductions	786	786
Offset of corporation tax e.g. previous	—	(797)
Other corporate income tax adjustments	—	56
Deferred tax asset adjustments	—	—
Deferred tax liability adjustments	(96)	(1,379)
Total deferred tax expense	**690**	**(1,334)**
Total corporate income tax expense	**690**	**17**

The permanent differences for 2020 relate mainly to non-taxable accounting portfolio provisions amounting to EUR 72,676 thousand. Likewise, the amortisation of goodwill arising from the merger by absorption of Testa Inmuebles en Renta, SOCIMI, S.A., as well as various expenses and provisions not payable in 2020 are included as a permanent difference.

Capital increase expenses are treated as a permanent difference because the applicable tax rate is 0%.

The detail of the corporation tax (expense)/income at year-end 2020 and 2019 is as follows (in thousands of euros):

	2020	2019
Current tax:		
Continuing operations	—	1,351
Deferred tax:		
Continuing operations	690	(1,334)
Total tax (income)/expense	**690**	**17**

15.2 Deferred tax assets recognised

The changes in 2020 and 2019 in the deferred tax assets recognised are as follows:

	Thousands of euros
Total deferred tax assets at 31 December 2019	**78,902**
Offset of tax losses	—
Offset of deductions	(786)
Tax adjustment for prior years	
Total deferred tax assets at 31 December 2020	**78,116**

	Thousands of euros
Total deferred tax assets at 31 December 2018	**79,331**
Offset of tax losses	—
Offset of deductions	(786)
Tax adjustment for prior years	357
Total deferred tax assets at 31 December 2019	**78,902**

At 31 December 2020, the detail of tax credits for tax loss carryforwards is as follows (in thousands of euros):

	Recognised	Tax
	Tax base	credit
Tax loss carryforwards:		
2009	139,838	34,960
2010	1,650	413
2011	86,402	21,601
Total tax loss carryforwards	**227,890**	**56,974**
Other deferred taxes recognised	**84,572**	**21,142**
Total capitalized deferred tax assets	**312,462**	**78,116**

The "Other deferred taxes recognised" heading mainly includes the timing differences caused by the limitation of the depreciation of the assets generated by the acquisition of the Testa subgroup and Metrovacesa and the tax deductions pending application mainly due to reinvestment.

The deferred tax assets indicated above were recognised in the accompanying balance sheet because the Company's directors considered that, based on their best estimate of the Company's future earnings, including certain tax planning measures, it is probable that these assets will be recovered.

As a result of the merger of Testa Inmuebles en Renta SOCIMI, S.A. and the property business of Metrovacesa, S.A., tax gains were generated arising from the difference between the values at which the assets were included in the financial statements and their tax bases. In accordance with the REIT regime, the Company will pay tax on these gains when the property asset is sold. The directors estimate that the deferred tax assets detailed in the table above will be recovered when the property assets are sold, thus offsetting the aforementioned gains.

The Company had unused tax credits at 31 December 2020 amounting to EUR 17,777 thousand (EUR 21,930 thousand in 2019), mainly due to the tax credits for reinvestment.

At the 2020 year-end, the Company does not have unrecognised tax loss carryforwards.

15.3 Deferred tax liabilities

The deferred tax liabilities mainly arose from the merger and the business combination executed in 2016 with Testa Inmuebles en Renta, SOCIMI, S.A. and the property business of Metrovacesa, S.A. and were caused by the differences existing between the book values and the tax values of the assets received in those transactions.

The changes in "Deferred tax liabilities" at 31 December 2020 and 2019 were as follows:

	Thousands of euros
Total deferred tax liabilities at 31 December 2019	**395,264**
Sales of real estate assets	(97)
Total deferred tax liabilities at 31 December 2020	**395,167**

	Thousands of euros
Total deferred tax liabilities at 31 December 2018	**396,643**
Sales of real estate assets	(1,379)
Total deferred tax liabilities at 31 December 2019	**395,264**

As a result of the merger of Testa Inmuebles en Renta SOCIMI, S.A. and the property business of Metrovacesa, S.A., tax gains were generated arising from the difference between the values at which the assets were included in the financial statements and their tax bases. In accordance with the REIT regime, the Company will pay tax on these gains when the property asset is sold.

15.4 Years open to review and tax inspections

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute of limitations has expired.

At 2020 year-end, the Company had all years since their incorporation open for review for all the taxes applicable to them. The Company's managing body considers that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, the possible liabilities as might arise would not have a material effect on the accompanying financial statements.

Also, Law 34/2015, of 21 September, partially amending Law 58/2003, of 17 December, on General Taxation establishes the right of the tax authorities to initiate a review and investigation procedure of the tax losses offset or carried forward or tax credits taken or carried forward, which will become statute barred after ten years from the day on which the regulatory period established for filing the tax return or self-assessment relating to the year or the tax period in which the right to offset the tax loss or to apply the tax credits arose.

16. Disclosure requirements arising from REIT status, Law 11/2009, amended by Law 16/2012

a) Reserves arising from the years prior to applying the tax regime established in Law 11/2009, amended by Law 16/2012, of 27 December.

There are no reserves from years prior to the Company's adherence to the REIT regime, taking into consideration the Company was incorporated in 2014, the year in which it requested to apply the aforementioned tax regime.

b) Reserves arising from the years in which the tax regime established in this Act was applied, distinguishing between the portion that comes from income subject to a 0% or a 19% tax rate and that which is taxed at the standard tax rate, where applicable..

The following changes in reserves occurred in 2020, 2019, 2018, 2017, 2016, 2015 and 2014:

	Thousands of euros			
	Subject to a 0% tax rate	**Subject to a 19% tax rate**	**Subject to the general tax rate**	**Not Subject**
2020	17,940	—	—	—
2019	20,857	—	—	—
2018	11,453	—	—	(38)
2017	11,897	—	—	1,628
2016	2,986	—	—	(532,767)
2015	(54,543)	—	—	—
2014	(30,475)	—	—	—

c) Dividends distributed charged to profit for each year in which the tax regime established in this Act was applied, distinguishing between the portion that comes from income subject to a 0% or a 19% tax rate and that which is taxed at the standard tax rate, where applicable.

	Thousands of euros		
	Subject to a 0% tax rate	**Subject to a 19% tax rate**	**Subject to the general tax rate**
2020	68,519	—	—
2019	185,857	—	1,275
2018	16,235	—	86,911
2017	102,687	—	38,081
2016	3,789	—	57,808
2015	25,035	—	—
2014	—	—	—

d) In the case of dividends distributed charged to reserves, indicate the year relating to the reserves applied and whether they were taxed at a rate of 0%, 19% or at the standard tax rate.

No dividends were distributed charged to reserves in 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

e) Date of the resolution to distribute dividends referred to in letters c) and d) above.

On 17 June 2020, the Company's General Shareholders Meeting approved the distribution of an interim dividend charged to profit for 2019 in the amount of EUR 68,518 thousand. That dividend was paid on 8 July 2020.

On 10 October 2019, the Company's Board of Directors resolved to distribute of an interim dividend charged to profit for 2019 in the amount of EUR 92,939 thousand. This interim dividend was paid to shareholders on 28 October 2019.

On 10 April 2019, the Company's General Shareholders Meeting approved the distribution of an interim dividend charged to profit for 2018 in the amount of EUR 94,193 thousand. That dividend was paid on 7 May 2019.

On 09 October 2018, the Company's Board of Directors resolved to distribute of an interim dividend charged to profit for 2018 in the amount of EUR 93,522 thousand. This interim dividend was paid to shareholders on 25 October 2018.

On 07 May 2018, the Company's General Shareholders Meeting approved the distribution of an interim dividend charged to profit for 2017 in the amount of EUR 9,624 thousand. That dividend was paid on 25 May 2018.

On 9 October 2017, the Company's Board of Directors resolved to distribute a dividend in the amount of EUR 93,457 thousand as an interim dividend charged to profit for 2017. This interim dividend was paid to shareholders on 25 October 2017.

The General Shareholders' Meeting held on 26 April 2017 approved the distribution of a dividend out of 2016 profit of EUR 47,311 thousand, which was paid to shareholders on 18 May 2017.

On 19 October 2016, the Company's Board of Directors resolved to distribute EUR 59,759 thousand as an interim dividend charged to profit for 2016. This interim dividend was paid to shareholders on 25 October 2016.

The General Shareholders' Meeting held on 6 April 2016 approved the distribution of a dividend out of 2015 profit of EUR 1,838 thousand, which was paid to shareholders on 27 April 2016.

On 14 October 2015, the Company's Board of Directors resolved to distribute EUR 25,035 thousand as an interim dividend with a charge to profit for 2015. This interim dividend was paid to shareholders on 28 October 2015.

f) Acquisition date of the properties intended for lease and the shares in the share capital of companies referred to in section 2.1 of this Act.

Detail in Appendix II

g) Identify the assets included in the calculation of the 80% referred to in section 3.1 of this Law.y.

100% of the Company's investment property is made up of urban properties intended for lease, as well as land intended for property development and subsequent lease. Accordingly, the majority of the shares in companies complies with the requirements of article 2.1 of Law 11/2009. These assets are identified in Appendix II, which is an integral part of these financial statements.

The Company's consolidated balance sheet of the Merlin Group for REIT purposes complies with the minimum investment requirement of 80%.

h) Reserves arising from the years in which the special tax regime established in this Act was applied, that were drawn down in the tax period, that were not used for distribution or to offset losses, identifying the year relating to these reserves.

There were no drawdowns on reserves in 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

17. Balances and transactions with related parties

17.1 Transactions with Group companies and associates

The detail of the transactions with Group companies and associates in 2020 and 2019 is as follows (in thousands of euros):

	2020	2019
Services rendered-		
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	1,587	1,594
Merlin Retail, S.L.U.	689	639
Merlin Oficinas, S.L.U.	688	619
Merlin Logística, S.L.U.	678	526
Sevisur Logística, S.L.U.	142	—
Parc Logistic de la Zona Franca, S.A.	231	—
Metroparque, S.A.U.	236	29
La Vital Centro Comercial y de Ocio, S.L.U.	84	
Varitelia Distribuciones, S.L.U.	451	288
Global Carihuela Patrimonio Comercial, S.L.U.	67	—
MPCVI - Compra e Venda Imobiliária, S.A.	32	31
MPEP - Properties Escritórios Portugal, S.A.	27	8
MP Monumental, S.A.	1	34
MP Torre A, S.A.	56	56
VFX Logística, S.A.	1	—
Promosete, Invest Inmobiliaria	61	59
Praça do Marqués - Serviços Auxiliares, S.A.	78	71
Torre Dos Oceanus Investimentos Inmobiliarios,S.A.	47	44
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	457	346
Forum Almada II, S.A.	346	507
Torre Arts - Investimentos Imobiliarios, S.A.	96	89
Torre Fernao Magalhaes - Investimentos Imobiliarios, S.A.	49	46
Paseo Comercial Carlos III, S.A.	54	50
	6,158	***5,036***
Dividends-		
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	42,237	143,786
Merlin Retail, S.L.U.	11,779	11,086
Merlin Oficinas, S.L.U	9,442	9,706
Merlin Logística, S.L.U.	11,187	12,295
Sevisur Logística, S.A.	2,406	1,861
Metroparque, S.A.U.	7,612	7,770
La Vital Centro Comercial y de Ocio, S.L.U.	2,421	2,207
Varitelia Distribuciones, S.L.U.	5,959	18,579
Parc Logistic de la Zona Franca, S.A.	6,108	—
Torre Arts - Investimentos Imobiliarios, S.A.	1,952	—
Torre Fernao Magalhaes - Investimentos Imobiliarios, S.A.	526	—
MPCVI - Compra e Venda Imobiliária, S.A.	136	354
MP Monumental, S.A.	—	220
Centro Intermodal de Logística, S.A.	1,274	882
Silicius Real Estate, S.L.	267	—
Parking del Palau, S.A.II., S.L.U.	—	45
PK Hoteles 22, S.L.	—	191
	103,308	***208,981***
Loan income -		
Merlin Retail, S.L.U.	645	—
Merlin Logística, S.L.U.	1,550	779
Sevisur Logística, S.A.	158	57

Innovación Colaborativa, S.L.U.	97	22
Holding Jaureguizar 2002, S.A.U.	—	32
Desarrollo Urbano de Patraix, S.A.U.	79	78
Varitelia Distribuciones, S.L.U.	2,038	2,033
Global Carihuela Patrimonio Comercial, S.L.U.	486	137
MPCVI - Compra e Venda Imobiliária, S.A.	717	715
MPEP - Properties Escritórios Portugal, S.A.	709	224
MP Monumental, S.A.	2,320	2,173
MP Torre A, S.A.	1,785	1,780
VFX Logística, S.A.	243	—
Promosete, Invest Inmobiliaria, S.A.	493	905
Torre Dos Oceanus Investimentos Inmobiliarios, S.A.	867	865
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	7,563	7,542
Milos Asset Development, S.A.	87	
Provitae Centros Asistenciales, S.L.	2	3
G36 Development, S.A.	6	2
Paseo Comercial Carlos III, S.A.	5	—
	19,851	***17,347***
Revenue from rental activity-		
Innovación Colaborativa, S.L.U.	2,458	453
Parking del Palau, S.A.II., S.L.U	18	30
	2,476	**483**
Revenue from rebilling of expenses-		
Innovación Colaborativa, S.L.U.	619	138
Testa Residencial, S.A.	—	3
	619	**141**
Other operating income		
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	—	149
Centro Intermodal de Logística, S.A.	8	5
PK Hoteles 22, S.L.	—	1
MPEP- Properties Escritórios Portugal, S.A.	—	37
	8	**192**
Other operating expenses		
Merlin Oficinas, S.L.U.	(45)	—
Varitelia Distribuciones, S.L.U.	(88)	(69)
Innovación Colaborativa, S.L.U.	(8)	—
Parking del Palau, S.A.II., S.L.U	(13)	(13)
Testa Residencial, S.A.	—	3
	(154)	**(79)**
Finance income		
PK Hoteles 22, S.L.	—	**45**
	—	**45**
Finance expenses		
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	(100)	(809)
Merlin Retail, S.L.U.	(116)	(262)
Merlin Oficinas, S.L.U.	(42)	(65)
Parc Logistic de la Zona Franca, S.A.	(165)	(72)
Exhibitions Company, S.A.U.	(49)	(49)
Gescentesta, S.L.U.	(3)	(5)
Metroparque, S.A.U.	(332)	(404)
La Vital Centro Comercial y de Ocio, S.L.U.	(20)	(31)
Sadorma 2003, S.L.U.	(232)	(231)
Global Murex Iberia, S.L.U.	(27)	(28)
	(1,086)	**(1,956)**

At 31 December 2020 and 2019, the Company had entered into services agreements with some companies of its Group, by virtue of which it earned income for the provision of services amounting to EUR 6,158 thousand and EUR 5,036 thousand, respectively. These services were recognised under "Revenue" in the accompanying income statement.

17.2 Balances with Group companies and associates

The amount of the balances in the balance sheet at 31 December 2020 detailed in Note 8 is as follows (in thousands of euros):

	31 Dec 20	31 Dec 19
Non-current loans to Group companies and associates	470,779	422,493
Current loans to Group companies and associates	718,523	430,024
Other current financial assets	38	22,606
Non-current payables to Group companies and associates	(14,621)	(8,771)
Current payables to Group companies and associates	(112,725)	(101,591)
Receivable from Group companies and associates	3,327	1,167
Payable to suppliers - Group companies and associates	(34,351)	(32,014)

17.3 Balances and transactions with related parties

The detail of the balances and transactions with related parties is as follows:

	Thousands of euros			
	2020		**2019**	
	Assets	Liabilities	Assets	Liabilities
Balances:				
Banco Santander, S.A (a)	18,140	65,901	22,439	65,887
Banco Santander, S.A (a)	—	223,806	—	223,806
G36 Developments S.L. (c)	625	—	625	—
Total	**18,765**	**289,707**	**23,064**	**289,693**

	2020		**2019**	
	Income	Expenses	Income	Expenses
Transactions:				
Banco Santander, S.A (b)	830	1,817	818	1,399
G36 Developments S.L. (c)	6	—	2	—
Other Transactions:				
Banco Santander, S.A. (d)	—	—	1,099	—
Total	**836**	**1,817**	**1,919**	**1,399**

During 2020, only the shareholder Banco Santander, S.A. held the status of significant shareholder pursuant to the regulations in force.

(a) Balances with Banco Santander, S.A.

At 31 December 2020, the Company had bank balances deposited at Banco Santander, S.A. in the amount of EUR 18,140 thousand.

The Company has financing loans contracted with its significant shareholder, Banco Santander, S.A for a sum of EUR 65,901 thousand, and it has a hedging derivative for its financing positions whose contracted notional value at the 2020 year-end amounted to EUR 223,806 thousand.

These positions correspond to Banco de Santander, S.A.'s stake in the loans included among the Company's financing operations, the detail of which can be found in Note 12.

As indicated in Note 12, on 25 April 2019, the Company arranged a senior syndicated loan amounting to EUR 1,550 million, including two tranches, a corporate loan of EUR 850 million and a corporate credit facility of EUR 700 million. Banco Santander participates in this refinancing with EUR 120 million (7.7% of the total) of which EUR 65.8 million correspond to its share of the corporate loan and EUR 54.2 million correspond to the credit line, on the terms as the other financial entities.

The deposits received due to agreements for lease of properties to Banco Santander, S.A. amounted to EUR 95 thousand. The Company also has guarantee lines granted by the shareholder Banco Santander, S.A. in the amount of EUR 5,446 thousand.

(b) Transactions with Banco Santander, S.A.

In 2020, the Company had 5 leases with Banco Santander, S.A. in different buildings. The duration of the leases covers a period of up to 4 years, and in 2020 they generated of EUR 830 thousand, including income from leasing, as well as parking spaces and transfers of ATM space in shopping centres.

In 2020, the financial cost associated with financing operations with Banco Santander, S.A. was EUR 1,720 thousand, including EUR 32 thousand for security commission and EUR 96 thousand for current account management.

In addition, the Company has contracted General Shareholders Meeting and shareholder registration organisational services amounting to EUR 65 thousand, in addition to listing agent services on the Euronext Lisboa stock exchange for EUR 32 thousand.

(c) G36 Developments S.L.

On 1 October 2018, the Company granted a loan amounting to EUR 625 thousand to the associated company G36 Developments, S.L., dedicated to the management of office flexible spaces, which at 31 December 2020 earned interest amounting to EUR 6 thousand.

(d) Other transactions with Banco Santander, S.A.

In 2019, the Company recorded income corresponding to the special tax provided for in article 9.2 of Law 11/2009, of 26 October, regulating Real Estate Investment Trusts.

In addition, the following dividends and other benefits were distributed to related parties in 2020 and 2019.

Dividends paid	**2020**	**2019**
Significant shareholders	**16,999**	**52,822**
Banco Santander, S.A	16,999	52,822
Directors and Executives	**695**	**2,179**
Directors	439	1,344
Executives	256	835
Total	**17,694**	**55,001**

18. Information relating to the Company's Board of Directors and senior executives

The Company's directors and the parties related thereto did not have any conflicts of interest that had to be reported in accordance with article 229 of the revised text of the Corporate Enterprises Act.

Directors' compensation and other benefits

At 31 December 2020 and 2019, salaries, per diem attendance fees and any other type of compensation paid to members of the Company's managing bodies totalled EUR 3,149 thousand and EUR 5,812 thousand, as detailed below (in thousands of euros):

	2020	2019
Fixed and variable remuneration	2,909	5,802
Statutory compensation	—	—
Termination benefits	—	—
Per diem allowances	228	—
Life and health insurance	12	10
Total	**3,149**	**5,812**

In addition to the sums above, the Executive Directors were paid a total of EUR 1,815 thousand in relation to the variable objectives for 2019, and to the deferred sums for 2014 and 2017, in accordance with the terms of those plans. At 31 December 2020, the executive directors had not accrued an entitlement to variable remuneration (EUR 2,850 thousand in 2019).

There was still EUR 3,250 thousand pending payment associated with the bonus objectives for 2015-19 and that is recorded as long-term provisions. Similarly, the amount of variable remuneration paid over the short term amounts to EUR 3,027 thousand, and is recognised under "Trade and other payables" in the accompanying balance sheet

Also, as indicated below in this Note, as members of the management team, the Executive Directors are entitled to payment of a remuneration plan granted to the management team in 2017 for the 2017-19 period, which will be described below. Under that plan, the Executive Directors have been paid EUR 12,500 thousand based on compliance with the incentive linked to increasing the Company's share price.

The Ordinary General Shareholders Meeting of 17 June 2020 approved the appointment of María Ana Forner Beltrán and Ignacio Gil Casares Satrústegui as proprietary directors. The Board of Directors thus consisted of 14 members on 31 December 2020. On 20 January 2021, Director John Gómez Hall resigned.

The breakdown, by board member, of the amounts disclosed above is as follows (in thousands of euros):

		2020	2019
Remuneration of board members			
Javier García Carranza Benjumea	Chairman - Proprietary director	—	—
Ismael Clemente Orrego	CEO	1,000	2,450
Miguel Ollero Barrera	Executive director	1,000	2,400
María Luisa Jordá Castro	Independent director	144	129
Ana García Fau	Independent director	134	129
George Donald Johnston	Independent director	116	117
John Gómez Hall	Independent director	97	100
Fernando Ortiz Vaamonde	Independent director	111	115
Juan María Aguirre Gonzalo	Independent director	146	134
Pilar Cavero Mestre	Independent director	124	117
Francisca Ortega Hernández Agero	Proprietary director	—	—
Emilio Novela Berlín	Independent director	127	111
María Ana Forner Beltrán	Proprietary director	73	—
Ignacio Gil Casares Satrústegui	Proprietary director	65	—
Total		**3,137**	**5,802**

In its meeting of 8 April 2020, the Board of Directors decided to reduce its remuneration by 25%, and it resolved with the CEO, the General Corporate Director and the management team to waive all of their remuneration and incentives plans for 2020 (see Note 2.9)

The Company did not grant any advances, loans or guarantees to any members of the Board of Directors.

The Company's directors are covered by the "Corporate Third-Party Liability Insurance Policies for Directors and Executives" taken out by the Company in order to cover possible damages that may be claimed, and that are evidenced as a result of a management error committed by its directors or executives, as well as those of its subsidiaries, in discharging their duties. The premium amounted to an annual total of EUR 221 thousand (EUR 122 thousand in 2019).

Remuneration and other benefits of senior executives

The remuneration of the Company's senior executives, including the Head of Internal Audit, excluding those who are simultaneously members of the Board of Directors (whose remuneration is disclosed above) in 2020 and 2019, is summarised as follows:

2020

Number of people	Fixed and variable remuneration	Other remuneration	Total
5	1,865	26	1,891

2019

Number of people	Fixed and variable remuneration	Other remuneration	Total
6	5,477	31	5,508

In addition to the above amounts and in relation to the variable remuneration for Senior Management corresponding to the prior years' bonuses, an amount of EUR 1,904 thousand was paid related to the variable objectives for 2019, as well as the deferred amounts of the variable objectives for 2014 and 2017 in accordance with the terms set out in the aforementioned plans.

EUR 850 thousand recognised as long-term provisions is maintained as unpaid accrued amounts associated with variable remuneration targets for 2015 to 2020, and the variable remuneration that will be paid in the short term amounts to EUR 4,835 thousand and is recognised under the heading 'Trade and other payables' in the accompanying balance sheet.

Under the 2017-19 incentives plan, Senior Management have been paid EUR 10,063 thousand based on compliance with the incentive linked to increasing the Company's share price.

As regards "golden parachute" clauses for executive directors and other senior executives of the Company in the event of dismissal or takeover, these clauses provide for compensation that represented a total commitment of EUR 4,000 thousand as of 31 December 2020.

2017-19 incentives plan

Also, at the General Shareholders Meeting held on 26 April 2017, the shareholders approved a new remuneration plan for the management team and other important members of the workforce of the Group led by the Company, the measurement period of which is from 1 January 2017 to 31 December 2019 ("2017-19 Incentive Plan"). According to the plan, the members of the management team may be entitled to receive: (i) a certain monetary amount in accordance with the increase of the share price and (ii) Company shares, if certain objectives are fulfilled.

Vesting of the incentive will independently be conditional upon the total rate of return obtained by the shareholder during the three-year period due to:

- the increase in the quoted price of the Company's share plus the dividends distributed to shareholders during the measurement period; and

- the increase in the EPRA NAV per share of the Company plus the dividends distributed to shareholders during the measurement period.

In order for the right to the share-based incentive and to the EPRA NAV-based incentive to be vested, the total shareholder rate of return (TSR) must be at least 24%.

TSR NAV / TSR share price	Percentage assigned to beneficiaries ("PR")	Percentage assigned to shareholders
< 24%	0%	100%
≥ 24% Y < 36%	6%	94%
≥ 36%	9%	91%

To calculate the TSR, (i) the percentage assigned to the Beneficiaries in accordance with the above table will be applied to the result of multiplying the Share Price TSR multiplied by the number of Shares of the Company as of 31 December 2019; (ii) the result of that transaction will be balanced through an adjustment mechanism in favour of the Beneficiaries, as, once a minimum return is reached, the Beneficiaries will be entitled to the assigned percentage of the total return generated from the start.

The date for calculating the amount of the incentive tied to the EPRA NAV per share and the amount of the incentive tied to the quoted price of the shares was 31 December 2019. The maximum amount to be received for the incentive tied to the quoted price from 2017 to 2019 amounted to EUR 37.5 million, which was paid out in March 2020. As of 31 December 2020, the Company recognised the expense in the amount

of EUR 1,974 thousand, corresponding to the vested portion of the 2017-19 Incentive Plan, with a balancing entry under liabilities.

Also, the maximum amount of the incentive tied to EPRA NAV per share will be EUR 75 million and a maximum of 6,000,000 shares have been allocated for its payment. At 31 December 2019, there were 5,874,111 shares that were ultimately allocated to the incentive benchmarked to the EPRA NAV. 50% of the allocated shares will be paid out on the second settlement date, i.e., on the second business day after the formulation of the 2020 annual financial statements. The remaining 50% of the allocated shares will be paid out on the third settlement date, i.e., on the second business day after the formulation of the 2021 annual financial statements. However, this amount may be modified based on how the EPRA NAV evolves in 2020 and 2021.

As of 31 December 2020, the Company recognised the expense in the amount of EUR 16,258 thousand, corresponding to the vested portion of the 2017-2019 Incentive Plan, with a balancing entry in reserves.

Transactions outside the normal course of business or not on an arm's length basis performed by the managing body

Apart from the transactions with related parties described in Note 17, the Company's managing body did not carry out any transactions with the Company or Group companies outside the normal course of business or were not on an arm's length basis in 2020.

Stakes held by directors and their affiliates in other companies

The Company's directors and the parties related thereto did not have any conflicts of interest that had to be reported in accordance with article 229 of the revised text of the Corporate Enterprises Law.

19. Revenue and expenses

19.1 Ordinary revenue

The distribution of revenue is as follows (in thousands of euros):

	2020	2019
Lease income	208,248	252,818
Revenue from the rendering of services	7,059	6,436
Dividend income	103,308	208,982
Interest income	19,851	17,347
Total revenue	**338,466**	**485,583**

The breakdown, by type of activity and geographical market, of rental income for 2020 is as follows (in thousands of euros):

Segment	2020	%
Offices	160,000	80%
Shopping centres	26,368	13%
Logistics	8,420	4%
Other	7,460	4%
Total	**208,248**	**100%**

Autonomous Communities	2020	%
Madrid	151,144	73%
Cataluña	32,032	15%
Comunidad Valenciana	5,508	3%
Andalucía	7,393	4%
Islas Baleares	4,353	2%
Resto de comunidades	7,818	4%
Total	**208,248**	**100%**

19.2 Staff costs

The detail of the remuneration expenses for employees at 31 December 2020 and 2019 is as follows (in thousands of euros):

	2020	**2019**
Wages, salaries and similar expenses	16,396	27,750
Termination benefits	1,167	328
Other employee benefit costs and taxes	2,640	2.386
Variable remuneration	18,232	44,242
Total	**38,435**	**74,706**

19.3 Other operating expenses

The detail of this heading of the 2020 and 2019 income statements is as follows (in thousands of euros):

	2020	**2019**
Non-recoverable expenses of leased properties	25,366	27,378
Outside services -		
Professional services	6,975	6,767
Insurance	377	220
Purchase of financial investments	3,106	3,979
Utilities and other outside services	3,296	2,303
Taxes other than income tax	47	37
Losses on, impairment of and change in allowances for trade receivables	606	249
Total other operating expenses	**39,773**	**40,933**

19.4 Finance income and finance costs

The detail of the balances of these headings in the income statement is as follows (in thousands of euros):

	2020	2019
Interest on deposits and current accounts	3,335	656
Finance income	**3,335**	**656**
Interest on loans and other credits	(113,904)	(93,861)
Finance expenses	**(113,904)**	**(93,861)**
Changes in fair value of financial instruments	**(9,508)**	**(8,721)**
Impairment and other losses (Note 10)	(73,766)	(21,283)
Gains or losses on disposals and other (Note 10)	(176)	192
Impairment and gains or losses on disposal of financial instruments	**(73,942)**	**(21,091)**
Net finance expense	**(191,831)**	**(123,017)**

"Interest on loans and other credits" includes the repayment of the debt arrangement expenses in the amount of EUR 7,821 thousand for 2020 (EUR 6,262 thousand for 2019), applying the effective interest method to the financial debt.

20. Information on employees

The average number of employees in the Company, by professional category, in 2020 and 2019 was as follows:

	Number of employees	
	2020	2019
Professional category		
Executive directors	2	2
Senior management	6	6
Management Team	5	5
Middle management	45	42
Other employees	110	107
Total	**168**	**162**

The distribution, by gender, of the Company's workforce at the end of 2020 and 2019 was as follows:

	2020		2019	
	Women	Men	Women	Men
Executive directors	—	2	—	2
Senior management	—	5	—	6
Management Team	1	4	1	4
Middle management	6	37	8	37
Other employees	56	57	56	54
Total	**63**	**105**	**65**	**103**

The average number of employees at the Company in 2020 and 2019 with a disability equal to or greater than 33%, by category, was as follows

	Number of employees	
	2020	2019
Professional category		
Executive directors	—	—
Senior management	—	—
Management Team	—	—
Middle management	—	—
Other employees	5	5
Total	**5**	**5**

21. Auditor's fees

In 2020 the fees for financial audit and other services provided by the auditor of the Company's financial statements, Deloitte, S.L., or by companies related to these auditors as a result of control, common ownership or common management, were as follows (in thousands of euros):

Description	2020	2019
Audit services	270	263
Other audit-related services:		
Other attest services	132	149
Total audit and related services	**402**	**412**
Tax advisory services	—	—
Total other services	—	—
Total	**402**	**412**

The heading 'Other audit-related services' includes the verification services performed by the auditor in the bond issue process, as well as certain agreed procedures related to the performance of covenants.

For its part, the audit services include, in addition to the statutory annual audit, services from revisions of intermediate periods.

22. Information on financial risk management

Financial risk factors

The Company's activities are exposed to various financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Company's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on the Company's financial returns.

Risk management is controlled by the Company's senior management in accordance with the policies established by the Board of Directors. Senior management identifies, assesses and hedges financial risks in close cooperation with the Company's operating units. The Board of Directors issues the written global risk management policies and the policies for specific areas, including those for covering market risk, interest rate risk and liquidity risk and investing cash surpluses.

Market risk

Given the current situation of the property sector and in order to mitigate its effects, the Company has specific measures in place to minimise that impact on its financial position.

These measures are applied pursuant to the results of sensitivity analyses carried out by the Company on a regular basis. These analyses involve:

- The economic environment in which the Group operates: Designing different economic scenarios and modifying the key variables potentially affecting the Group. Identifying interdependent variables and the extent of their relationship; and

- The time scale in which the assessment is being carried out: The time frame of the analysis and its possible deviations will be taken into account.

MERLIN Properties is exposed to market risk from possible vacancies or renegotiations of leases when the leases expire. This risk could have a direct negative impact on the valuation of the Company's assets.

However, market risk is mitigated by the customer acquisition and selection policies and the mandatory lease terms negotiated with customers. Therefore, at 31 December 2020, the average occupancy rate of the asset portfolio was 92%, with a weighted average unexpired lease term of 2.8 years (weighted by GRI).

Credit risk

Credit risk is defined as the risk of financial loss to which the Company is exposed if a customer or counterparty does not comply with its contractual obligations.

In general, the Company holds its cash and cash equivalents at banks with high credit ratings.

The Company has policies in place to limit the volume of risks posed by customers. Exposure to the risk of being unable to recover receivables is mitigated in the normal course of business through funds or guarantees deposited as collateral.

The Company has formal procedures to identify any impairment of trade receivables. Delays in payment are detected through these procedures and individual analysis by business area and methods are established to estimate impairment loss.

Cash and cash equivalents

The Company has cash and cash equivalents of EUR 111,718 thousand, which represents its maximum exposure to the risk posed by these assets.

Cash and cash equivalents are deposited with banks and financial institutions.

Liquidity risk

Liquidity risk is defined as the risk of the Company encountering difficulties meeting its obligations regarding financial liabilities settled in cash or with other financial assets.

At 31 December 2020, the Company’s working capital amounted to EUR 683,597 thousand.

The Company conducts prudent management of liquidity risk by maintaining sufficient cash to meet its payment obligations when they fall due, both in normal and stressed conditions, without incurring unacceptable losses or risking the Company’s reputation.

In addition, liquidity risk has the following mitigating factors, which should be highlighted: (i) the generation of recurrent cash from the businesses in which the Company conducts its activity; and (ii) the capacity to renegotiate and obtain new financing facilities based on the Company's long-term business plans and the quality of its assets.

At the date of preparation of the financial statements, taking into account the foregoing, the Company had covered all its funding requirements to fully meet its commitments to suppliers, employees and the authorities based on the cash flow forecast for 2021. Likewise, the type of sector in which the Company operates, the investments it makes, the financing it obtains to make such investments, the EBITDA they

generate and the occupancy rates of the properties, enables the liquidity risk to be mitigated and excess cash to be produced.

Any cash surpluses are used to make short-term investments in highly liquid deposits with no risk. The acquisition of share options or futures, or any other high-risk deposits as a method of investing cash surpluses, is not among the possibilities considered by MERLIN Properties for investing cash surpluses.

Interest rate risk in cash flows

At 31 December 2020, the Company held current financial assets earning interest at a fixed rate (deposits) to obtain return on the surplus cash not invested in investment property.

The Company manages its interest rate risk by borrowing at fixed and floating rates of interest. The Company's policy is to ensure non-current net financing from third parties is at a fixed rate.

Exchange rate risk

The Company's policy is to borrow in the same currency as that of the cash flows of each business. Consequently, currently there is no foreign currency risk. The Company is not exposed to exchange rate fluctuations as all its operations are in its functional currency.

Tax risk

As mentioned in Note 1, the Company and part of its subsidiaries are subject to the special tax regime for Real Estate Investment Trusts (REITs). The transitional period of the Company ended in 2017 and, therefore, compliance with all requirements established by the regime (see Notes 1 and 5.12) became mandatory. Some of the more formal obligations that the Company must meet involve the inclusion of the term SOCIMI (REIT) in its Company name, the inclusion of certain information in the notes to its separate financial statements, the share price on the stock market, etc., and other obligations that require estimates to be made and judgements to be applied by management that may become fairly complex, especially considering that the REIT regime is relatively recent and was developed by the Directorate-General of Taxes mainly in response to the queries posed by various companies. Company's directors, based on the opinion of its tax advisors, assessed compliance with the requirements of the regime, concluding that such requirements were met at 31 December 2020.

Accordingly, and also for the purpose of taking into consideration the financial effect of the regime, it should be noted that, as established in section 6 of Law 11/2009, of 26 October, amended by REITs Law (Ley 16/2012 de 27 de diciembre), and in the percentages established in it, companies that have opted for the special tax regime are required to distribute the profit generated during the year to their shareholders in the form of dividends, once the related corporate obligations have been met. This distribution must be approved within six months from each year-end, and the dividends paid in the month following the date on which the pay-out is agreed (see Note 4.11).

If the Company does not comply with the requirements established in the regime or if the shareholders at the General Meeting do not approve the dividend distribution proposed by the Board of Directors, calculated in accordance with the requirements of this Law, it would not be complying therewith and, accordingly, tax would have to be paid under the general regime, not the regime applicable to REITs.

23. Guarantee commitments to third parties and other contingent liabilities

At 31 December 2020 and 2019, the Company had granted bank guarantees amounting to EUR 47,833 thousand and EUR 33,957 thousand, respectively.

24.Events after the reporting period

In February 2021, the Company sold one non-strategic logistics asset for a amount of EUR 17.8 million.

25. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2.1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principals and rules.

APPENDIX I - Group companies and associates 2020

Parent	Line of business/Location	Ownership interest	Thousands of euros								Consolidation method	Auditor
			Share capital	Profit (loss)		Other	Total	Dividends	Carrying amount			
				From operations	Net	Shareholder's equity	Equity	Received	Cost	Impairment losses		
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	9,323	77,951	51,559	91,189	53,159	42,237	657,984	—	Full Consolidation	Deloitte
Merlin Retail, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	17,963	8,362	2,438	236,491	256,892	11,780	251,408	—	Full Consolidation	Deloitte
Merlin Oficinas, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	29,674	15,787	15,517	718,239	763,430	9,442	771,345	—	Full Consolidation	Deloitte
Merlin Logística, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	28,166	20,775	16,776	273,211	318,153	11,187	292,304	—	Full Consolidation	Deloitte
Sevisur Logística	Urban development, construction and operation of buildings for logistics purposes and shared services. Ctra. de la Esclusa, 15. 41011, Sevilla.	100%	17,220	3,706	3,553	9,173	29,946	2,406	37,629	—	Full Consolidation	Deloitte
Parques Logísticos de la Zona Franca, S.A.	Acquisition and development of property assets for lease, Avda. 3 del Parc Logístic, nº 26, Barcelona	100%	15,701	4,624	4,939	107,017	127,657	6,108	118,310	—	Full Consolidation	Deloitte
Exhibitions Company , S.A.U.	Provision of all kinds of technical, commercial or economic services/ Paseo de la Castellana 257, Madrid	100%	180	(36)	10	4,205	4,395	—	4,287	—	Full Consolidation	N/A
Gescentesta, S.L.U.	Service provision / Paseo de la Castellana 257, Madrid	100%	3	192	147	635	785	—	3	—	Full Consolidation	N/A
Metroparque, S.A.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	56,194	6,030	6,354	33,086	95,633	7,612	231,557	—	Full Consolidation	Deloitte
La Vital Centro Comercial y de Ocio, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	14,846	1,537	1,552	18,576	34,973	2,421	56,788	—	Full Consolidation	Deloitte
Desarrollo Urbano de Patraix, S.A.	Land management / Avda. Barón de Carcer, 50, Valencia	100%	2,790	(22)	(102)	22,453	25,141	—	25,090	—	Full Consolidation	N/A
Sadorma 2003, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	73	(2)	199	18,332	18,603	—	24,605	(6,002)	Full Consolidation	N/A
Global Murex Iberia, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	14	—	21	(15.501)	(15.466)	—	—	(15.466)	Full Consolidation	N/A

Parent	Line of business/Location	Ownership interest	Thousands of euros								Consolidation method	Auditor
			Share capital	Profit (loss)		Other	Total	Dividends	Carrying amount			
				From operations	Net	Shareholder's equity	Equity	Received	Cost	Impairment losses		
Varitelia Distribuciones, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	15,443	(18,531)	(20,560)	26,670	21,553	5,959	172,979	(151,427)	Full Consolidation	Deloitte
Global Carihuela, Patrimonio Comercial S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	3,303	(13,937)	(14,420)	24,242	13,125	—	34,102	(20,977)	Full Consolidation	N/A
MPCVI – Compra e Venda Imobiliária, S.A.	Acquisition and development of property assets for lease / Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	1,050	1,071	274	5,941	7,265	136	6,418	—	Full Consolidation	Deloitte Portugal
MPEP – Properties Escritórios Portugal, S.A.	Adquisición y promoción de bienes inmuebles para su arrendamiento / Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	50	798	78	22	150	—	85	—	Full Consolidation	Deloitte Portugal
MP Monumental, S.A.	Acquisition and development of property assets for lease / Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	50	(680)	(2,674)	8,636	6,012	—	20,348	—	Full Consolidation	Deloitte Portugal
MP Torre A, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	1,515	(269)	325	106	—	10,186	—	Full Consolidation	Deloitte Portugal
VFX Logística, S.A.	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	5,050	1,118	875	12,445	18,370	—	20,913	(2,550)	Full Consolidation	Deloitte Portugal
Promosete, Invest. Inmobil. SA.	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	200	1,607	863	6,924	7,987	—	10,384	—	Full Consolidation	Deloitte Portugal
Praça Do Marquês serviços Auxiliares, SA	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	15,893	2,809	2,758	60,595	79,246	—	56,361	—	Full Consolidation	Deloitte Portugal
Torre Dos Oceanus Investimentos Inmobiliarios,S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	1,535	521	3,319	3,890	—	15,912	—	Full Consolidation	Deloitte Portugal
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	5	(5,252)	(7,221)	12,905	5,689	—	33,774	—	Full Consolidation	Deloitte Portugal
Forum Almada II, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	10,000	13,255	9,369	47,767	67,136	—	298,143	—	Full Consolidation	Deloitte Portugal
Torre Arts - Investimentos Imobiliarios, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	100	2,666	2,030	83,653	85,783	1,952	85,781	—	Full Consolidation	Deloitte Portugal
Torre Fernao Magalhaes - Investimentos Imobiliarios, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	100	719	557	26,870	27,526	526	27,555	—	Full Consolidation	Deloitte Portugal

Parent	Line of business/Location	Ownership interest	Thousands of euros								Consolidation method	Auditor
			Share capital	Profit (loss)		Other	Total	Dividends	Carrying amount			
				From operations	Net	Shareholder's equity	Equity	Received	Cost	Impairment losses		
Innovación Colaborativa, S.L.	Selection, contracting, fitting out, organisation and management of coworking-type collaborative workspaces / Paseo de la Castellana 257, Madrid	100%	4	(4,601)	(4,699)	(751)	(5,446)	—	3,868	(3,868)	Full Consolidation	N/A
Milos Asset Development,	Acquisition, holding, administration, disposal and development of land located within the project "Distrito Castellana Norte" / Paseo de la Castellana 257, Madrid	100%	3	(36)	(123)	(1)	(121)	—	3	(3)	Full Consolidation	N/A
Paseo Comercial Carlos III, S.A.	Acquisition and development of property assets for lease / Avda. San Martín Valdeiglesias, 20 - 28922 Madrid	50%	8,698	(1,672)	(3,472)	25,409	30,635	—	25,668	—	Equity method	Deloitte
Provitae Centros Asistenciales, S.L.	Acquisition and development of property assets for lease / C. Fuencarral, 123. Madrid	50%	6,314	(42)	(47)	(1,112)	5,155	—	5,061	(1,553)	Equity method	N/A
G36 Development, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana, 93 Madrid	50%	4,053	(21)	(21)	—	4,032	—	2,027	—	Equity method	N/A
Centro Intermodal de Logística S.A. (CILSA)	Development, management and performance of logistics activities in a port system / Avenida Ports d'Europa 100, Barcelona	49%	18,920	12,299	9,063	113,906	141,889	1,274	95,688	—	Equity method	EY
Pazo de Congresos de Vigo, S.A.	Project for the execution, construction and operation of the Vigo Convention Centre / Avda. García Barbón, I, Vigo	44%	n.d	n.d	n.d.	n.d.	n.d	—	3,600	(3,600)	Equity method	n.d
PK. Hoteles 22, S.L.	Acquisition and development of property assets for lease / C. Príncipe de Vergara, 15. Madrid	33%	5,801	625	369	(220)	5,920	—	2,467	—	Equity method	CROWE, S.L.P.
Parking del Palau, S.A.	Acquisition and development of property assets for lease / Paseo de la Alameda, s/n. Valencia	33%	1,698	(76)	(78)	527	2,147	—	2,137	(779)	Equity method	BDO
Araba Logística, S.A.	Acquisition and development of property assets for lease / Avda. Álava s/n Rivabellosa (Álava)	25%	1,750	723	194	1,873	3,817	—	2,257	(2,257)	Equity method	Deloitte
Distrito Castellana Norte, S.A.	Carrying out all types of real estate activities / Paseo de la Castellana 216, Madrid	14%	175,853	(5,807)	(4,327)	(23,018)	148,508	—	170,012	(626)	Equity method	KPMG
Silicius Real Estate, S.L.	Carrying out all types of real estate activities/ Calle de Velázquez, 123, Madrid	15%	361,122	(13,259)	(11,957)	6,986	356,141	267	91,021	(20,478)	Equity method	PWC

APPENDIX I - Group companies and associates 2019

			Miles de Euros									
				Profit (loss)		Other	Total	Dividends	Carrying amount		Consolidation method	Auditor
Parent	Line of business/Location	Ownership interest	Share capital	From operations	Net	Shareholder's equity	Equity	Received	Cost	Impairment losses		
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	9,323	72,040	52,478	133,427	61,763	143,785	657,984	—	Full Consolidation	Deloitte
Merlin Retail, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	17,963	19,434	14,725	248,271	266,122	11,086	251,408	—	Full Consolidation	Deloitte
Merlin Oficinas, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	29,674	12,085	11,802	727,681	757,355	9,706	771,345	—	Full Consolidation	Deloitte
Merlin Logística, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	28,166	17,474	13,983	284,397	312,417	12,295	292,304	—	Full Consolidation	Deloitte
Sevisur Logística	Urban development, construction and operation of buildings for logistics purposes and shared services. Ctra. de la Esclusa, 15. 41011, Sevilla.	100%	17,220	3,124	3,033	11,605	28,825	1,861	37,629	—	Full Consolidation	Deloitte
Parques Logísticos de la Zona Franca, S.A.	Acquisition and development of property assets for lease, Avda. 3 del Parc Logístic, nº 26, Barcelona	100%	15,701	5,339	7,636	113,126	128,827	—	118,310	—	Full Consolidation	Deloitte
Exhibitions Company , S.A.U.	Provision of all kinds of technical, commercial or economic services/ Paseo de la Castellana 257, Madrid	100%	180	(1)	36	4,205	4,385	—	4,287	—	Full Consolidation	N/A
Gescentesta, S.L.U.	Service provision / Paseo de la Castellana 257, Madrid	100%	3	205	154	635	638	—	3	—	Full Consolidation	N/A
Metroparque, S.A.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	56,194	9,135	9,515	40,698	96,891	7,770	231,557	—	Full Consolidation	Deloitte
La Vital Centro Comercial y de Ocio, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	14,846	3,030	3,027	20,997	35,843	2,207	56,788	—	Full Consolidation	Deloitte
Desarrollo Urbano de Patraix, S.A.	Land management / Avda. Barón de Carcer, 50, Valencia	100%	2,790	—	(84)	22,452	25,242	—	25,090	—	Full Consolidation	N/A
Sadorma 2003, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	73	(10)	(2,016)	18,332	18,404	—	25,485	(7,080)	Full Consolidation	N/A
Global Murex Iberia, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	14	(1)	21	(15,500)	(15,487)	—	—	(15,497)	Full Consolidation	N/A

			Miles de Euros										
				Profit (loss)		Other	Total	Dividends	Carrying amount		Consolidation method	Auditor
Parent	Line of business/Location	Ownership interest	Share capital	From operations	Net	Shareholder's equity	Equity	Received	Cost	Impairment losses		
Varitelia Distribuciones, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	15,443	9,889	7,855	33,035	48,478	18,579	172,979	(124,501)	Full Consolidation	Deloitte
Global Carihuela, Patrimonio Comercial S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	3,303	(1,340)	(1,487)	24,242	27,545	—	34,102	(871)	Full Consolidation	N/A
MPCVI – Compra e Venda Imobiliária, S.A.	Acquisition and development of property assets for lease / Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	1,050	1,058	260	5,934	7,244	354	6,418	—	Full Consolidation	Deloitte Portugal
MPEP – Properties Escritórios Portugal, S.A.	Adquisición y promoción de bienes inmuebles para su arrendamiento / Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	50	249	19	3	72	—	85	—	Full Consolidation	Deloitte Portugal
MP Monumental, S.A.	Acquisition and development of property assets for lease / Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	50	(166)	(2,381)	11,497	9,165	220	20,348	—	Full Consolidation	Deloitte Portugal
MP Torre A, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	1,507	(386)	711	375	—	10,186	—	Full Consolidation	Deloitte Portugal
VFX Logística, S.A.	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	5,050	(2,813)	(2,848)	15,292	17,495	—	20,913	(3,394)	Full Consolidation	Deloitte Portugal
Promosete, Invest. Inmobil. SA.	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	200	1,480	444	6,416	7,059	—	11,245	—	Full Consolidation	Deloitte Portugal
Praça Do Marquês serviços Auxiliares, SA	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	15,893	2,307	12,098	48,628	76,618	—	56,361	—	Full Consolidation	Deloitte Portugal
Torre Dos Oceanus Investimentos Inmobiliarios,S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	1,350	394	2,925	3,369	—	15,912	—	Full Consolidation	Deloitte Portugal
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	5	13,791	7,052	4,979	12,036	—	31,533	—	Full Consolidation	Deloitte Portugal
Forum Almada II, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	10,000	13,099	9,224	38,543	57,767	—	289,302	—	Full Consolidation	Deloitte Portugal
Torre Arts - Investimentos Imobiliarios, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	100	2,570	1,959	83,646	85,705	—	85,781	—	Full Consolidation	Deloitte Portugal

			Miles de Euros									
				Profit (loss)		Other	Total	Dividends	Carrying amount		Consolidation method	Auditor
Parent	Line of business/Location	Ownership interest	Share capital	From operations	Net	Shareholder's equity	Equity	Received	Cost	Impairment losses		
Torre Fernao Magalhaes - Investimentos Imobiliarios, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	100	701	543	26,853	27,496	—	27,555	—	Full Consolidation	Deloitte Portugal
Innovación Colaborativa, S.L.	Selection, contracting, fitting out, organisation and management of coworking-type collaborative workspaces / Paseo de la Castellana 257, Madrid	100%	4	(1,993)	(2,015)	1,264	(747)	—	3,868	(3,868)	Full Consolidation	N/A
Milos Asset Development,	Acquisition, holding, administration, disposal and development of land located within the project "Distrito Castellana Norte" / Paseo de la Castellana 257, Madrid	100%	3	—	—	(1)	2	—	3	(1)	Full Consolidation	N/A
Paseo Comercial Carlos III, S.A.	Acquisition and development of property assets for lease / Avda. San Martín Valdeiglesias, 20 - 28922 Madrid	50%	8,698	2,562	(266)	25,407	34,105	—	25,668	—	Equity Method	Deloitte
Provitae Centros Asistenciales, S.L.	Acquisition and development of property assets for lease / C. Fuencarral, 123. Madrid	50%	6,314	(40)	(47)	(1,112)	5,202	—	5,061	(488)	Equity Method	N/A
G36 Development, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana, 93 Madrid	50%	4,053	(21)	(21)	—	4,032	—	2,027	—	Equity Method	N/A
Centro Intermodal de Logística S.A. (CILSA)	Development, management and performance of logistics activities in a port system / Avenida Ports d'Europa 100, Barcelona	49%	18,920	12,954	8,759	107,705	135,384	882	95,688	—	Equity Method	EY
Pazo de Congresos de Vigo, S.A.	Project for the execution, construction and operation of the Vigo Convention Centre / Avda. García Barbón, I, Vigo	44%	n.d	n.d	n.d.	n.d.	n.d	—	3,600	(3,600)	Equity Method	n.d
PK. Hoteles 22, S.L.	Acquisition and development of property assets for lease / C. Príncipe de Vergara, 15. Madrid	33%	5,801	978	566	(811)	5,556	191	2,467	—	Equity Method	CROWE, S.L.P.
Parking del Palau, S.A.	Acquisition and development of property assets for lease / Paseo de la Alameda, s/n. Valencia	33%	1,698	216	161	394	2,253	45	2,137	—	Equity Method	BDO
Araba Logística, S.A.	Acquisition and development of property assets for lease / Avda. Álava s/n Rivabellosa (Álava)	25%	1,750	140	(416)	1,439	2,774	—	20,669	(20,669)	Equity Method	Deloitte
Distrito Castellana Norte, S.A.	Carrying out all types of real estate activities / Paseo de la Castellana 216, Madrid	14%	168,111	(388)	(278)	(23,014)	144,819	—	168,893	—	Equity Method	KPMG

APPENDIX II – List of the properties intended for lease and the holding in the share capital of companies referred to in section 2.1 of Spanish Law 11/2009, amended by Spanish Law 16/2012.

	ACQ. DATE	ASSET NAME	ADDRESS	CITY	ASSET TYPE	USE
1	01-ene-15	Av. de Bruselas, 24	AV Bruselas 24	Alcobendas	Invest. Property	Offices
2	01-ene-15	Av. de Bruselas, 26	AV Bruselas 26	Alcobendas	Invest. Property	Offices
3	01-ene-15	Av. de Bruselas, 33	AV Bruselas 33	Alcobendas	Invest. Property	Offices
4	14-sep-16	Encinar	CL Manuel Pombo Angulo 20	Alcobendas	Invest. Property	Offices
5	14-sep-16	Av. Europa, 1 - Edificio A-B	AV Europa 1	Alcobendas	Invest. Property	Offices
6	14-sep-16	Vegacinco I-II	CL Francisca Delgado 9	Alcobendas	Invest. Property	Offices
7	14-sep-16	Factory Bonaire	CA A3 Km 345	Aldaya	Invest. Property	Shopping Center
8	01-ene-15	Naves Alovera I-II-III	CL Rio Henares 1	Alovera	Invest. Property	Logístico
9	01-ene-15	Naves Azuqueca I, II, III y IV	CL Milan 8 y 12	Azuqueca de Henares	Invest. Property	Logístico
10	01-ene-15	Vilanova, 12-14	AV Vilanova 12	Barcelona	Invest. Property	Offices
11	14-sep-16	Diagonal 199	AV Diagonal 199	Barcelona	Invest. Property	Offices/Hotel
12	14-sep-16	Diagonal 458	AV Diagonal 458	Barcelona	Invest. Property	Offices
13	01-ene-15	Diagonal, 514	AV Diagonal 514	Barcelona	Invest. Property	Offices
14	01-ene-15	Diagonal, 605	AV Diagonal 605	Barcelona	Invest. Property	Offices
15	14-sep-16	Balmes	CL Balmes 236-238	Barcelona	Invest. Property	Offices
16	14-sep-16	P.E. Poble Nou 22@ Ed. A-C-D	CL Bac de roda 52	Barcelona	Invest. Property	Offices
17	14-sep-16	P.E. Poble Nou 22@ Ed. B	CL Fluviá 65	Barcelona	Invest. Property	Offices
18	14-sep-16	Bizcargi 1 1D	CL Bizcargi 1 1D	Bilbao	Invest. Property	Other
19	01-ene-15	Naves Cabanillas I	CL Castilla la Mancha P. I. Cabanillas	Cabanillas del Campo	Invest. Property	Logístico
20	01-ene-15	Naves Coslada I	AV de la Cañada 64	Coslada	Invest. Property	Shopping Center
21	01-ene-15	Naves Coslada III	CL Torres Quevedo 1	Coslada	Invest. Property	Logístico
22	14-sep-16	N. Río Guadalq.Getafe	AV Río Guadalquivir S/N	Getafe	Invest. Property	Logístico
23	14-sep-16	N-IV Km.12,7 Getafe	CA Polig. Industrial Los Ángles P-33	Getafe	Invest. Property	Shopping Center
24	01-ene-15	Escudo del Carmen	CL Escudo del Carmen 31	Granada	Invest. Property	Other
25	14-sep-16	P.E. Alvia Ed. 1-2-3	CL Jose Echegaray 8	Las Rozas	Invest. Property	Offices
26	14-sep-16	P.I. Európolis	CL Londres S/N	Las Rozas	Invest. Property	Offices
27	01-ene-15	Mangraners	CL Els Mangraners N-240 Km.88	Lerida	Invest. Property	Other
28	14-sep-16	Torre De Madrid	PL De España 18	Madrid	Invest. Property	Offices
29	14-sep-16	Torre de Madrid (Viviendas)	PL de España 18	Madrid	Invest. Property	High Street Retail
30	01-ene-15	Plaza de los Cubos	CL Princesa 3	Madrid	Invest. Property	Other
31	01-ene-15	Princesa, 3	CL Princesa 3	Madrid	Invest. Property	High Street Retail
32	01-ene-15	Princesa, 5	CL Princesa 5	Madrid	Invest. Property	Offices
33	01-ene-15	Aparcamiento Princesa	CL Princesa 5	Madrid	Invest. Property	Offices
34	01-ene-15	Ventura Rodríguez, 7	CL Ventura Rodriguez 7	Madrid	Invest. Property	Parking
35	14-sep-16	Callao	PL Callao 5	Madrid	Invest. Property	Offices
36	01-ene-15	Partenón, 12-14	AV Partenon 12	Madrid	Invest. Property	High Street Retail
37	01-ene-15	Partenón, 16-18	AV Partenon 16	Madrid	Invest. Property	Offices
38	01-ene-15	Eucalipto, 25	CL Eucalipto 25	Madrid	Invest. Property	Offices
39	01-ene-15	Eucalipto, 33	CL Eucalipto 33	Madrid	Invest. Property	Offices
40	01-ene-15	Josefa Valcárcel, 48	CL Josefa Valcarcel 48	Madrid	Invest. Property	Offices
41	01-ene-15	Pedro de Valdivia, 10	CL Pedro de Valdivia 10	Madrid	Invest. Property	Offices
42	01-ene-15	Juan Esplandiú, 11-13	CL Juan Esplandiu 11-13	Madrid	Invest. Property	Offices
43	01-ene-15	Príncipe de Vergara, 187	CL Principe de Vergara 187	Madrid	Invest. Property	Offices
44	01-ene-15	Ribera del Loira, 60	CL Ribera del Loira 60	Madrid	Invest. Property	Offices
45	14-sep-16	P.E. Puerta de las Naciones Ed. 1 a 4	CL Ribera del Loira 38-50	Madrid	Invest. Property	Offices
46	01-ene-15	Castellana, 83-85	PS de la Castellana 83	Madrid	Invest. Property	Offices
47	14-sep-16	Cadagua	PS de la Castellana 93	Madrid	Invest. Property	Offices
48	01-ene-15	Local Castellana 191	PS de la Castellana 191	Madrid	Invest. Property	Offices
49	14-sep-16	Castellana, 278	PS de la Castellana 278	Madrid	Invest. Property	Other
50	01-ene-15	Torre Castellana 259	PS de la Castellana 259	Madrid	Invest. Property	Offices
51	14-sep-16	Sollube	PL Carlos Trías Bertrán 7	Madrid	Invest. Property	Offices/Hotel
52	14-sep-16	Santiago de compostela, 94	CL Santiago de Compostela 94	Madrid	Invest. Property	Offices
53	14-sep-16	Ulises Edificio G-H	CL Ulises 16-18	Madrid	Invest. Property	Offices
54	14-sep-16	Jose María Churruca Ed. I-II	CL Almansa 101-105	Madrid	Invest. Property	Offices
55	14-sep-16	Jose María Churruca Ed. III-IV	CL Beatriz de Bobadilla 14-18	Madrid	Invest. Property	Offices
56	14-sep-16	Fuente De La Mora	CM Fuente de la Mora 9	Madrid	Invest. Property	Offices
57	14-sep-16	P.E. Vía Norte Ed. 1 a 6	CL Quintanavides 11 a 21	Madrid	Invest. Property	Offices
58	14-sep-16	P.E. Alvento A-B-C-D	VI de los Poblados 1	Madrid	Invest. Property	Offices
59	14-sep-16	Cristalia	VI de los Poblados 3	Madrid	Invest. Property	Offices
60	14-sep-16	Trianon I-II-III-IV	VI de los Poblados 9	Madrid	Invest. Property	Offices

	ACQ. DATE	ASSET NAME	ADDRESS	CITY	ASSET TYPE	USE
61	14-sep-16	P.E. Sanchinarro Ed. I-II	CL María de Portugal 9-11	Madrid	Invest. Property	Offices
62	14-sep-16	P.E. Las Tablas Ed. 1-2-3	CL Federico Mompou 5	Madrid	Invest. Property	Offices
63	14-sep-16	Elipse	AV Manoteras 18	Madrid	Invest. Property	Offices
64	14-sep-16	Arturo Soria, 343	CL Arturo soria 343	Madrid	Invest. Property	Offices
65	14-sep-16	G. Ampudia 12	CL General Ampudia 12	Madrid	Invest. Property	Offices
66	01-ene-15	Centro Oeste	CL El Carralero. Las Moreras	Majadahonda	Invest. Property	Other
67	01-ene-15	C.C. Larios	AV de la Aurora 21	Málaga	Invest. Property	Shopping Center
68	01-ene-15	C.C. Porto Pi	AV de Gabriel Roca 54	Palma de Mallorca	Invest. Property	Shopping Center
69	01-ene-15	Nave Pedrola	CL General Motors 1. P.I. El Pradillo	Pedrola	Invest. Property	Shopping Center
70	01-ene-15	Ática II, A-B-C	AV de Europa 19	Pozuelo de Alarcón	Invest. Property	Logístico
71	01-ene-15	Ática 1	AV de Europa 26	Pozuelo de Alarcón	Invest. Property	Offices
72	01-ene-15	Ática 2	CL Inglaterra 2	Pozuelo de Alarcón	Invest. Property	Offices
73	01-ene-15	Ática 3 y 4	VI Dos Castillas 33 Edf. 3 y 4	Pozuelo de Alarcón	Invest. Property	Offices
74	14-sep-16	Ática Ed. 6	VI Dos Castillas 33 Edf.6	Pozuelo de Alarcón	Invest. Property	Offices
75	14-sep-16	Cerro Gamos I-II-III-V-VI	CL Cerro de los Gamos 1	Pozuelo de Alarcón	Invest. Property	Offices
76	01-ene-15	Sant Cugat I	CL Alcalde Barnils 64	San Cugat del Valles	Invest. Property	Offices
77	01-ene-15	Sant Cugat II	AV Via Augusta 71	San Cugat del Valles	Invest. Property	Shopping Center
78	14-sep-16	Jovellanos 91	CL Jovellanos 91	Sant Adriá del Besos	Invest. Property	Offices
79	01-ene-15	Borbolla	AV Borbolla 5	Sevilla	Invest. Property	Offices
80	14-sep-16	C.C. El Saler	CA Autovía De El Saler 16	Valencia	Invest. Property	Other
81	01-ene-15	Aparcamiento Palau	PS de la Alameda 34	Valencia	Invest. Property	Offices
82	14-sep-16	C.C. Vilamarina	AV Segle XXI 6	Viladecans	Invest. Property	Shopping Center
83	14-sep-16	Rambla Salvador Sama	CL Rambla Salvador Samà 45/49	Vilanova I La Geltrù	Invest. Property	Other
84	01-ene-15	Aznar Molina	CL Aznar Molina 2	Zaragoza	Invest. Property	Shopping Center
85	12-ene-18	Torre Glories	Av. Diagonal, 211	Barcelona	Invest. Property	Other
86	14-sep-16	San Francisco de Sales	San Francisco de Sales 1	Madrid	Invest. Property	Offices
87	21-ene-20	Plaza de Cataluña, 9	Plaza de Cataluña, 9	Barcelona	Invest. Property	Offices
88	03-jul-14	Tree Inversiones Inmobiliarias SOCIMI, S.A	PS Castellana 257	Madrid	Invest. Property	Other
89	30-jul-14	Merlin Retail S.L.	PS Castellana 257	Madrid	Holding	
90	04-ago-14	Merlin Oficinas, S.L.	PS Castellana 257	Madrid	Holding	
91	30-jul-14	Merlin Logística, S.L.	PS Castellana 257	Madrid	Holding	
92	14-sep-16	La Vital Centro Comercial y de Ocio, S.L.	PS Castellana 257	Madrid	Holding	
93	14-sep-16	Varitelia Distribuciones, S.L.	PS Castellana 257	Madrid	Holding	
94	14-sep-16	Metroparque, S.A.	PS Castellana 257	Madrid	Holding	
95	14-sep-16	Global Carihuela Patrimonio Comercial, S.L.	PS Castellana 257	Madrid	Holding	
96	18-mar-15	MP Compra e Venda Inmobiliária, S.A.	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	
97	31-mar-16	MP Monumental, S.A.	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	
98	31-mar-16	MP Torre A S.A.	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	
99	28-jul-17	Sevisur, S.A.	PS Castellana 257	Madrid	Holding	
100	07-abr-17	Promosete Investimentos Inmobiliarios, S.A.	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	
101	28-sep-17	Praça do Marques - serviços auxiliares, S.A.	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	
102	30-abr-18	Torre dos Oceanus - Investimentos Inmobiliarios, S.A.	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	
103	17-ene-19	Torre Arts, Investimentos inmobiliàrios, S.A.	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	
104	17-ene-19	Torre Fernão Magalhães Investimentos inmobiliàrios, S.A	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	
105	27-feb-20	Silicius, Real Estate, S.L.	Cl Velázquez, 123	Madrid	Holding	

MERLIN PROPERTIES, SOCIMI, S.A.

Individual Management Report

for the year ended

31 December 2020

1. Company Situation

Economic Situation

The markets in which the MERLIN Properties Socimi Group operates ('MERLIN' or 'MERLIN Properties' or the 'Group') were seriously affected in the year by the impact of the COVID-19 pandemic. In both Spain and Portugal, the government has introduced restrictions to contain the epidemiological situation that affected the economy, dragging down GDP by around 8% in Portugal and 11% in Spain. This exceptional situation has also affected consumption, especially physical consumption, as well as employment, despite the mitigating measures taken by the public authorities.

This economic situation has led to a general decline in recruitment volumes. However, the discovery of a vaccine against the new disease in record time, together with a tax and monetary expansion never before seen, including the Next Generation European Fund, should enable the economy to recover rapidly.

The investment volume for all asset types in Spain has also been reduced, hitting EUR 9,477 million in 2020 [1] compared to EUR 12,000 million in direct investment in Spain in 2019 2. Given the Eurozone's expansive monetary policy and the overall context of low interest rates, demand for income-generating assets is expected to remain high.

1.1. Rental market situation by geographical area

Madrid

Madrid is both the largest metropolitan area and the main real estate market on the Iberian Peninsula. In general, the rental market has been less dynamic than in previous years, impacted by the economic situation. Thus, the superface absorption 3 of offices was 350,414 sqm, a fall of 43% compared to 617,133 sqm in 2019. Availability increased by 60 bp in the year to 9.0%, while income declined by 3.2% on average, although it remained in the Prime range. In relation to the logistics market, its activity has accelerated by COVID-19, reaching high levels of activity in the main axes (A-2, A-4 and A-42) for all segments (XXL warehouses, cross-docking warehouses and last mile solutions). Finally, the shopping centres sector has been significantly affected by the restrictions on opening and capacity resulting from the pandemic.

Barcelona

The exceptional economic situation has impacted all segments of the rental market in Barcelona. In relation to the office market, rent was stable at EUR 28/sqm/month[1] for prime assets, while average rent declined by 1.6% compared to 2019. The logistics market is suffering from a lack of both available land and quality product for e-commerce operators. As far as shopping centres are concerned, they have been affected both by opening restrictions and by the fall in tourism, which has particularly affected the urban assets.

Lisbon

Due to the mobility restrictions measures ordered by the Portuguese Government, economic activity in general and the real estate market in particular were affected throughout 2020. The office market closed the year with ~ 138.000 m ² transactions, 30% lower than 2019; and an unemployment rate that rose slightly to 6.4% (compared to 5% 2019). However, prime rents showed a positive evolution during the year, reaching EUR 25/sqm/month, mainly due to the lack of quality supply on the market. In relation to logistics, rents remain stable at EUR 4/sqm/month, on the of Alverca/Azambuja axis. This market continues to be characterised by low quality supply, as well as increasing demand needs, making it possible to anticipate rent growth in the coming years. Finally, the shopping centre sector has been affected by the severe restrictions on movement and opening of premises, which have directly impacted the activity of operators and, consequently, of the entire sector.

[1] "Real Estate Market Outlook 2021 España" CBRE
[2] "Real Estate Market Outlook 2020 España" CBRE
[3] "Mercado de oficinas de Madrid at a glance T4 2020" BNP Paribas Real Estate
[4] "Mercado de oficinas de Barcelona at a glance T4 2020" BNP Paribas Real Estate

1.2. Rental market situation by business segment

Offices

According to BNP Paribas, in 2020 the Spanish office market recorded a significant drop in activity compared to 2019, with recruitment falling by 43% in Madrid and by 55% in Barcelona. Unemployment rose slightly in both markets to 9.0% in Madrid and 7.2% in Barcelona. The performance was similar in Portugal.

Premium rents have stood despite the situation, although in more peripheral locations there have been slight declines.

Shopping centres

The operations of shopping centres were significantly affected in both Spain and Portugal in the course of the year, with forced closures, restrictions on opening, and occupancy restrictions. In addition, the reduction in tourist flows has also affected the sector.

This has impacted both inflows and sales. However, the unprecedented vaccination campaign that is taking place in 2021, together with the historic monetary and fiscal expansion, make it possible to foresee a significant recovery in both private consumption and retail sales.

Logistics

The upward trend in the logistics sector has been favoured by COVID-19, which has fuelled the development of e-commerce in the face of the constraints imposed on occupancy limits and physical opening. Logistics take-up was acute both in the central area and in Catalonia, with other markets reaching similarly high levels of activity (e.g. Valencia).

The volume reached by turnkey projects and pre-lets is of particular note given the lack of available logistics platforms that meet current demand requirements. This shortage of quality products has influenced rents of logistics assets.

1.3. Organisational and operational structure

As a Group, MERLIN's main objective is to generate sustainable returns for shareholders through the acquisition, focused management and selective rotation of real estate assets in the moderate risk profile segments ("Core" and "Core Plus").

Its strategy and operations are characterised by:

1. Focusing on Core and Core Plus assets in Spain and Portugal
2. An investment grade capital structure
3. Distribution of 80% of AFFO (see Note 7.1. of the Directors' Report) in the form of dividends
4. Being one of the most efficient REITs in Europe
5. Implementing the best practices of Corporate Governance

The description of the internal organisational structure can be summarised as follows:

– A Board of Directors made up of 14 directors that receives advice from the Audit and Control Committee, the Appointments Committee and the Remuneration Committee. MERLIN's Board, comprised a majority of independent directors, focuses its activity on defining, supervising and monitoring the policies, strategies and general guidelines to be followed by the Group. The Board is responsible for the long-term strategy and for monitoring its implementation.

- A Chief Executive Officer reports directly to the Board and sits on it.
- An Investment Committee reports to the CEO and consists of the executive team, with the Chief Investment Officer having veto power.

2. Business performance and results

2.1. Business results in 2020

The Company's business performed excellently during the year, with growth in occupancy, comparable rents and release spread in all asset categories.

Merlin Properties closed the year with lease income of EUR 208.2 million, 17.6% less than in 2019 and an operating profit of EUR 169 million.

The Company continued its landmark office building improvement plan in 2020, notably including improvements to the El Saler shopping centre in Valencia and the Porto Pi shopping centre in Palma de Mallorca, as well as the development of Castellana 85, Torre Gloriés, Diagonal 605, Arturo Soria 343 and Plaza Ruiz Picasso in the office segment.

2.2. Outlook for the Company in 2021

In 2021 MERLIN expects its occupancy rates to remain high and its cash flow to remain strong given the long lease term remaining (2.8 years from 31 December 2020, weighted by GRI).

The Company also expects to continue acquiring assets that mesh with its investment philosophy. To that end, it had a cash position of EUR 111.7 million at the end of 2020 (Note 9 of the 2020 Individual Financial Statements) and a liquidity position of EUR 1,108.4 million, including its cash position, EUR 786 million from a undrawn credit facility and EIB loans, EUR 54 million in treasury stock and EUR 157 million of receivables from the sale of non-core portfolio and purchases of shares in Silicius. Both transactions were carried out in the last quarter of 2019 and the first quarter of 2020 respectively.

3. Capital and Liquidity Resources

3.1 Debt

At the end of 2020, the Company's financial debt amounted to approximately EUR 4,970.1 million, made up of corporate financing without mortgage collateral (syndicated loans and bonds).

The Company's strategy is to actively manage both the Group's assets and the liabilities. With regard to liabilities, the goal is to extend the average maturity of the debt and to take advantage of current market conditions to reduce or maintain borrowing cost and eliminate the interest rate risk. Currently, 99.8% of the Company's debt accrues interest at a fixed rate or is subject to interest rate hedges.

3.2. Liquidity available

The MERLIN's liquidity position at 31 December 2020 amounts to EUR 1,108.4 million (Note 9 to the 2020 Individual Financial Statements), including its cash position, EUR 786 million from a undrawn credit facility and EIB loans, EUR 54 million in treasury stock and EUR 157 million of receivables from the sale of non-core portfolio and purchases of shares in Silicius. Both transactions were carried out in the last quarter of 2019 and the first quarter of 2020 respectively.

Additionally, the Company has the ability to access the capital markets through the euro medium-term note (EMTN) programme, which has a limit of EUR 5,000 million. At 2020 year end, EUR 909 million was available through the aforementioned programme.

4. Environmental matters

Since the assets were acquired, the Company has incorporated sustainability into its decision-making process, aware of its impact on improving the performance of assets and the well-being of tenants. MERLIN seeks to differentiate its properties along these lines and, to that end, in 2020 it has continued with its three key repositioning plans: Landmark I, Flagship and Best II and III, the time horizon for which is 2019-23.

These plans are focused on creating value by repositioning selected properties, incorporating sustainability into the process, as well as in obtaining better financing terms linked to meeting sustainability targets.

4.1. Sustainability certification

In 2020 the Company continued to make progress on making its asset portfolio sustainable by investing in improving the environmental performance of its properties. When certifying assets, the Company selects the most appropriate framework and modality based on the asset's phase, as well as the characteristics of the building, its occupancy rate at the time of certification or the tenants who occupy it.

We are continuing the process of certifying our portfolio under the standards of the leaders in this market, BREEAM and LEED, with the aim of certifying 96% of our portfolio. In 2020 the Company certified 12 new assets

Asset	Category	# Assets	Certification	Rating	Date
Ulises 16-18	Offices	1	LEED	GOLD	Jan-20
Juan Esplandiu 11-13	Offices	1	BREEAM	GOOD	Mar-20
Atica 2	Offices	1	LEED	GOLD	Jun-20
PE Cerro Gamos	Offices	2	LEED	GOLD	Jun-20
PE Cerro Gamos	Offices	1	LEED	SILVER	Jun-20
Saler	Shopping Centres	1	BREEAM	VERY GOOD	Oct-20
Ática 3	Offices	1	BREEAM	GOOD	Nov-20
Zaragoza-plaza- II	Logistics	1	LEED	GOLD	Nov-20
Centro Oeste	Shopping Centres	1	BREEAM	GOOD	Dec -20
PE Alvia	Offices	1	BREEAM	GOOD	Dec -20
Sant Cugat I	Offices	1	BREEAM	VERY GOOD	Dec -20
Total		**12**			

Additionally, MERLIN obtained an excellent rating (78%) in the 2020 edition of GRESB, a platform that makes it possible to harmonise and compare information related to sustainability criteria (environmental, social and corporate governance - ESG) in real estate investments. This rating is above the global average and that of our counterparts and reinforces the Company's commitment to investing in sustainability.

4.2. ISO sustainability certifications

MERLIN, as manager of its portfolios, has an Environmental Management System (EMS) certified according to ISO 14001, which is the umbrella under which it manages its portfolios and that incorporates new properties into its scope every year.

Thus, in 2015 the Company began an ambitious plan for ISO 14001 (environmental management) and ISO 50001 (energy management) certifications to maintain and expand the number of real estate assets that have at least ISO 14001 certification, and subsequently ISO 50001 certification (based on the understanding that it is a natural step to obtain ISO 14001 certification before aspiring to ISO 50001).

In keeping with the optimisation of the environmental performance of its assets, in 2020, given their significant role in the Company's environmental performance, MERLIN continued with an environmental training program for shopping centre operators in an effort to promote greater awareness and, thus, achieve better asset performance.

4.3. ESG indicators Syndicated Loan

In 2019, the Company completed the process of refinancing its debt initiated in 2018 with the firm signing a syndicated corporate loan (EUR 1,550 million) under the sustainable loan format (ESG).

The corporate loan marked an important milestone, as it was the largest financing of this type granted to a real estate company in Europe and the second largest obtained in Spain.

These transactions highlight the Company's ongoing effort to integrate Corporate Social Responsibility principles by incorporating sustainability criteria in the investments of its asset portfolio, as well as in the management of the liabilities on its balance sheet.

This financing includes a cost adjustment mechanism based on management indicators based on four sustainability criteria, which are measured annually and reviewed by the Company's auditor. The indicators for 2019 were:

- Investment of at least EUR 2.5 million in energy efficiency improvements across the portfolio
- Obtaining at least 11 LEED and BREEAM external energy certifications with a minimum rating of LEED Silver and BREEAM Good.
- Obtaining at least 11 AIS/DIGA certifications for disability access for all tenants and consumers
- Electricity consumption of at least 30 GW from renewable energy sources

At the end of 2020, 4 of the 4 goals were met, with the consequent adjustment to borrowing costs for both loans for 2021.

5. Staff management

a. Staff breakdown

MERLIN's staff are its main asset. At 2020 year end, the Company's team was comprised a total of 168 employees, divided into 5 categories in keeping with MERLIN's strategy of maintaining a horizontal structure.

Total number of employees at 2020 year end. Country, Sex, Professional Category and Age

Professional category	Women	Men	Overall total
Executive Directors	-	2	2
Senior management	-	5	5
Management Team	1	4	5
Middle management	6	37	43
Other Staff	56	57	113
Total Employees	**63**	**105**	**168**

Country	Professional category	Age Range	Women	Men	Overall total
SPAIN	Executive Directors	>50 years old	-	2	2
		30-50 years old	-	-	-
	Total Executive Directors		**-**	**2**	**2**
	Senior management	>50 years old	-	4	4
		30-50 years old	-	1	1
	Total Senior Management		**-**	**5**	**5**
	Management Team	>50 years old	-	1	1
		30-50 years old	1	3	4
	Total Management Team		**1**	**4**	**5**
	Middle management	< 30 years old	-	1	1
		>50 years old	2	14	16
		30-50 years old	4	22	26
	Total Middle Management		**6**	**37**	**43**
	Other Staff	< 30 years old	5	7	12
		>50 years old	12	14	26
		30-50 years old	39	36	75
	Total Other Staff		**56**	**57**	**113**
Total SPAIN			**63**	**105**	**168**
Overall total			**63**	**105**	**168**

Total number of employees at 2020 year end by type of employment contract

MERLIN has a team of professionals with indefinite-term contracts and an average age of 44. Throughout 2020, to promote the employability of young people, MERLIN, implemented a first job plan for young people who, having just finished their compulsory education, wanted to continue training and combine their studies with employment on some weekends.

From the moment they join the Company, MERLIN offers its employees stable contracts to ensure their loyalty and improve its ability to attract talent to the organisation. At the end of 2020, 98.81% of the Company's employees had an indefinite contract.

Contract Type	Time	Total
Indefinite-term	Full-time	158
	Part-time	8
Total Indefinite-term		**166**
Temporary	Full-time	2
Total Temporary		**2**
Overall total		**168**

6. Dividend policy

6.1. Dividend policy

The Company’s dividend policy takes into account sustainable levels of distribution and reflects the Company's expectation of obtaining recurring profits. The Group does not intend to create reserves that cannot be distributed to Shareholders, except as required by law.

Under the REIT regime, after fulfilling any relevant requirement of the Corporate Enterprises Act (Ley de Sociedades de Capital), the Parent Company is obliged to adopt resolutions to distribute the profit obtained in the year to shareholders in the form of dividends and this distribution must be approved within six months of the close of each year, as follows: (i) at least 50% of the profit from the transfer of real estate and shares of qualified subsidiaries, provided that the remaining profit is reinvested in other real estate assets within no more than three years of the date of the transfer or, otherwise, 100% of the profit must be distributed as dividends after such period has elapsed; (ii) 100% of the profit obtained from receiving the dividends paid by qualified subsidiaries; (iii) at least 80% of the remaining profit obtained.

If the dividend distribution resolution is not adopted within the legally established period, the Parent Company will lose its REIT status for the financial year to which the dividends refer. As established in the Company's IPO Prospectus, MERLIN Properties has set itself the goal of distributing an annual dividend of between 4% and 6% of the IPO value.

The Company's dividend policy establishes a minimum distribution of 80% of the AFFO ("Adjusted FFO"), understood as the cash flow from operations less interest paid and less ordinary maintenance expenses for the assets. The distributions made to MERLIN shareholders in 2020 are shown in the accompanying table.

On 8 July 2020, the supplemental 2019 dividend was paid out after it was passed in the General Shareholders Meeting held on 17 June 2020, for a sum of EUR 68,518 thousand. However, that General Meeting passed a refund of the share premium for a maximum of EUR 0.174 per share payable in cash, its payment was delegated to the Board of Directors, which will decide if it should be paid out once the impact of COVID-19 on the evolution of the business becomes clear in view of the current setting of uncertainty. Finally, the Board of Directors has decided not to execute the aforementioned share premium distribution.

6.2. Table of dividends paid by year

Type	Payment date	Item	EUR per share
2015 interim dividend	28 Oct. 15	Dividend	0.0775
2015 final dividend	27 Apr. 16	Dividend	0.0055692
2015 final dividend	27 Apr. 16	Distribution of share premium	0.102608
2015 total dividend			**0.19**
2016 interim dividend	25 Oct. 16	Dividend	0.185
Extraordinary distribution	25 Oct. 16	Distribution of share premium	0.02
2016 final dividend	18 May 17	Dividend	0.10071014
2016 final dividend	18 May 17	Distribution of share premium	0.09928767
2016 total dividend			**0.40**
2017 interim dividend	25 Oct. 17	Dividend	0.20
2017 final dividend	25 May 18	Dividend	0.02053654
2017 final dividend	25 May 18	Distribution of share premium	0.24
2017 total dividend			**0.46**
2018 interim dividend	25 Oct. 18	Dividend	0.20
2018 final dividend	07 May 19	Dividend	0.20270039
2018 final dividend	07 May 19	Distribution of share premium	0.09729961
2018 total dividend			**0.50**
2019 interim dividend	28 Oct. 19	Dividend	0.20
2019 final dividend	26 Jun 20	Dividend	0.14741659
2019 total dividend			**0.34741659**

7. Main risks and uncertainties

MERLIN's **Risk Management System** is based on the principles, key elements and methodology established in the **COSO Framewor**k ("Committee of Sponsoring Organizations of the Treadway Commission"), which aims to minimise the volatility of results (profitability) and, therefore, maximise the Group's economic value, incorporating risk and uncertainty into the decision-making process to provide reasonable assurance of achieving the strategic objectives established, providing shareholders, other stakeholders and the market in general with an adequate level of guarantees to ensure that the value generated is protected.

Based on a comprehensive view of risk management, MERLIN has adopted a methodological approach based on the Enterprise Risk Management Framework - Integrating with Strategy and Performance (**COSO ERM 2017**), which emphasises the importance of enterprise risk management in strategic planning and incorporates it throughout the organisation, since risk influences strategy and performance in all areas, departments and functions.

The Risk Management and Control Policy (https://www.merlinproperties.com/en/corporate-governance/corporate-governance-normative/) was initially approved by the Board of Directors in February 2016, then in its second version in April 2018 and finally, in its current wording, in April 2019.

This policy establishes the general guiding principles, rooted in the perception that risk management is an ongoing process based on the identification and assessment of the Group's potential risks according to its strategic and business objectives, the determination of action plans and controls for critical risks, the supervision of the effectiveness of the controls designed and the evolution of residual risk to be reported to the Group's governing bodies.

MERLIN's risk management is a process driven by the Board of Directors and Senior Management and each and every member of the organisation is responsible for it within their own purview. Risk management, supervised by the Audit and Control Committee, allows Management to effectively manage uncertainty and its associated risks, thereby improving the ability to generate value.

A central element of the Risk Management System is the Risk Map — drawn up for the first time in 2015, updated every six months by the Audit and Control Committee and approved by the Board of Directors — which reflects and assesses the risks that could potentially impact MERLIN's ability to meet its strategic objectives.

In 2020, and as a result of the health and economic crisis caused by the COVID-19 pandemic, MERLIN's management, Audit and Control Commission and Board updated the Company's Risk Map up to three times, reflecting at each time the risks and uncertainties that were estimated should be the focus of attention during the crisis.

7.1. Description of MERLIN's risks

MERLIN is exposed to a variety of risks inherent to the various segments of the real estate business in which it operates and in the leasing and/or development activities it carries on in each of these segments, as well as in the geographical areas in which it is established and in the evolution of external factors, both political and economic.

To implement risk management and control, the Board of Directors is assisted by the Audit and Control Committee, which supervises and reports on the adequacy and effectiveness of the risk management and control system.

The Audit and Control Committee is responsible for supervising the Company's risk management and control system (including internal controls) and verifying its suitability and integrity. The Audit and Control Committee carries out this supervisory function through the Internal Audit Department, which verifies the suitability and integrity of the Risk Management System implemented by the Group's management on an annual basis.

Based on the analysis of MERLIN's strategic vision, values and strategy, the various components are periodically analysed according to the grouping of the different strategic objectives included in these elements (being the benchmark REIT, creation of long-term value, generation of sustainable and growing dividends, values of transparency, ethics and responsibility).

In 2020, the MERLIN Risk Map was amended to expressly include a new category of ESG risks (Environmental, Social and Governance), replacing the previous 'Stakeholder Risks' category, to highlight the importance of this type of risks in the direction and management of the Company in its commitment to sustainability, social responsibility and governance in accordance with the highest standards of corporate governance.

The risks MERLIN identifies and assesses are thus classified under the perspective of the different strategic components and facilitating elements identified above, as shown below:

- **Business Risks:** which affect the strategic objectives of long-term value creation and the generation of sustainable and growing dividends, achievement of which depends mainly on the Group's various assets, grouped together in the different business segments (offices, net leases, shopping centres, logistics and others): occupancy rate of the assets, fluctuation rent levels, rent concentration, loss of property value, inefficiency in investments, political risk, etc.

- **Resource Risks:** which affect the strategic objectives of generating sustainable and growing dividends and the values of transparency, ethics and responsibility, achievement of which depends mainly on the various internal and external resources available to the Group (human, technological and financial): staff dependence and their remuneration, occupational risk prevention, business continuity plan, cybersecurity breaches, technological innovation, the Group's credit rating, volume of short-term debt, compliance with covenants, etc.

- **ESG Risks:** which affect the strategic objectives of leadership and reference (being the benchmark REIT) and the values of transparency, ethics and responsibility; achievement of which depends mainly on the various actions taken and policies implemented by the Group to guarantee the sustainability of its assets (physical impact, transition costs, compliance with sustainability standards) for its various stakeholders (customers, suppliers, society; investors and shareholders; and regulatory bodies); customer and supplier credit risk, the Group's reputation, macroeconomic conditions in the country, shareholder remuneration (dividends), compliance with the REIT regime, etc.

Section E of the Annual Corporate Governance Report included in this Directors' Report details the main risks, the action plans established and, where applicable, those that have materialised during the year and the circumstances that have led to them.

7.2. Financial and tax risks

Financial risk management policies within the rental property sector are determined mainly by analysing the investment projects, management of the occupancy of the properties and the situation of the financial markets:

• **Market risk:** MERLIN Properties is exposed to market risk from possible vacancies or renegotiations of leases when the leases expire. This risk could have a direct negative impact on the valuation of the Company's assets.

However, market risk is mitigated by the customer acquisition and selection policies and the mandatory lease terms negotiated with customers. Therefore, at 31 December 2020, the average occupancy rate of the asset portfolio of the Group headed by the Company was 92%, with a weighted average unexpired lease term of 5.4 years (weighted by GRI).

• **Credit risk:** the credit risk relating to the Group headed by the Company's ordinary business activity is practically non-existent or insignificant, due mainly to the fact that the agreements entered into with the tenants provide for the advance payment of the rent derived from them, in addition to requiring them to provide the legal and additional financial guarantees in the formalisation of the rental agreements and their renewal, which cover the possible non-payment of rent. This risk is also mitigated by the diversification by product type in which the Group invests and, consequently, in the type of customers.

• **Liquidity risk:** To manage liquidity risk and meet its various funding requirements, the Company uses an annual cash budget and a monthly cash projection, the latter being detailed and updated daily. The factor causing the liquidity risk is the working capital deficiency, which mainly includes short-term debt. In addition, liquidity risk has the following mitigating factors, which should be highlighted: (i) the generation of recurrent cash from the businesses on which the Group bases its activity; and (ii) the capacity to renegotiate and obtain new financing facilities based on the Group's long-term business plans and the quality of its assets.

At the date of preparation of the Company's consolidated financial statements, taking into account the foregoing, the Group headed by the Company had covered all its funding requirements to fully meet its commitments to suppliers, employees and the authorities based on the cash flow forecast for 2021. Likewise, the type of sector in which the Company operates, the investments it makes, the financing it obtains to make such investments, the EBITDA they generate and the occupancy rates of the properties, enables the liquidity risk to be mitigated and excess cash to be produced.

Cash surpluses are used to make short-term investments in highly liquid deposits with no risk. The acquisition of share options or futures, or any other high-risk deposits as a method of investing cash surpluses, is not among the possibilities considered by MERLIN Properties.

• **Interest rate risk:** To minimise the Company's exposure to this risk, financial instruments have been arranged to hedge cash flows, such as interest rate swaps. At 31 December 2020, the percentage of debt the interest rate of which is covered by the aforementioned financial instruments was 99.85%.

• **Foreign currency risk:** the Group's policy is to borrow in the same currency as that of the cash flows of each business. Consequently, currently there is no foreign currency risk. However, noteworthy in this connection are the exchange rate fluctuations arising in translating the financial statements of foreign companies whose functional currency is not the euro. At 31 December 2020, the functional currency of all subsidiaries and associates of the MERLIN Group was the euro.

• **Tax risk:** The Parent and a portion of its subsidiaries qualified for the special tax regime for real estate investment trusts (REITs). The transitional period of the Parent ended in 2017 and, therefore, compliance with all requirements established by the regime became mandatory.

Some of the more formal obligations that the Parent must meet involve the inclusion of the term SOCIMI (REIT) in its company name, the inclusion of certain information in the notes to its separate financial statements, the share price on the stock market, etc., and other obligations that require estimates to be made and judgements to be applied by management that may become fairly complex, especially considering that the REIT regime is relatively recent and was developed by the Directorate-General of Taxes mainly in response to the queries posed by various companies.

Group management, based on the opinion of its tax advisors, assessed compliance with the requirements of the regime, concluding that such requirements were met at 31 December 2020.

Accordingly, and also for the purpose of taking into consideration the financial effect of the regime, it should be noted that, as established in article 6 of Law 11/2009, of 26 October, amended by REITs Act, and in the percentages established in it, companies that have opted for the special tax regime are required to distribute the profit generated during the year to their shareholders in the form of dividends, once the related corporate obligations have been met. This distribution must be approved within six months from each year-end, and the dividends paid in the month following the date on which the pay-out is agreed.

If the Parent does not comply with the requirements established in the regime or if the shareholders at the General Meetings of these companies do not approve the dividend distribution proposed by the Board of Directors, calculated in accordance with the requirements of this Act, it would not be complying therewith and, accordingly, tax would have to be paid under the general regime, not the regime applicable to REITs.

8. Acquisition and disposal of treasury shares

At 31 December 2020, the Parent held treasury shares amounting to EUR 54,149 thousand. The changes in 2020 were as follows:

	Number of Shares	Thousands of euros
Balance at 01 January 2019	**6,150,000**	**68,322**
Additions	52,776	633
Disposals	(1,125,407)	(12,095)
Balance at 31 December 2019	**5,077,369**	**56,860**
Additions	26,177	279
Disposals	(267,043)	(2,990)
Balance at 31 December 2020	**4,836,503**	**54,149**

In 2020 the Parent acquired 26,177 treasury shares at an average cost of EUR 10.63 per share. At 31 December 2020, the Parent held treasury shares representing 1.03% of its share capital.

The withdrawals of own shares amounting to EUR 2,990 thousand (average price of EUR 11.20 per share) correspond mainly to EUR 2,765 thousand (average price of EUR 11.20 per share), to the delivery of shares to employees within the Flexible Remuneration Plan and the 2017-19 LTIP. There were also EUR 225 thousand in sales in 2020 (at an average cost of EUR 11.20 per share).

9. Other relevant information

9.1. Stock market information

On 31 December 2020, MERLIN shares closed at a price of EUR 7.78, representing a 39% drop in their price compared to the closing price on 31 December 2019 (EUR 12.79).

9.2. Average payment period to suppliers

Below are the disclosures required by additional provision three of Law 15/2010, of 5 July (amended by final provision two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in the notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	2020	2019
	Days	
Average payment period to suppliers	32.0	33.6
Ratio of transactions paid	31.9	34.24
Ratio of transactions payable	35.6	24.7
	Thousand of euros	
Total payments made	175,867	154,722
Total payments pending	6,994	11,216

In accordance with the Spanish Accounting and Audit Institute's Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions corresponding to the delivery of goods or provision of services that took place from the date of entry into force of Law 31/2014, of 3 December.

For the exclusive purpose of providing the information envisaged in this Resolution, payable to suppliers are considered trade payables for debts with suppliers of goods and services, included under "Trade and other payables" under current liabilities in the attached balance sheet.
"Average period of payment to suppliers" is understood as the time elapsed between the date the supplier delivers the goods or provides the services and the date of actual payment.

The maximum payment period applicable to the Company in 2014 and 2015 under Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions (Ley 3/2004, de 29 de diciembre, por la que se establecen medidas de lucha contra la morosidad en las operaciones comerciales), and pursuant to the transitional provisions contained in Law 15/2010, of 5 July, was 60 days until the publication of Law 11/2013, of 26 July, and 30 days since publication of the aforementioned Act (unless the criteria mentioned in it are met, in which case the maximum payment period may be increased to 60 days).

9.3. R&D+i activities

In relation to R&D+I activities and other innovative initiatives, in 2020 MERLIN continued to promote numerous projects of a technological nature to position MERLIN at the forefront in terms of solutions for its clients and internal management. Of those projects the following are of note:

- Special projects:
    - Sensorisation programme for office buildings (in collaboration with Signify) and shopping centres (in collaboration with Vodafone)
    - Last mile in logistics
    - Photovoltaic self-consumption project
    - Introduction of third-party technologies (e.g. Keepeyeonball, Mayordomo and Fillit)
    - User experience app
- Sponsorship: Agreement with Fifth Wall, the largest venture capital firm focused on the real estate industry

10. Annual Corporate Governance Report

For the purposes of section 538 of the Corporate Enterprises Act, it is hereby stated that the 2020 Annual Corporate Governance Report forms part of this Directors' Report. (see Annex I)

11. Events after the reporting period

In February 2021, the Company sold one non-strategic logistics asset for a amount of EUR 17.8 million.

12. Alternative Performance Measures

See the definitions of the APMs, as well as their reconciliation with MERLIN' financial statements, in the consolidated directors' report accompanying the 2020 consolidated financial statements.

MERLIN Properties, SOCIMI, S.A.
DECLARATION OF RESPONSIBILITY FOR THE 2020 FINANCIAL STATEMENTS

The members of the Board of Directors of Merlin Properties, SOCIMI, S.A. declare that, to the best of their knowledge, the individual financial statements of Merlin Properties, SOCIMI, S.A. and the consolidated financial statements with its subsidiaries, for the year ended December 31, 2020, prepared (*formuladas*) (in English) by the Board of Directors at the meeting held on February 25, 2021, in accordance with the applicable accounting principles, offer a true and fair view of the net worth, financial situation and results of Merlin Properties, SOCIMI, S.A. and of the subsidiaries included in the consolidated group, taken as a whole, and that the directors' reports accompanying the individual and consolidated financial statements (along with their attachments and supplementary documentation) include a true analysis of the business performance, results and position of Merlin Properties, SOCIMI, S.A. and of the subsidiaries included in the consolidated group, taken as a whole, and a description of the main risks and uncertainties they face.

Mr. Javier Garcia-Carranza Benjumea (Chairman)	Mr. Ismael Clemente Orrego (Deputy Chairman)
Ms. Francisca Ortega Hernández-Agero (Member)	Ms. Ana Forner Beltran (Member)
Ms. María Luisa Jorda Castro (Member)	Ms. Pilar Cavero Mestre (Member)
Mr. Juan María Aguirre Gonzalo (Member)	Mr. Miguel Ollero Barrera (Member)
Mr. Fernando Javier Ortiz Vaamonde (Member)	Ms. Ana María García Fau (Member)
Mr. Emilio Novela Berlin (Member)	Mr. George Donald Johnston (Member)
Mr. Ignacio Gil-Casares Satrústegui (Member)	

In Madrid, on February 25, 2021

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER IDENTIFICATION

YEAR END DATE **2020**

Tax ID No. A-86977790

Company name:

MERLIN PROPERTIES, SOCIMI, S.A.

Registered office:

PASEO DE LA CASTELLANA, 257, MADRID

ANNUAL CORPORATE GOVERNANCE REPORT
FOR LISTED COMPANIES

A. CAPITAL STRUCTURE

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
26/10/2016	469,770,750.00	469,770,750	469,770,750

Remarks

Please state whether there are different classes of shares with different associated rights:

Yes ☐ No ☒

Class	Number of shares	Par value	Number of votes	Associated rights

A.2 Provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BANCO SANTANDER, S.A.	19,00%	5,549%			24,549%
BLACKROCK INC.		3,143%		0,853%	3,996%
MANUEL LAO HERNANDEZ		6,271%			6,271%

Remarks
The detailed information was extracted from the CNMV, which was obtained from the last notification that each entity was required to submit to the CNMV, in relation to what is stipulated in Royal Decree 1362/2007, of 19 October, and Circular 2/2007, of 19 December. The information of Banco Santander refers to the 2020 period, as communicated to the Company by this significant shareholder.

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
BLACKROCK INC.	INVESTED MANAGERS Y DELEGATED INVESTMENT MANAGERS (UNDER CONTROL OF BLACKROCK)	3.143%	0.853%	3.996%
BANCO SANTANDER, S.A.	LURI 6, S.A.	4.8488%	-	4.8488%
	ALTAMIRA SANTANDER REAL ESTATE, S.A.	0.7011%	-	0.7011%
MANUEL LAO HERNANDEZ	NORTIA CAPITAL INVESTMENT, S.L.	6,271%	-	6,271%

Remarks

State the most significant shareholder structure changes during the year:

Most significant changes
The most significant change in the shareholder structure of MERLIN in the year was the entry of NORTIA CAPITAL INVESTMENT HOLDING, S.L. with a 6.271% stake (the controlling shareholder of which is MANUEL LAO HERNANDEZ).

A.3 In the following tables, list the members of the Board of Directors (hereinafter “directors”) with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights than can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Juan María Aguirre Gonzalo	0,008%				0,008%		
Ismael Clemente Orrego	0,280%				0,280%		
Javier García-Carranza Benjumea	0,001%	0,017%			0,018%		
John Gómez-Hall	0,021%				0,021%		
George Donald Johnston III	0,010%				0,010%		
María Luisa Jordá Castro	0,003%				0,003%		
Emilio Novela Berlín	0,003%				0,003%		
Miguel Ollero Barrera	0,274%				0,274%		
Fernando Ortiz Vaamonde		0,021%			0,021%		
Ana Forner Beltrán	0.0004%				0.0004%		

Total percentage of voting rights held by the Board of Directors	0,640%

Remarks

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of voting rights than can be transmitted through financial instruments
Javier García-Carranza Benjumea	ALDER PROPERTY, S.L.	0.017%	-	0.017%	-
Fernando Ortiz Vaamonde	ZENDA CAPITAL, S. L.	0,021%	-	0,021%	-

Remarks

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related party	Nature of relationship	Brief description

A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party	Nature of relationship	Brief description
BANCO SANTANDER, S.A.	Corporate	Banco Santander has a significant stake in the Company
NORTIA CAPITAL INVESTMENT HOLDING, S.L.	Corporate	Nortia Capital Investment Holding holds a significant stake in the Company

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors:

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Javier García-Carranza Benjumea	Banco Santander, S.A.	Banco Santander (Spain) Banco Santander México	Senior Executive Vice-President

Francisca Ortega Hernández-Agero	Banco Santander, S.A.	N/A	Head of the large clients department within the corporate holdings and restructurings division
Ignacio Gil-Casares Satrústegui	Banco Santander, S.A.	N/A	N/A
Ana Forner Beltrán	Nortia Capital Investment Holding, S.L.	Nortia Capital Investment Holding, S.L.	General Manager and Secretary to the Board

Remarks
The appointment of Ignacio Gil-Casares was brought forward by the significant shareholder Banco Santander, S.A., although there is no direct link between the director and the significant shareholder, or with any company of its Group.

A.7 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). so, describe these agreements and list the party shareholders:

Yes ☒ No ☐

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable
Banco Santander, S.A. and the Company	24.549%	See "Remarks"	

Remarks
Prior to that, Banco Santander, S.A., Banco Bilbao Vizcaya Argentaria, S.A. and Banco Popular Español, S.A. committed themselves to not transfer shares or voting rights of Merlin Properties, SOCIMI, S.A. for a six (6) months period from the date of registration of the spin-off of Metrovacesa, S.A., i.e. from 26 October 2016. The agreement was in force for 4 months in 2017. The agreement remains in force with regard to the sale of packages of shares in excess of 2% of the share capital, in order to include a process for the arranged transfer of the stake.

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes ☐ No ☒

Parties to the concerted action	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable

Remarks

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes ☐ No ☒

Name of individual or company

Remarks

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
4,836,503	-	1.0295%

Remarks

(*) Through:

Name or company name of the shares' direct owner	Number of direct shares
Total:	

Explain any significant changes during the year:

Explain significant changes
In 2020, MERLIN acquired 26,177 treasury shares, through a liquidity agreement with JB Capital in Euronext Lisboa and, in return, transferred 267,043 shares that mainly correspond to the delivery of shares to employees as part of the flexible remuneration plan and LTIP 17-19.

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The shareholders in the Annual General Meeting held the 10th April 2019 resolved to authorise the derivative acquisition of treasury shares by the Company or companies in its group, in compliance with the requirements and limitations established in current law at any given time, all under the following terms:

- Acquisition methods: acquisitions may be made directly by the Company or indirectly through companies in its group, and may be carried out, on one or more occasions, by purchase and sale, swap or any other legal transaction valid in Spanish Law.
- Maximum number of shares to be acquired: the par value of the shares to be acquired, plus, when applicable, those already directly or indirectly held, will not exceed the maximum percentage legally permitted at any given time.
- Maximum and minimum equivalent value: the acquisition price per share will be at least the par value and at most the share price on the stock exchange at the date of acquisition.
- Term of the authorisation: this authorisation is granted for a period of five years.
- Likewise, and for the purposes of the second paragraph of letter a) of section 146.1 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), it is expressly stated for the record that express authorisation is granted for the acquisition of the Company's shares by any of its subsidiaries, on the same terms referred to the above.
- The authorisation also includes the acquisition of shares that, when applicable, must be handed over directly to employees or directors of the Company or companies in its group as a result of exercising the purchase options they hold or for the settlement and payment of share-based incentive plans of which they are beneficiaries.

This authorisation renders void the previous authorisation granted at the Annual General Meeting on May 7th 2018 to the extent not used.

A.11 Estimated free float:

	%
Estimated free float	**63.5145**

Remarks

A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorization or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes ☒ No ☐

Description of the restrictions
Although the Articles of Association do not regulate any restriction on the transfer of shares, Article 8 of the Articles of Association contains a so-called "ancillary provision" by virtue of which the following obligations arise for the Company's shareholders: **Reporting obligations for significant shareholders** According to Article 8 of the Company's Articles of Association, any shareholder (i) whose ownership interest in the Company's share capital is equal to or greater than 5%, or the percentage of ownership stipulated in section 9.2 of the Spanish REIT Act (*Ley de SOCIMIs*), or any regulations that may replace it, for the accrual by the Company of the special corporation tax (the ***Significant Shareholding***); or (ii) that acquires shares that, together with those already held, represent a Significant Shareholding in the Company's share capital, must report these circumstances to the Board of Directors. The ownership stake equal to or greater than 5% of the share capital referred to in the previous paragraph will be understood to be (i) automatically modified if the percentage provided for in section 9.2 of the REIT Act, or any regulations that may replace it, changes and, therefore, (ii) replaced by the percentage provided for at any given time in the aforementioned regulations. Likewise, any shareholder who has reached this Significant Stake in the Company's share capital must notify the Board of Directors of any subsequent acquisition, regardless of the number of shares acquired. The same statement as the ones indicated in previous paragraphs must also be provided by any person that holds dividend rights over the Company's shares, including in any case those holding indirectly rights of the Company's shares through financial intermediaries that are formally entitled to act as shareholders by virtue of the share register but who act on behalf of the aforementioned holders. Together with the communication provided for in the previous paragraphs, the shareholder, or the holder of the dividend rights concerned, must provide the Secretary of the Company's Board of Directors with: (i) a tax residence certificate for the purposes of the corresponding personal income tax issued by the competent authorities of their country of residence. In those cases where the shareholder resides in a country with which Spain has signed a tax treaty to avoid double taxation, the tax residence certificate must meet the characteristics provided for in the corresponding tax treaty in order for its benefits to be applicable; and (ii) a certificate issued by a person with sufficient power of attorney accrediting the tax rate to which the dividend distributed by the Company is subject for the shareholder, together with a statement that the shareholder is the effective beneficiary of such dividend. The shareholder or holder of the dividend rights must deliver this certificate to the Company within ten calendar days following the date on which the Annual General Meeting or, as the case may be, the Board of Directors resolves to distribute any dividend or any similar amount (reserves, etc.). If the person required to give notice fails to comply with the reporting obligation indicated the previous paragraphs, the Board of Directors may assume that the dividend is exempt from taxation or that it is taxed at a lower rate than that indicated in section 9.2 of the REIT Act, or any regulations that may replace it. Alternatively, the Board of Directors may request, with a charge to the dividend corresponding to the

shareholder, a legal report from a law firm of recognised reputation in the country where the shareholder resides in order to issue an opinion on whether the dividends distributed by the Company are subject to taxation.

The expenses incurred by the Company will be enforceable on the day prior to payment of the dividend.

Reporting obligations for shareholders subject to special regimes

Article 8 of the Articles of Association establishes that any shareholder who, as an investor, is subject in their home jurisdiction to any kind of special legal regime regarding pension funds or benefit plans, must notify the Board of Directors of this circumstance.

Likewise, any shareholder in the situation described in the previous paragraph must notify the Board of Directors of any subsequent acquisition or transfer, regardless of the number of shares acquired or transferred.

The same statement as those indicated in the previous paragraphs must also be provided by any person that holds dividend rights over the Company's shares, including in any case those indirectly holding the Company's shares through financial intermediaries that are formally entitled to act as shareholders by virtue of the share register but who act on behalf of the aforementioned holders.

The Company, by written notice (a ***Request for Information***), may ask any shareholder or any other person with a known or apparent interest in the Company's shares, to provide written information that the Company may request and that is known by the shareholder or any other person, with regard to the beneficial ownership of the shares in question or the interest in these shares (accompanied, if the Company so requires, by a formal or notarial statement and/or by independent evidence), including (without prejudice to the general nature of the foregoing) any information that the Company considers necessary or advisable for the purpose of determining whether such shareholders or persons are likely to be in the situation described in the first paragraph of this subsection referring to the reporting obligations of shareholders subject to special regimes.

The Company may make a Request for Information at any time, and may send one or more Requests for Information to the same shareholder or any other person with regard to the same shares or interests in the same shares.

Without prejudice to the obligations regulated in Article 8.2 of the Articles of Association, the Company will oversee the acquisitions and transfers of shares that are made, and will take the appropriate measures to avoid any harm or loss that may arise for the Company itself or its shareholders as a result of applying current regulations on pension funds or benefit plans that may affect them in their respective jurisdictions.

The indemnity obligation provided for in Article 55 of the Articles of Association will also be considered an ancillary provision for the purposes of Article 8.

A.13 State whether the shareholders have resolved at a meeting to adopt measures to neutralize a take-over bid pursuant to the provisions of Act 6/2007.

Yes ☐ No ☒

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

Explain the measures approved and the terms under which such limitations would cease to apply

A.14 State whether the company has issued shares that are not traded on a regulated EU market.

Yes ☐ No ☒

Where applicable, state the different types of shares and, for each category of share, the rights and obligations they entail.

State the different types of shares

B. GENERAL SHAREHOLDERS' MEETING

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail.

Yes ☐ No ☒

	% quorum different from that contained in Article 193 LSC for general matters	% quorum different from that contained in Article 194 LSC for special resolutions
Quorum required at 1st call		
Quorum required at 2nd call		

Description of the differences

B.2 State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes ☒ No ☐

Describe how it is different from that contained in the LSC.

	Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters	Other matters requiring a qualified majority
% established by the company for adoption of resolutions		50.01%

Describe the differences
The Articles of Association establish that the resolutions of the General Meeting will be passed, in general, with the favourable vote of the majority of the share capital (half plus one) attending the meeting in person or by proxy

B.3 State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

The procedure for amending the Articles of Association, as well as the rules applicable to the protection of shareholders' rights in amending the Articles of Association, is governed by the Corporate Enterprises Act (*"Ley de Sociedades de Capital"*)

B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous two years:

	Attendance data				
Date of General Meeting	% physically	% represented by	% distance voting		Total
			Electronic	Other	
07/05/2018	0.840%	78.659%	0.00%	0.911%	80.410%
Of which, free float	0.36%	50.90%		0.911%	52.17%
10/04/2019	1.817%	75.646%	0.001%	0.909%	78.372%
Of which, free float	1.247%	48.669%	0.001%	0.909%	50.826%
17/06/2020	1,398%	74.255%	0.001%	0.547%	76.201%
Of which, free float	0.057%	41.182%	0.001%	0.547%	41.788%

Remarks

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason:

Yes ☐ No ☒

Points on agenda not approved	% votes against (*)

(*) If the non-approval of the point is for a reason other than the votes against, this will be explained in the text part and "N/A" will be placed in the "% votes against" column.

B.6 State whether the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes ☒ No ☐

Number of shares required to attend General Meetings	500
Number of shares required for distance voting	0

Remarks
To attend the meetings a number of shares equivalent to the lesser of: (i) five hundred (500) shares; or (ii) a number of shares representing one per thousand (1/1,000) of the share capital are required.

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

Yes ☐ No ☒

Explanation of the decisions that must be subject to the approval of the General Shareholders' Meeting, other than those established by law

B.8 State the address and way to access, on the company website, information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

Information on corporate governance and other information on the Company's general meetings can be found on the Company's website: http://www.merlinproperties.com/gobierno-corporativo

C. COMPANY ADMINISTRATIVE STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	**15**
Minimum number of directors	**3**
Number of directors set by the general meeting	**14**

Remarks

C.1.2 Please complete the following table on board members:

Name of director	Representative	Director category	Position on the board	Date first appointed to Board	Last re-election date	Method of selection to Board	Date of birth
Francisco Javier García-Carranza Benjumea	---	Proprietary	Chairman	15 September 2016	10 April 2019	Vote at Shareholders Meeting	08/12/1971
Ismael Clemente Orrego	----	Executive	Deputy Chairman and Chief Executive Officer	27 May 2014	17 June 2020	Vote at Shareholders Meeting	15/05/1970
Miguel Ollero Barrera	----	Executive	Executive director	27 May 2014	17 June 2020	Vote at Shareholders Meeting	14/11/1969
Emilio Novela Berlin	----	Independent	Director Coordinator	7 May 2018	17 June 2020	Vote at Shareholders Meeting	03/07/1951
Ana García Fau	----	Independent	Director	6 June 2014	17 June 2020	Vote at Shareholders Meeting	03/11/1968
George Donald Johnston III	----	Independent	Director	11 June 2014	17 June 2020	Vote at Shareholders Meeting	24/06/1955
Fernando Javier Ortiz Vaamonde	----	Independent	Director	6 June 2014	17 June 2020	Vote at Shareholders Meeting	19/04/1969
María Luisa Jordá Castro	----	Independent	Director	10 June 2014	17 June 2020	Vote at Shareholders Meeting	11/11/1963
John Gómez Hall	---	Independent	Director	31 August 2015	17 June 2020	Vote at Shareholders Meeting	08/02/1934
Juan María Aguirre Gonzalo	---	Independent	Director	15 September 2016	10 April 2019	Vote at Shareholders Meeting	05/12/1962
Pilar Cavero Mestre	---	Independent	Director	15 September 2016	10 April 2019	Vote at Shareholders Meeting	12/10/1959
Francisca Ortega Hernández-Agero	---	Proprietary	Director	15 September 2016	10 April 2019	Vote at Shareholders Meeting	26/12/1962

Ana Forner Beltrán	---	Proprietary	Director	17 June 2020	17 June 2020	Vote at Shareholders Meeting	26/07/1966
Ignacio Gil-Casares Satrústegui	---	Proprietary	Director	17 June 2020	17 June 2020	Vote at Shareholders Meeting	14/06/1948

Total number on the board	**14**

State whether any directors, either through resignation or by decision of the Shareholders' Meeting, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialized committees of which he/she was a member	Indicate whether the director left before the end of the term
John Gómez Hall	Independent	17 June 2020	20 January 2021	---	Yes

Reason for leaving, where the director left before the end of the term and other remarks: information on whether the director sent a letter to the other board members and, in the case of non-executive directors who leave, explanation or opinion of the director who was removed by the Shareholders' Meeting
On 20 January 2021, MERLIN received notice from director John Gómez-Hall informing MERLIN's Board of Directors of his resignation strictly for personal reasons. This notice was analysed by the Appointments Committee and forwarded to the rest of the Board members.

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of director	Posting in organizational chart of the company	Profile
Ismael Clemente Orrego	Deputy Chairman and Chief Executive Officer	Membership on committees: N/A Training: Mr Clemente holds a degree in Law and Business Administration from ICADE (E-3), is a professor in the MRE programme at the IE Business School and a

		member of the Spanish Council of the Urban Land Institute (ULI). Professional experience: Mr Ismael Clemente has more than 20 years of experience as a professional in the real estate sector. He worked at Arthur Andersen Legal and Tax Advisors (currently Garrigues), Bankers Trust and the Deutsche Bank Group, as Managing Director, having participated in transactions with a total volume of approximately EUR 5,000 million in all types of real estate assets. These included the sale and leaseback of the Tree portfolio, the largest real estate transaction in Europe in 2009. Since Merlin's IPO, he has led two of the largest transactions in the sector in Spain, the acquisition of Testa and the integration agreement with Metrovacesa, two transactions that have led Merlin Properties to become a leading real estate company in Spain. Current external appointments: N/A
Miguel Ollero Barrera	Corporate General Manager and COO	Membership on committees: N/A Training: Mr Ollero holds a degree in Law and Business Administration, with a specialisation in Finance, from ICADE (E-3). Professional experience: Mr Miguel Ollero has experience as a professional in the real estate sector since 2005. He worked at Arthur Andersen, FCC Construcción, Deutsche Bank M&A and RREEF, as Managing Director. At RREEF, he participated in transactions with an aggregate value of approximately EUR 4 billion, rang ing from core to opportunity investments, and in the subsequent management of the assets acquired. He also played a key role in the structuring and formation of five investment vehicles for the Iberian Peninsula and Morocco, in cooperation with Deutsche Bank's Private Wealth Management division. Current external appointments: N/A

Total number of executive directors	**2**
Percentage of Board	**14.29%**

EXTERNAL PROPIETARY DIRECTORS

Name or company name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
Francisco Javier García-Carranza Benjumea	Banco Santander, S.A.	Membership on committees: He was a member of the Appointments and Remuneration Committee until 17 June 2020. At year end, he did not belong to any committee. Training: Mr García-Carranza holds a degree in Business Administration from University Carlos III of Madrid. Professional experience Mr Javier Garcia-Carranza Benjumea is currently the Group Senior Executive Vice-President of Banco Santander as the Global Head of its restructuring, industrial investments, special situations, portfolio sales and new businesses division. Prior to joining Banco Santander in February 2016, he worked at Morgan Stanley for 17 years in principal investments, investment banking and real estate advisory division, where he was the head of this business in Europe, North Africa and the Middle East (EMEA), based in London, as Co-Head of the Real Estate investment banking business. He has led Mergers and Acquisitions (M&A) in excess of USD 125 billion and equity and debt financing transactions in excess of USD 100 billion. Current external appointments He is also a member of the boards of directors of Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A (Sareb) (director and member of the Executive Committee), Metrovacesa, S.A. (director), Landco (director), Santander España (director), Santander México (director), Tres Mares Capital (director), Deva Capital (director) and Trustee of the Princess of Asturias Foundation.
Francisca Ortega Hernández-Agero	Banco Santander, S.A.	Membership on committees: Audit and Control Committee Training: Ms Francisca Ortega Hernández-Agero holds a degree in Economics and Business Administration from CUNEF and an MBA from IESE.

		Professional experience Ms Francisca Ortega Hernández-Agero began her professional career at Caja Naval de Crédito as Head of the Risk and Investment Department. In 1990 she took over the Finance Department of PBI Gestión Agencia de Valores, a subsidiary of Bearbull International, and was also responsible for the management of foreign company funds in Spain. In 1996, she joined Banco Central Hispano as Head of Corporate Banking Risks and later, at Banco Santander, she became the head of the acquisitions finance division and head of the structured finance management and control division She has been the head of the large commercial banking accounts department within the corporate holdings and restructuring division since 2009, incorporating, as of 2018, the management of Corporate Investment Banking customers in Spain and the coordination of international customers. Head of Global Credit Watch. Has been Board Member in Metrovacesa, S.A. and in Sareb, S.A. Current external appointments She is currently a director of PBI Gestión Agencia de Valores and a director of Deva Advisory Co.
Ignacio Gil-Casares Satrústegui	Banco Santander, S.A.	Membership on committees: Appointment Committee and Remuneration Committee Training: Mr Ignacio Gil-Casares Satrústegui studied Business Administration at Icade and Georgetown University. Professional experience: Mr Ignacio Gil-Casares Satrústegui has held various executive positions in his more than 40 years of professional career, highlighting his long career at Spencer Stuart, a leading North American firm in Executive Search, founding the firm's operations in Spain in 1978 where he remained President until 2017, and where he held the position of director for Continental Europe, and has been a member of the Global Board of Directors for eight years. He has worked with a variety of companies helping them identify, recruit and retain executives and directors in public and private firms, and has advised multiple boards of directors on governance, evaluation, compensation and the adoption of best practices. He was a member of the Spencer Stuart Board practice at a global level, and actively participated in the creation of the Board Index prepared annually by Spencer

		Stuart. He has been an investor in various start-ups in sectors such as biotechnology and consumer goods. Additionally, he has held executive positions and has belonged to boards of directors, management committees and advisory councils. At the beginning of his career he worked in the international department of Gil y Carvajal (now AON), and later held various positions in Spanish and North American industrial groups. He has been a member of the advisory board of Abante Asesores and has chaired the Board of Trustees of the Spanish chapter of Plan Internacional. <u>Current external appointments:</u> He is currently Chairman of the Advisory Board of ING Bank for Spain and Portugal, member of the Advisory Board of Spencer Stuart in Spain, director of Biolty Capital, and member of the advisory board of the Exit Foundation. He is also a member of the jury for the Manuel Olivencia award for good corporate governance.
Ana Forner Beltrán	Nortia Capital Investment Holding, S.L.	<u>Membership on committees:</u> Audit and Control Committee <u>Training</u>: Ms María Ana Forner Beltrán holds a degree in Business Administration and an MBA from ESADE, and a Certificate of Special Studies from the Harvard Extension School. <u>Professional experience</u> María Ana Forner Beltrán has held several executive positions in her more than 30 years of experience in the financial sector. She has experience in advising on financial matters, investments and capital markets. She began her professional career in 1989 at Bankinter. In 1993, she joined Banco Central Hispano and in 1999 joined Banco Santander as a result of the merger between the two banks. She served as Deputy General Manager at Banco Degroof. She then joined UBS Private Bank as head of large accounts in Catalonia. At Barclays, she was in charge of wealth management in Catalonia. At Citibank, she advised private customers in company acquisitions and investment transactions. Throughout her career, she has held various executive positions in the Corporate Banking, Investment Banking and Wealth Management divisions, participating in financing, investment and capital market transactions. She has been a member of the

		management and investment committees of various entities and has been a member of the board of directors of several investment firms. Since March 2019, she has been working at Nortia Capital Investment Holding as General Manager and Secretary to the Board. Current external appointments She is currently a director at Healthcare Activos, S.A. and a member of the Advisory Board of Foment de Treball.

Total number of proprietary directors	**4**
Percentage of Board	**28.57%**

Remarks

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of director	**Profile**
Ana García Fau	Membership on committees: Audit and Control Committee. Training: She holds a degree in Law and Business Administration from Universidad Pontificia Comillas, ICADE, (E-3, specialisation in finance) and an MBA from the Massachusetts Institute of Technology (MIT Sloan School of Management). Professional experience: Over the last 20 years she worked at companies such as McKinsey & Co., Goldman Sachs, Telefonica Group and Yell Group. Throughout her professional career in the Telefónica Group, she held various executive positions at TPI Páginas Amarillas, as Chief Financial Officer and Managing Director of Corporate Development, and was also a Board member of several of its subsidiaries. At Hibu (formerly Yell) she was CEO for Spain, Latin America and the US Hispanic market, a member of its International Executive Committee, as well as General Manager of Corporate Development and Strategy at a global level, with responsibilities in digital business transformation. Current external appointments: Independent director of Eutelsat Communications, S.A., a French company listed on the Paris Stock Exchange, Euronext, which

	operates in the satellite communications sector. Chair of the Remuneration Committee. Independent director of Gestamp Automoción, S.A., a listed Spanish company, manufacturer of automotive parts. Member of the Audit Committee Independent director of Euskatel, S.A., a listed Spanish company operating in the telecommunications sector. Chair of the Audit Committee.
George Donald Johnston III	Membership on committees: Appointments Committee Training: Bachelor of Arts in Political Science from Middlebury College, Vermont (US), a Master of Arts in International Economics and Latin American Studies from Johns Hopkins University, Washington DC (US). Professional experience: Chief Executive Officer of the European M&A Group at Deutsche Bank from 1999 to 2005. Chairman of this same group from 2005 to 2010. Member of the European Management Committee and the Operations Committee of Deutsche Bank's Corporate Finance division. He was a Board member at Bankers Trust International and a member of the Management Committee. He joined Bankers Trust as the head of European M&A in 1992 and became co-head of the Investment Banking in Europe, while continuing to manage BT Wolfensohn. He worked at Salomon Brothers for 11 years where he was head of the investment banking division for Spain, Austria, Italy and Portugal. External appointments: Board member of Acerinox and Chairman of its Audit and Control Committee; and Board member of Banco Sabadell, Chairman of the Risk Committee and member of the Remuneration Committee.

Fernando Ortiz Vaamonde	Membership on committees: Remuneration Committee. Training Degree in Law and Business Administration from ICADE (E-3). Professional experience: He is the promoter and Executive Chairman of ProA Capital de Inversiones S.G.E.I.C., one of the largest private equity firms in Spain with more than EUR 800 million under management. He was a partner at the N+1 group and a member of its Management Committee. He was the Investments Manager at BBVA and head of an investment vehicle specialising in investments in internet companies and new technology. Previously, he was the Corporate Finance Director at ING Barings. Fernando Ortiz began his professional career as a tax and legal advisor at Arthur Andersen Legal and Tax Advisors, now Garrigues. External appointments: Among others and on behalf of the ProA funds, he is or has been director of the Vips Group, Ibermática, Avizor, Eugin, Moyca and SABA and Pastas Gallo.
María Luisa Jordá Castro	Membership on committees: Audit and Control Committee. Chairman of the Remuneration Committee. Training: Degree in Business Studies, Master in Business Administration from the IE Business School and from Centro Estudios Financieros (1985-1987), and Master in Digital Business from The Valley Business School (2016-2017). Business Angel Course at Deusto Business School Madrid (2018). Member of the Official Auditors' Register (ROAC) and Member of the Institute of Directors and Administrators (ICA). Professional experience: She has held various executive positions over her 30-year professional career, serving on various management, investment and audit committees. She was the Chief Financial Officer at the Deoleo Group until February 2015, Director of Internal Audit at SOS Corporación Alimentaria (now Deoleo, S.A.), Director of Internal Audit and Corporate Governance at Metrovacesa, Director of Finance and Investments at Corporación Empresarial ONCE, Chief Financial Officer at Grupo Alimentos y Aceites S.A., and Chief

	Financial Officer at Testa (formerly Prima Inmobiliaria) and Grupo Ayco (formerly Inmobiliaria Alcázar). She was a Board member of Jazztel from November 2009 to March 2016 and a member of the Audit Committee. She was Chairman of the Audit Committee of Jazztel from October 2011 to July 2015. She was a Board member and member of the Audit and Control Committee of Tubos Reunidos, S.A. from May and June 2015, respectively, until September 2016. She was a member of the Governing Board and a member of the Audit Committee of the Institute of Directors and Administrators (ICA) from June 2013 to December 2016. She was a Board member of Banco Europeo de Finanzas (wholly-owned subsidiary of Unicaja), and Chairman of the Audit and Risk Committee from May 2018 to March 2019. <u>Current external appointments:</u> Board member of Orange España, S.A. since March 2016 and member of the Audit Committee. Independent director of the Bimbo Group in Mexico (listed company) and member of the Audit and Corporate Practices Committee since April 2016. Board member of Bankinter, and member of the Risk Committee and Chairman of the Audit and Regulatory Compliance Committee since March 2020. Member of the Technical Advisory Committee of the Institute of Internal Auditors of Spain since September 2017 and Chairman of the Committee since September 2019.
John Gómez Hall	<u>Training:</u> Degree in Architecture from Hammersmith College, affiliated with West London College. Member of the Royal Institute of British Architects and F.R.I.C.S. <u>Professional experience:</u> He has more than 50 years of experience in the Spanish real estate market, holding management positions in several of the leading real estate companies in Spain. Mr Gómez-Hall was Chief Executive Officer of Hines España, a subsidiary of Hines. Previously, Mr Gómez-Hall was the CEO and founder of Prima Inmobiliaria, listed since 1998. The company developed and acquired an asset portfolio of over 300,000 m2 of gross leasable surface area in different asset types, mainly offices. The company was acquired by Vallehermoso in 2001 and its name was changed to Testa Inmuebles en Renta, S.A. <u>External appointments:</u> He was a director of Servihabitat and advisor to TPG Capital.

Juan María Aguirre	Membership on committees: Chairman of the Audit and Control Committee Appointments Committee Training Degree in Economics and Business Administration from Universidad Pontificia de Comillas (ICADE), and Master in Financial Management from the IE Business School. Professional experience: Juan María Aguirre Gonzalo has a professional career that, to a large extent, has been linked to the field of finance, having held positions of responsibility in the Risk, Administration and Planning Department of Banco de Progreso, S.A. (1985/1988), and later as Chief Financial Officer of the financing and leasing entity of Mercedes-Benz (1989/1990). In 1990 he joined Torreal, S.A. as director and General Manager. During his time at Torreal, and until he left the company in 2005, he was head of financial and real estate investments in the Torreal Group and a Board member of Torreal investees. Since 2006, he has been a partner and General Manager of Quantica Asesores, S.A., which provides financial advice to family and institutional groups, and also a director of Testa Inmuebles en Renta, SOCIMI, S.A. and BBVA Elcano SCR. Current external appointments He is an independent director of SACYR, S.A., where he is also lead director, member of the Executive Committee and member of the Audit Committee.
Pilar Cavero Mestre	Membership on committees: Chairman of the Appointments Committee Remuneration Committee. Training: Law degree from Universidad Complutense de Madrid. Master in Industrial Relations and Master in Legal Practice from Escuela de Práctica Jurídica. Master's degree from IESE, specific executive development programme for partners of the firm. In 2007 she completed the leading professional service firms program at Harvard Business School. She holds a Professional Diploma for directors from IC-A. She has been a lecturer at IESE in the Course on Directors and Advisors since 2008. Professional experience: Pilar Cavero Mestre has had a long professional career as a lawyer. Between 1980 and 1986 she was a lawyer at Asociación de Cajas de Ahorros para Relaciones Laborales. From 1986 to 1990 she worked as a lawyer at the international law firm Fabregat y Bermejo, as a specialist in labour law, senior management, compensation and benefits, as well as corporate restructuring.

	In 1990, she joined Cuatrecasas Abogados as a founding partner and Director of its labour and employment division, and co-founding partner of Cuatrecasas Madrid. From 1999 to 2008 she was a Board member of Cuatrecasas and of the firm's various organisation and management committees throughout her professional career. She has been Vice-President of the Cuatrecasas Foundation since 2011, involved in training, culture and other activities aimed at strengthening the firm's reputation, representing the firm in all types of national and international institutions, in addition to her position as lead partner for strategic customers of the firm and deputy General Manager of Cuatrecasas Madrid. Since 2016 she has been distinguished with the life appointment honorary partner of the firm. She was a Board member of Testa in 2016 and of ABENGOA from 2017 to 2020 as an independent director and Chair of its Remuneration and Appointments Committee. <u>Current external appointments:</u> She has been a Board member of Real Club de Golf La Moraleja since 2012.
Emilio Novela	<u>Position:</u> <u>Lead director and member (Chairman) of the Appointments Committee until 17 June 2020.</u> <u>Training:</u> Degree in Industrial Engineer from Universidad Politécnica de Madrid. <u>Previous professional experience:</u> He has held various executive positions over his professional career of more than 40 years, serving on boards of directors, management committees and advisory boards. He has been Deputy General Manager of Banco del Comercio, Chief Financial Officer of Repsol, General Manager of Banco Central Hispano, Chairman of Banco BANIF, and Deputy Chairman and Chief Executive Officer of Vallehermoso, a Spanish listed real estate company, from 1999 to 2003. He was director of Banco Urquijo, Cortefiel, Spanair, Union Fenosa, Blackrock Asset Management, Openbank and Larios, among others. <u>Current external appointments:</u> Lead director of Talgo and Chairman of its Audit Committee, and Chairman of the ITEVELESA group.

Total number of independent directors	**8**
Percentage of Board	**57.14%**

Remarks

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

No.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Relationship	Statement

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile

Total number of other external directors	
Total percentage of the Board	

Remarks

State any changes in status that has occurred during the period for each director:

Name or company name of director	Date of change	Previous status	Current status

Remarks

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	**0**	**0**	**0**	**0**	**---**	**---**	**---**	**---**
Proprietary	**2**	**1**	**1**	**1**	**50%**	**50%**	**50%**	**50%**
Independent	**3**	**3**	**3**	**3**	**37.5%**	**37.5%**	**37.5%**	**37.5%**
Other External	**---**	**---**	**---**	**---**	**---**	**---**	**---**	**---**
Total:	**5**	**4**	**4**	**4**	**35.71%**	**33.33%**	**33.33%**	**33.33%**

Remarks

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes ☐ No ☐ Partial policies ☒

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved.
MERLIN has a **Director Selection Policy**, approved by the Board of Directors, in application of the General Corporate Governance Policy, which ensures that proposals for the appointment of Company directors are based not only on a prior analysis of the needs of the Board of Directors, but also on objective criteria that are free from any type of bias. In this regard, the Appointments Committee follows completely objective criteria for the selection of candidates to the Board of Directors, based on their professional qualities, regardless of gender, ensuring that the selection procedures for its members favour diversity of gender, experience, age and knowledge and are not affected by any implicit bias that may entail any kind of discrimination, giving priority to ensuring that the positions are held by honourable, suitable persons of recognised solvency, competence, experience, qualifications, training, availability and commitment to their duties and giving priority to the appropriate balance of the Board of Directors as a whole, so that it enriches the decision-making process and contributes multiple points of view to the discussion of the matters within its power. Proof of the diversity principles applied is the diverse nature of the the Company's Board

members in terms of training, experience and age, and that the number of women on the Board exceeds the target set out in the Good Governance Code for Listed Companies for 2020 (women currently make up 35.71% of the Company's Board of Directors).

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, and which makes it possible to achieve a balance between men and women. Also state whether these measures include encouraging the company to have a significant number of female senior managers:

Explanation of measures
In accordance with section 15.5 of the Board Regulation, the Board of Directors and the Appointments Committee, within the scope of their respective powers, will ensure that persons of renowned solvency, competence and experience are elected as candidates, and will exercise the utmost care when inviting persons to fill the position of independent director provided for in section 5 of the Board Regulations. The decisions taken have not be affected by any bias in the selection of female directors (or of male versus female directors), as women who met the required professional profile for participation on the board were proposed, when appropriate.

In the event that there are few or no female directors or senior managers in spite of any measures adopted, please explain the reasons that justify such a situation:

Explicación de los motivos

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the policy aimed at favoring an appropriate composition of the Board of Directors.

In each proposal or report on the appointment and re-election of Board members, the Appointments Committee has taken into consideration compliance with the policy for the selection of directors.

C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name or company name of shareholder	**Reason**

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes ☐ No ☐

Name or company name of shareholder	Explanation

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name or company name of director or committee	Brief description
Ismael Clemente Orrego	Chief Executive Officer with the powers that may be legally delegated and joint attorney-in-fact.
Miguel Ollero Barrera	Joint attorney-in-fact

C.1.10 Identify any members of the Board who are also directors, representative of directors or officers in other companies in the group of which the listed company is a member:

Name or company name of director	Name of group member	Position	Does the director have executive powers?
Ismael Clemente Orrego	La Vital Centro Comercial y de Ocio, S.L.	Joint director	Yes
Ismael Clemente Orrego	Merlin Logística, S.L.U.	Joint director	Yes
Ismael Clemente Orrego	Merlin Oficinas, S.L.U.	Joint director	Yes
Ismael Clemente Orrego	Merlin Retail, S.L.U.	Joint director	Yes
Ismael Clemente Orrego	Metropark, S.A.U.	Joint director	Yes
Ismael Clemente Orrego	Parc Logistic de la Zona Franca, S.A.U.	Joint director	Yes
Ismael Clemente Orrego	Paseo Comercial Carlos III, S.A.	Director's representative	Yes
Ismael Clemente Orrego	Sadorma 2003, S.L.U.	Director's representative	Yes
Ismael Clemente Orrego	Sevisur Logistica, S.A.U.	Joint director	Yes
Ismael Clemente Orrego	Tree Inversiones Inmobiliarias Socimi, S.A.U.	Joint director	Yes
Ismael Clemente Orrego	Varitelia Distribuciones, S.L.U.	Joint director	Yes
Ismael Clemente Orrego	Exhibitions Company, S.A.U.	Joint director	Yes
Ismael Clemente Orrego	Torre Fernao Magalhaes Investimentos Inmobiliarios, S.A.	Director	Yes
Ismael Clemente Orrego	Torre Arts Investimentos Inmobiliarios, S.A.	Director	Yes
Ismael Clemente Orrego	Forum Almada - Gestao de Centro Comercial, S.U. Lda.	Director	Yes
Ismael Clemente Orrego	Forum Almada II, S.A.	Director	Yes

Ismael Clemente Orrego	MP Monumental, S.A.	Director	Yes
Ismael Clemente Orrego	MP Torre A, S.A.	Director	Yes
Ismael Clemente Orrego	MPCVI Compra e Venda Imobiliária, S.A.	Director	Yes
Ismael Clemente Orrego	MPEP – Properties Escritórios Portugal, S.A.	Director	Yes
Ismael Clemente Orrego	Praça de Marques - Servicios Auxiliares, S.A.	Director	Yes
Ismael Clemente Orrego	Promosete – Investimentos Imobiliários, S.A.	Director	Yes
Ismael Clemente Orrego	Torre Dos Oceanus Investimentos Imobiliarios, S.A.	Director	Yes
Ismael Clemente Orrego	VFX Logistica, S.A.	Director	Yes
Miguel Ollero Barrera	La Vital Centro Comercial y de Ocio, S.L.	Joint director	Yes
Miguel Ollero Barrera	Merlin Logística, S.L.U.	Joint director	Yes
Miguel Ollero Barrera	Merlin Oficinas, S.L.U.	Joint director	Yes
Miguel Ollero Barrera	Merlin Retail, S.L.U.	Joint director	Yes
Miguel Ollero Barrera	Metropark, S.A.U.	Joint director	Yes
Miguel Ollero Barrera	Parc Logistic de la Zona Franca, S.A.U.	Joint director	Yes
Miguel Ollero Barrera	Paseo Comercial Carlos III, S.A.	Director's representative	Yes
Miguel Ollero Barrera	Sevisur Logistica, S.A.U.	Joint director	Yes
Miguel Ollero Barrera	Tree Inversiones Inmobiliarias Socimi, S.A.U.	Joint director	Yes
Miguel Ollero Barrera	Varitelia Distribuciones, S.L.U.	Joint director	Yes
Miguel Ollero Barrera	Exhibitions Company, S.A.U.	Joint director	Yes
Miguel Ollero Barrera	Torre Fernao Magalhaes Investimentos Inmobiliarios, S.A.	Director	Yes
Miguel Ollero Barrera	Torre Arts Investimentos Inmobiliarios, S.A.	Director	Yes
Miguel Ollero Barrera	Forum Almada - Gestao de Centro Comercial, S.U. Lda.	Director	Yes
Miguel Ollero Barrera	Forum Almada II, S.A.	Director	Yes
Miguel Ollero Barrera	MP Monumental, S.A.	Director	Yes
Miguel Ollero Barrera	MP Torre A, S.A.	Director	Yes
Miguel Ollero Barrera	MPCVI Compra e Venda Imobiliária, S.A.	Director	Yes
Miguel Ollero Barrera	MPEP – Properties Escritórios Portugal, S.A.	Director	Yes
Miguel Ollero Barrera	Praça de Marques - Servicios Auxiliares, S.A.	Director	Yes
Miguel Ollero Barrera	Promosete – Investimentos Imobiliários, S.A.	Director	Yes
Miguel Ollero Barrera	Torre Dos Oceanus Investimentos Imobiliarios, S.A.	Director	Yes
Miguel Ollero Barrera	VFX Logistica, S.A.	Director	Yes

C.1.11 List any directors, or representatives of legal-person directors, of your company who are members of the board of directors, or representatives of legal-person directors, of other companies listed on regulated markets which are not group companies, and have communicated that status to the Company:

Name or company name of director	Name of group company	Position
Javier García-Carranza Benjumea	Metrovacesa, S.A.	Board member
	Banco Santander México, S.A.	Board member
George Donald Johnston III	Acerinox, S.A.	Independent director Chairman of the Audit and Control Committee
	Banco de Sabadell, S.A.	Independent director Chairman of the Risk Committee Member of the Remuneration Committee
María Luisa Jordá Castro	Grupo Bimbo, company listed on the Mexican Stock Exchange	Independent director Member of the Audit and Corporate Practices Committee
	Bankinter, S.A.	Independent director Member of the Risk Committee and Chairman of the Audit and Regulatory Compliance Committee
Ana García Fau	Eutelsat Communications, S.A.	Independent director Member of the Audit and Regulatory Compliance Committee
	Gestamp Automoción, S.A.	Independent director Member of the Audit Committee

	Euskatel, S.A.	Independent director Chairman of the Audit Committee
Juan María Aguirre Gonzalo	Sacyr, S.A.	Lead director Member of the Audit Committee Member of the Executive Committee
Emilio Novela Berlín	Talgo, S.A.	Lead director Chairman of the Audit Committee

Remarks

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes ☒ No ☐

Explanation of the rules and identification of the document where this is regulated
Article 15.7 of the Board Regulations establishes that the Company's directors may sit on a maximum of four (4) boards of other listed companies (other than MERLIN). Executive directors must have authorisation from the Board of Directors, following a report from the Appointments Committee, before sitting on the boards of any listed company.

C.1.13 State total remuneration received by the following Board of Directors:

Board remuneration in financial year (thousand euros)	**3,149**
Amount of vested pension interests for current members (thousand euros)	-
Amount of vested pension interests for former members (thousand euros)	-

Remarks

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name of individual or company	Position
David Brush	Chief Investment Officer
Fernando Lacadena	Chief Financial Officer
Javier Zarrabeitia	Manager
Luis Lázaro	Manager
Jon Ander Navarro	Internal Audit Manager

Number of women in senior management	**0**
Percentage of total members of senior management	**0%**

Total senior management remuneration (thousand euros)	1,891

Remarks
Jesús Vicente left the Group in December 2020.

C.1.15 State whether the Board rules were amended during the year:

Yes ☒ No ☐

Description of amendment
In 2020, the Board of Directors resolved to amend the Board Regulations on two occasions: (i) first, at the Board meeting held on **27 February 2020**, to to correct errors detected (i.e. incorrect cross-references) and to individually and clearly assign in the Regulations the functions that corresponded to and had been exercised in 2019 by the Remuneration and Appointments Committees, (ii) second, at the Board meeting held on **16 December 2020**, in order to (a) bring the Regulations into line with the changes made as a result of the reform of the Good Governance Code for Listed Companies, approved by the board of the Spanish National Securities Market Commission on 26 June 2020; (b) reflect the fact that the Appointments Committee and the Remuneration Committee will now be governed by their own regulations; (c) include an improvement in the regulation of the functions of the non-executive chairman of the Board of Directors, bringing it into line with the standard set out in the corporate governance regulations of the main Ibex 35 companies; (d) systematic update and improve the regulation of the functions of the Board of Directors, in the framework of which the limits currently in force were reviewed and updated in accordance with the customary regulations of companies that form part of the Ibex 35.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

Selection of directors

The Board ensures that, in the composition of this body, external or non-executive directors represent a majority over executive directors and that these are the minimum necessary. Likewise, the Board ensures that member selection procedures favour diversity of gender, experience, and knowledge and are not affected by any implicit bias that may entail any kind of discrimination, and in particular, that they facilitate the selection of women directors. The Board and the Appointments Committee also ensure that persons of acknowledged solvency, competence and experience are elected, and its standards must be particularly stringent in relation to persons proposed as independent directors in accordance with section 5 of the Board Regulations.

Appointment of directors

The General Shareholders Meeting or, where appropriate, the Board of Directors itself, is entitled to appoint Board members, subject to the legal provisions in force and the Articles of Association.

Proposals to appoint directors submitted by the Board of Directors to the shareholders at the Annual General Meeting and the resolutions on appointments passed by the Board of Directors, under its legally attributed powers of co-option, must be accompanied by the corresponding proposal from the Appointments Committee, in the case of independent directors, and by a report in the case of the other directors.

Board members will be subject, to the extent applicable, to regulations on incompatibilities of personnel employed by public authorities and in the central government, and other regulations on incompatibilities.

The directors will discharge their duties for the period envisaged in the Articles of Association (six years) and may be re-elected one or more times for periods of equal length.

Directors appointed by co-option will hold their position until the date of the next General Meeting or until the period established by law for holding the General Meeting at which the financial statements for the previous year are to be approved has ended.

Re-election of directors

Prior to re-electing directors, the Appointments Committee, as part of its proposal or report, evaluates the needs of the Board of Directors, as well as compliance with the director selection policy. Accordingly, before proposing the re-election of directors at the General Meeting, the Board evaluates, without involvement from the directors in question, the quality of work and dedication to office of the proposed directors during the previous mandate.

Removal of directors

Directors will cease to hold office when the term for which they were appointed has expired, when the next General Meeting has been held or when the period established by law for holding the General Meeting at which the financial statements for the previous year are to be approved has ended, when the shareholders at the General Meeting so decide, using the powers conferred upon them by law or the Articles of Association, or when they resign.

The Board of Directors will not propose the removal of any independent directors before the period established in the Articles of Association for their appointment has elapsed, unless the Board considers there is just cause to do so, subject to a report by the Appointments Committee. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation gives rise to a change in the Company's capital structure, in order to meet the proportionality criterion. Likewise, just cause will be considered to exist when the director has infringed the duties inherent to their position or when they, due to a supervening cause, have become subject to any of the circumstances impeding the discharge of duties as an independent director, per the definition thereof that may be established in current regulations or, failing this, the good corporate governance recommendations applicable to the Company at any given time.

Directors must tender their resignation to the Board and, if the Board considers it appropriate, resign in those cases listed in section 18. 3 of the Board Regulations.

When directors vacate their positions before their tenure concludes, either as a result of their resignation or

for any other reason, they must explain their reasons in a letter submitted to all the Board members.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organization and to procedures applicable to its activities:

Description of amendment
The assessment of the Board of Directors was satisfactory, whereby the average rating of the directors is high, expressing their satisfaction with regard to the performance of the Board's responsibilities. However, although opportunities for improvement have been identified, it was not necessary to implement any relevant measures. With regard to the opportunities for improvement, an analysis was begun to assess the appropriateness and reasonableness of creating a Sustainability Committee independent from the other committees.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas
In accordance with the recommendations of the Good Governance Code for Listed Companies, the Company periodically contracts an external consultant to evaluate the functioning and composition of the Board of Directors and its committees. Accordingly, the independent consultant Egon Zehnder provided advisory services to the Company in 2017. Subsequently, in 2018 and 2019, it was not considered necessary to contract an external consultant to re-assess the functioning of the Board and its committees, whereby the Company carried out a self-assessment process by means of a personal and individual questionnaire sent to all the directors, in which they were asked for their opinion in relation to the composition, competencies and functioning of the Board of Directors and its committees, and in relation to the Company's Chairman and the Chief Executive Officer. In addition, the various committees have been issuing the corresponding reports on their activities, as well as reports on the assessment of and compliance with their obligations in accordance with the Articles of Association, regulations and good corporate governance recommendations. The Appointments Committee also issues a specific report evaluating the Board of Directors (also on the basis of the questionnaires sent). An external advisor was once again hired for 2020, in this case KPMG. The process consisted of personal interviews with each of the Board members and the evaluation by means of questionnaires containing more than 100 questions relating to the recommendations of the Good Governance Code for Listed Companies, as well as the functions attributed to the Board and its committees by the Corporate Enterprises Act, the Articles of Association and the Board Regulations. Likewise, this evaluation also focused on the analysis of the corporate governance requirements of ESG analysts and on the comparison of the practices followed by other organisations that are considered to be best market practices.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

As described above, the Company hired Egon Zehnder in 2017 and KPMG in 2020 for the process of assessing the functioning of the Board and its committees, without there being any business relationships between these consultants and the Company or any Group company, except for the collaboration of KPMG with the Remuneration Committee on matters regarding compensation, which was analysed when they were hired and with regard to which it was concluded that there was no reason they could not be hired.

C.1.19 State the situations in which directors are required to resign.

In accordance with section 18.3 of the Board Regulations, directors must tender their resignation to the Board of Directors and resign if the latter considers it appropriate, in the following cases:

(i) when they cease to hold the executive position with which, where applicable, their appointment as director is associated;

(ii) when they become subject to any incompatibility or prohibition stated by law;

(iii) when they have been seriously reprimanded by the Board of Directors for having breached any of their obligations as directors;

(iv) when they are indicted for any purported offences or disciplinary proceedings are brought against them by the supervisory bodies for serious or gross misconduct;

(v) when their remaining on the Board of Directors could jeopardise or put the Company's interests at risk or when the reasons for which they were appointed no longer exist;

(vi) when they sit on more than four boards of directors of other listed companies (other than Merlin) (and, additionally, in the case of executive directors, if they sit on the board of directors of listed companies without the prior consent of the Company's Board of Directors);

(vii) when there are significant changes in their employment situation or in the conditions relevant to their appointments as directors; and

(viii) when, due to events attributable to the director, their remaining on the Board of Directors would, in the Board's opinion, cause serious harm to the Company's assets or reputation.

The above regulations are supplemented by the director selection, appointment and removal policy approved by the Board of Directors in February 2016, and updated on 29 January 2020.

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

Yes ☐ No ☒

If so, please describe any differences.

Description of differences

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes ☐ No ☒

Description of requirements

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes ☐ No ☒

	Age limit

Chairman	
Chief Executive Officer	
Director	

Remarks

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes ☐ No ☒

Additional requirements and/or maximum number of term limits	

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for voting at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated, beyond those established by law. In the event, give a brief outline of these rules.

In accordance with Article 41 of the Articles of Association and, in particular, section 14 of the Board Regulations, the Directors must attend Board meetings and, when they are unable to attend in person, they must appoint another Board member as their proxy, in writing and specifically for each session, including the appropriate instructions and notifying the Chairman of the Board.

Non-executive directors may only appoint another non-executive director as their proxy. The proxy may be granted by post, electronic means or fax, provided that the identity of the director and the meaning of the instructions are assured.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	**16**
Number of Board meetings without the chairman in attendance	**1**

Remarks
The Board meetings held on May 19th 2020, June 5th 2020 and July 2nd 2020, adopted resolutions by written procedures and without a session being held.

State the number of meetings held by the coordinating director with the other directors,

where there was neither attendance nor representation of any executive director:

Number of meetings	14

Remarks
In addition to these meetings, in 2020 the director that held the position of coordinator director, at any given time, maintained direct telephone contact with the independent directors.

State the number of meetings held in the year by the various committees of the board:

Number of meetings held by the Executive Committee	**---**
Number of meetings held by the Audit Committee	**14**
Number of Meetings held by the Appointments and Remuneration Committee	**---**
Number of meetings held by the Appointments Committee	**11**
Number of meetings held by the Remuneration Committee	**11**
Number of meetings held by the ____ Committee	**---**

Remarks
The Appointments Committee and the Remuneration Committee have also held one meeting each within the Board of Directors, on the 18th of June 2020

C.1.26 State the number of meetings held by the Board of Directors during the and the attendance by its members.

Number of meetings in situ when at least 80% of directors attended	**16**
% of attendance over total votes during the year	**97.17%**
Number of meetings in situ or representations made with specific instructions of all directors	**13**
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	**98.59%**

Remarks

C.1.27 State whether the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes ☒ No ☐

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position
Ismael Clemente Orrego	Chief Executive Officer
Miguel Ollero Barrera	Corporate General Manager and COO
Fernando Lacadena Azpeitia	Chief Financial Officer

Remarks
The process of certifying the separate and consolidated financial statements takes place every six months, i.e. prior to the authorisation for issue of the annual and half-yearly financial statements for each year.

C.1.28 Explain any measures established by the Board of Directors to ensure that the financial statements submitted by the Board to the General Shareholders' Meeting are prepared in compliance with accounting regulations.

The Audit and Control Committee, within the functions established in its own Regulations, is responsible for supervising the process of preparing and presenting mandatory financial information relating to the Company and presenting recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity, and supervising compliance with regulatory requirements, the accurate differentiation of the scope of consolidation and the correct application of accounting criteria.

In relation to the process of preparing and presenting mandatory financial information relating to the Company and its group, in 2020 and prior to its presentation to the Board of Directors, the Committee analysed and supervised the following information that the Board of Directors must provide to the market and send to the Spanish National Securities Market Commission (CNMV), by virtue of its status as a listed company, in order to ensure the accuracy, reliability, adequacy and clarity of the information:

- **The quarterly and half-yearly periodic financial information for 2020** of MERLIN and its consolidated group, verifying the accurate demarcation of the scope of consolidation, the uniformity of accounting criteria and the identification of accounting risks that could jeopardise the audit opinion on the 2020 financial statements.

- **The separate and consolidated annual financial statements and directors' reports for 2019** of MERLIN and its consolidated group, having analysed the process of preparing this information and the guarantees existing within the Company's Internal Control Model, as well as the accurate demarcation of the scope of consolidation and the correct application of the accounting principles used (IFRS and Spanish national chart of accounts).

With regard to the **quarterly and half-yearly periodic financial information for 2020**, the Committee decided, at its meetings held on 12 May, 28 July and 10 November, to submit **favourable reports on the aforementioned periodic financial information** to MERLIN's Board of Directors, verifying at the July meeting that the limited review report on the half-yearly financial statements for 2020 contained a favourable and unqualified conclusion.

Accordingly, and in accordance with the **Auditor Procurement and Relations Framework Policy**, approved on 13 November 2017 and in accordance with that established in the 2020 Work Plan with the external auditor, drawn up on 11 December 2019, in 2020 the Committee established the appropriate relationships with the Auditor, Deloitte, S.L., with the aim of supervising the progress of the audit work,

being aware of its significant findings, supervising its fees and work assignments, and ensuring that the opinion on the financial statements and the main contents of the auditor's report, as well as the special report, were drafted clearly and accurately.

Therefore, and with **regard to the performance of their work**, in 2020 the Company's external auditors (Deloitte, S.L.) appeared before the Committee **on four occasions**, each time having the opportunity to present their conclusions without the presence of the management team, at the Committee meetings on (i) 19 February, (ii) 25 February 2020, (iii) 28 July 2020, and (iv) 15 December 2020. In addition, the external auditors appeared on one additional occasion in compliance with the Committee's **2020 Training Plan**.

In 2020, the Committee was informed of and supervised the progress of the external audit work, including the planning, the scope of the tests performed, the work schedule, their fees, the risks identified in the audit, the judgements on the applicability of accounting criteria and principles, the opinion on the accounting treatment of significant corporate transactions and the conclusions of the different work reflected in the reports submitted to the Committee during the year.

In this regard, at the Committee meeting held on **25 February 2020**, the representatives of the auditor, Deloitte, S.L., presented the main conclusions of the work performed in relation to the audit of the **separate and consolidated annual financial statements of MERLIN and its consolidated group for 2019**, presenting the draft audit opinion and additional report on the separate and consolidated annual financial statements at 31 December 2019, with a favourable and unqualified opinion.

In addition, at the meeting held on **28 July 2020**, the main conclusions of the work performed in relation to the **limited review of the half-yearly interim financial statements of MERLIN** and its consolidated group for the **first half of 2020** were presented, with a favourable and unqualified conclusion, detailing the main significant events of the period, as well as the main audit risks.

Subsequently, at the meeting held on **15 December 2020**, the auditor presented the work carried out in the **preliminary review as at 30 September 2020** with a view to the review of the financial statements for 2020, and the key audit matters detected in the course of their work.

Lastly, at the Committee meeting held on **23 February 2021**, the representatives of the auditor, Deloitte, S.L., presented the main conclusions of the work performed in relation to the audit of the **separate and consolidated annual financial statements of MERLIN and its consolidated group for 2020**, presenting the draft audit opinion on the separate and consolidated annual financial statements at 31 December 2020, in the same terms that are submitted to a vote at the General Shareholders Meeting and that are accompanied by an auditor's report from Deloitte, S.L. **with a favourable and unqualified opinion**.

It should be noted that historically the auditor's reports on the separate and consolidated annual financial statements prepared by the Board of Directors have been issued without any qualifications, as can be seen in the information on MERLIN Properties on the website of the Spanish National Securities Market Commission (www.cnmv.es), and on the corporate website (www.merlinproperties.com).

C.1.29 Is the secretary of the Board also a director?

Yes ☐ No ☒

If the secretary is not a director, please complete the following table:

Name or company name of the secretary	Representative
Mónica Martín de Vidales Godino	

Remarks

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, and, where appropriate, its financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

A) PROCEDURES TO PRESERVE AUDITOR INDEPENDENCE

The Company's Corporate Governance System ensures that the necessary relationships are established between the Audit and Compliance Committee and the auditor so that the latter receives timely information from the Committee on matters that may pose a threat to its independence.

MERLIN has a **Auditor Procurement and Framework Relations Policy**, approved by the Audit and Control Committee on 13 November 2017, which establishes the guiding principles and regulates the process for the selection, appointment, reappointment and separation of the auditor of the separate and consolidated financial statements, the procedure for contracting other services in addition to the audit of the financial statements, as well as the procedures for assessing the independence and criteria for the annual assessment of the auditor.

With regard to auditor independence, this Policy establishes that:

- The Audit and Control Committee will ensure that the Company's auditors are independent and that this independence is manifest in relations between the two companies. To this end, the Audit and Control Committee will authorise, prior to its formalisation, any contract that the Company intends to enter into with the auditor (or member of its network) for the provision of non-audit services to the Company or to any companies of its Group, in order to be able to analyse individually and globally any threats to the auditor's independence that may arise from such contracts.
- The Audit and Control Committee will also immediately report any procurement of any audit and non-audit services from any firms that conduct audits in the Group companies, with sufficient detail to allow for a comprehensive and effective analysis of the impact that the procurement of such services could entail in terms of independence from an individual and joint perspective.
- In accordance with current applicable law, the Audit and Control Committee considers that there would be a clear threat to auditor independence when the fees accrued for the provision of audit and non-audit services that the Company and any other Group company expect to pay to the auditor or audit firm, or to a member of its network, represent more than fifteen percent (15%) of the total annual income of the auditor or audit firm and the aforementioned network in each of the last three consecutive years.
- In addition, the total fees received for non-audit services may not exceed seventy percent (70%) of the average fees paid in the last three years for audit work provided to the Company and the other Group companies.
- The Audit and Control Committee must receive, on an annual basis, written confirmation from the Company's auditor of its independence with regard to the Company or entities directly or indirectly connected thereto, as well as a detailed breakdown of any non-audit services provided by the auditor or by persons or entities related to the auditor in accordance with current audit regulations.
- The Audit and Control Committee will issue, on an annual basis and prior to issuing the auditor's report, a report expressing an opinion on auditor independence. This report, which must be made available at the General Shareholders Meeting, must contain an assessment of the potential impact on auditor independence of each and every one of the additional services, other than the statutory audit, referred to in the previous paragraph, individually and as a whole.
- The Audit and Control Committee will refrain from proposing to the Board of Directors, which in

turn will refrain from submitting the proposal at the General Shareholders Meeting, the appointment as auditor to the Company of any audit firm if it has evidence that the firm is affected by a lack of independence, prohibition, or incompatibility, pursuant to current audit regulations.

- In order to assess auditor independence, the Audit and Control Committee will take into consideration the following aspects:
    - The current law in force at any given time regarding the independence of auditors.
    - Receive information on the inclusion of professionals from any of the Group's audit firms to any Group companies.
    - Request explanations from the auditor regarding the internal quality control system in place in terms of independence, as well as information on the internal rotation practices of the audit partner and their staff.
    - Discuss with the auditor any circumstance that may threaten its independence and assess the effectiveness of the safeguards adopted, and understand and assess all relationships between the Company and its related entities and the auditor and its network, involving the provision of non-audit services or any other type of relationship.
    - Ensure that the auditor's remuneration does not compromise the quality of their work or independence.
    - Analyse any changes that may be made to the total remuneration of the auditor.
    - Gather relevant internal information from the Company regarding auditor independence, from the finance department, the internal audit department or other assurance functions, as well as information that may be provided by the auditor.

The Audit and Control Committee receives, on an annual basis, written confirmation from the Company's auditor of its independence with regard to the Company or entities directly or indirectly connected thereto, as well as a detailed breakdown of any non-audit services provided by the auditor or by persons or entities related to the auditor in accordance with current audit regulations.

In this regard, the Company's auditor submitted its **statement of independence with regard to the audit of the financial statements for 2019** to the Committee on **25 February 2020**. This communication contained a detailed breakdown of the fees for audit services and audit-related services, as well as any other additional services of any kind provided to MERLIN Properties SOCIMI, S.A. and the companies in its Consolidated Group in 2019.

On this same date, the Auditor submitted to the Audit and Control Committee the Additional Report to the Audit Committee in which the auditor confirmed that it had complied with the applicable independence requirements in accordance with that established in current law.

Likewise, in order to guarantee the independence of the external auditor, the Audit and Control Committee has supervised compliance by both the Company and the external auditor with current regulations on the provision of non-audit services. In this regard, the Committee analysed, among other aspects:

- Compliance with the ***Auditor Procurement and Relations Framework Policy***, whereby the Audit and Control Committee has pre-authorised the contracting of all non-audit services.
- The express statement of the auditor confirming its independence, with a detailed breakdown of the services rendered and fees accrued.
- Express confirmation from the auditor of the establishment of internal procedures aimed at identifying and assessing threats that may arise from circumstances related to audited entities and, where applicable, the application of safeguard measures.
- Individual analysis of the services provided to MERLIN Properties SOCIMI S.A. and the companies in its Consolidated Group.

During the course of the 2019 audit, the Committee did not identify any situations that could have posed a threat to the auditor's independence and, therefore, the Committee concluded its analysis of the auditor's independence by stating that the auditor has acted in accordance with the independence rules that apply pursuant to current audit regulations.

In this regard, **on 25 February 2020, the Audit and Control Committee submitted its Annual Report on Auditor Independence to the Board of Directors**. This report is available to any interested party on the corporate website.

http://www.merlinproperties.com/gobierno-corporativo/informes-anuales/

B) PROCEDURES TO PRESERVE THE INDEPENDENCE OF FINANCIAL ANALYSTS, INVESTMENT BANKS AND RATING AGENCIES

On 26 February 2016, the Company's Board of Directors approved the **Policy for Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors** in which, in addition to complying with the transparency and reporting obligations stipulated by law and the Company's corporate governance system, it recognises that one of its main objectives is to act transparently towards shareholders, investors and other stakeholders, as well as towards proxy advisors.

The guiding principles underlying the Company's relationship with financial analysts, investment banks and rating agencies are as follows:

a) transparency, truthfulness and immediacy in the dissemination of information, so that all shareholders, investors and other stakeholders receive the information that is both legally and voluntarily published by the Company, in a clear and accessible manner as soon as possible;

b) parity, applying identical treatment to all shareholders, investors and other stakeholders with regard to the information to be supplied, eliminating any type of bias that might lead to differentiation among them, without prejudice to the possibility that the Company may opt for different communication channels, depending on each of the target groups;

c) adequacy and completeness, in the sense of providing all information that is adequate and allows shareholders, investors and other stakeholders to exercise their rights with the Company and the Group with full knowledge of the situation;

d) recurrence and regularity, in the sense of publishing information with a minimum frequency (without prejudice to any other information that may be voluntarily published by the Group), allowing shareholders, investors and other stakeholders to have at least a basic recurring knowledge of the Group's activity.

e) accessibility, making available to shareholders, investors and other stakeholders effective means of communication that allow them access to the actions or proposals in relation to the Company's management and activities, taking advantage of the benefits offered by new technologies;

f) collaboration with shareholders so that the practices on reporting and relations with markets are transparent, efficient and in accordance with corporate interest and encourage shareholder involvement in the Company;

h) compliance with the provisions of the law, corporate governance system, and cooperation and transparency vis-à-vis the competent authorities, regulatory bodies and governments.

The Company has a specific investor relations department (the "Investor Relations Department") that protects the independence of financial analysts by treating them fairly, objectively and in a non-discriminatory manner. This department is responsible for coordinating, analysing and managing relations and contacts with shareholders, investors and other stakeholders, as well as continuously and individually (although in no case in a discriminatory manner) responding to enquiries from analysts and institutional

investors.

In order to implement the aforementioned general principles, and always in strict compliance with regulations relating to the securities markets, the Company will publish the corresponding information through the following main communication channels:

- Communications of significant events to the Spanish National Securities Market Commission.
- The Company's recurring channel of communication with shareholders, investors and other stakeholders is its corporate website (www.merlinproperties.com).
- The Board, through some of its directors and in collaboration with any senior management it considers appropriate, may organise informative briefings on the running of the Company and its Group for shareholders that are part of the most important financial centres.

In implementing the principle of collaboration with shareholders, the Board will encourage the informed participation of the shareholders at the General Meetings and will adopt any measures considered advisable to facilitate the exercise of their functions pursuant to the law and the Articles of Association.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes ☐ No ☒

Outgoing auditor	Incoming auditor

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes ☐ No ☐

Explanation of disagreements

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the percentage of such amount over the fees invoiced for audit services to the company and/or Group:

Yes ☒ No ☐

	Society	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	132	6	138

Amount invoiced for non-audit services/Amount for audit work (in %)	27.83%	5.11%	23.32%

Remarks
The fees received for non-audit work relate mainly to: - Comfort letters issued in relation to the bond programme - Agreed procedures for compliance with financial covenants - Review of Section F (ICFR) of the Annual Corporate Governance Report (ACGR) - Agreed procedures related to remuneration programmes - Agreed procedures for sustainable KPIs of the syndicated loan

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes ☐ No ☒

Explanation of reasons and direct link to the related document made available to the shareholders with the call notice

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	**Consolidated**
Number of consecutive years	**7**	**7**

	Individual	**Consolidated**
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	**100%**	**100%**

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes ☒ No ☐

Provide details of the procedures
Pursuant to section 21 of the Board Regulations, in order to receive support in the performance of their duties, non-executive directors may request the engagement, at the Company's expense, of legal, accounting or financial advisors or other experts. The engagement must necessarily be related to specific problems of certain importance and complexity that the directors are faced with in discharging their duties. The request to engage these services must be reported to the Chairman of the Company, and may, however, be rejected by the Board of Directors, if it shows: a. it is not necessary for the proper performance of the tasks entrusted to the non-executive directors. b. the cost thereof is not reasonable in view of the importance of the problem and the assets and income of the Company; c. the technical assistance sought can be adequately provided by the Company's own experts and specialists; d. it represents a risk to the confidentiality of the information that needs to be handled. To date, the Board of Directors has not rejected any request by the Company to engage legal, accounting or financial advisors or other experts at the Company's expense when their participation has been requested.

C.1.36 State whether the company has established rules whereby directors must report and, if applicable, resign, where situations involving them arise, whether or not related to their actions at the company itself, which may damage the company's standing and reputation. If so, provide details:

Yes ☒ No ☐

Explain the rules
Pursuant to section 31.3 of the Board Regulations, directors must inform the Company of any circumstances that affect them and may harm the Company's name or reputation, with particular mention of any criminal charges brought against them and the progress of any subsequent trial. In relation to the foregoing, on 27 February 2018 the Board of Directors approved a procedure for directors who are subject to oral proceedings to inform the Board of such circumstance so that it may act accordingly. The Board of Directors may, after examining the situation presented by the director, require the director to resign and the director must abide by this decision. Furthermore, in accordance with section 18.3 of the Board Regulations, directors must tender their resignation to the Board and resign if the latter considers it appropriate, in the following cases (among others): (a) when they cease to hold the executive position with which, where applicable, their appointment as director is associated; (b) when they become subject to any incompatibility or prohibition provided for by law; (c) when they have been seriously reprimanded by the Board for having breached any of their obligations as directors; (d) when they are indicted for any purported offences or disciplinary proceedings are brought against them by the supervisory bodies for serious or gross misconduct; (e) when their remaining on the Board could jeopardise or put the Company's interests at risk or when the reasons for which they were appointed no longer exist. In particular, in the case of non-executive proprietary directors, when the shareholder they represent sells in full or significantly reduces their shareholding. If such shareholders reduce their ownership interest, thereby losing some of their entitlement to non-executive proprietary directors, the latters' number should be reduced accordingly; (f) when they sit on more than four boards of directors of other listed companies; (g) when there are significant changes in their employment situation or in the conditions relevant to their appointments as directors; (h) when, due to events attributable to the

director, their remaining on the Board would, in the Board's opinion, cause serious harm to the Company's assets or reputation.

C.1.37 State, unless special circumstances have arisen and have been placed on record in the minutes, whether the Board has been informed, or has otherwise become aware, of any situation involving a director, whether or not related to his/her action at the company itself, which may damage the company's standing or reputation:

Yes ☐ No ☒

Name of director	Nature of the situation	Remarks

In the preceding case, state whether the Board of Directors has examined the case. If so, explain (giving reasons) whether, having regard to the specific circumstances, any measure has been taken to open an internal investigation, to ask the director to resign or to propose his/her removal. Also state whether the decision of the Board was based on a report by the appointments committee.

Yes ☐ No ☐

Decision/Action taken	Explanation

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

In the event of a change of control:

- The lock-up period will not apply to shares granted under the 2016 Management Stock Plan.
- Executive directors may voluntarily terminate their relationship with the Company within three months of the occurrence of such an event and will receive the compensation described in subsection C.1.39.
- LTIP (long-term incentive for the 2017-2019 period) rights are paid early.
- The Management Team's deferred annual bonus will be fully vested and payable within 10 business days following the date of the change of control.

For these purposes, a change of control will be considered to exist when either of the following two situations occurs:

a) A new shareholder directly or indirectly acquires more than 30% of the Company's share capital.
b) A new shareholder is able to appoint the majority of members of the managing body.

The Company also has various financing arrangements, which regulate the consequences in the event of a change of control in the Company:

a) Term loan: If as a consequence of a change of control the rating is downgraded to non-investment grade within the following 90 days and if so requested by the majority of the lenders (66.66% of total debt), the debt will be repaid.
b) Bonds: In addition, if the rating of the debt is downgraded, the bondholders have a put option.

c) Tree financing: the debt would have to be repaid if approved by the majority of lenders (66.66% total debt).

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Type of beneficiary	Description of agreement
Executive directors (Ismael Clemente Orrego and Miguel Ollero Barrera) and senior executives	**The contracts in force with the executive directors include severance if their relationship with the Company is terminated as a result of:** (i) the removal or termination of their position as executive director without cause. Cause will be considered to exist when such removal or termination is due to (a) a serious breach or failure to comply with the duties and obligations that correspond thereto by law, or (b) any action or omission that causes serious damage to the Company, and provided that, in both cases, the concurrence of such cause has been declared by a competent court. (ii) a resignation or voluntary departure due to a substantial change in the working conditions of the executive director that is notoriously detrimental to their professional training, a detriment to their dignity, or is decided in serious breach of good faith on the part of the Company. Conversely, the approval of future policies that are economically less favourable, that do not provide for variable remuneration similar to the Executive STIP or LTIP, or future decisions by the Company not to approve long-term incentive plans similar to the LTIP will not be considered a substantial change for these purposes. (iii) a resignation or voluntary departure due to a change of control (where a change of control is understood in accordance with the regulations governing takeover bids), provided that the termination occurs within three months following the change of control.

	Executive directors would be entitled to receive compensation, provided that the payment does not compromise the Company's solvency: (i) in cases (i) and (ii), an amount equal to the result of multiplying by two the fixed remuneration and the Executive STIP granted to the executive director during the last twelve (12) months prior to termination; and (ii) in case (iii), an amount equal to the sum of the fixed remuneration and the Executive STIP granted to the executive director during the last twelve (12) months prior to termination. Of the aforementioned amounts, an amount equivalent to six (6) monthly payments of fixed remuneration will be paid as remuneration for the post-contractual non-competition agreement. The payment of the severance for termination of the contract, where appropriate, will be withheld until the Company has been able to verify that the director has met the performance criteria established in the different elements of the remuneration package, as the time horizon of these elements is different and, therefore, this period will be assessed and determined when the severance to be received is established. Once this calculation has been performed and it has been verified that the targets for the Executive STIP have been adequately achieved, the Company will pay, together with the resulting STIP, the severance to which the executive director is entitled. **The only senior executive has negotiated severance payments if their relationship with the Company is terminated as a result of:** (i) unilateral termination at the Company's request, unless such termination is based on a serious and culpable breach by the executive pursuant to section 11.2 of Royal Decree 1382/1985. (ii) a resignation or voluntary departure due to a substantial change in the working conditions of the executive director that is notoriously detrimental to their professional training, a detriment to their dignity, or is decided in serious breach of good faith on the part of the Company. Conversely, the approval of future policies that are economically less favourable, that do not provide for variable remuneration similar to the STIP for executives or LTIP, or future decisions by the Company not to approve long-term incentive plans similar to the LTIP will not be considered a substantial change for these purposes. (iii) a resignation or voluntary departure due to a change of control (where a change of control is understood in accordance with the regulations governing takeover bids), provided that the

	termination occurs within three months following the change of control. The executive will be entitled to receive compensation, provided that the payment does not compromise the Company's solvency, equal to the amount of compensation applicable to an employee with an ordinary employment relationship, depending on the termination event in question. If the employment relationship with the Company is terminated at the request of the executive as a result of a change of control (where a change of control is understood in accordance with the regulations governing takeover bids), provided that the termination occurs within three months following the change of control, the executive is entitled to a severance payment equal to that corresponding to the wrongful dismissal of an employee with an ordinary employment relationship. In any case, the maximum severance will be as follows: (i) In cases (i) and (ii), an amount equal to the result of multiplying by 1.5 the fixed remuneration and the STIP granted to the executive during the last twelve months prior to termination. (ii) In case (iii), an amount equal to 50% of the sum of the fixed remuneration and the STIP granted to the executive during the last twelve months prior to termination. The severance paid, if any, will include and absorb the compensation that may correspond thereto by law, so that both severance payments will not be cumulative. **With the rest of the management team, other than the executive directors and the aforementioned senior executive, the regime for termination of their relationships is subject to the provisions of the Workers' Statute and other applicable regulations.**

State whether, outside the cases envisaged by law, these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this.

	Board of Directors	General Shareholders' Meeting
Body authorizing the clauses	X	

	YES	NO
Is the General Shareholders' Meeting notified of these clauses?	X	

Remarks
The General Meeting is informed of these clauses through the Annual Corporate Governance Report.

C.2 **Committees of the Board of Directors**

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

AUDIT COMMITTEE

Name	Post	Category
Juan María Aguirre Gonzalo	Chairman	Independent
María Luisa Jordá Castro	Member	Independent
Ana García Fau	Member	Independent
Francisca Ortega Hernández-Agero	Member	Proprietary
Ana Forner Beltrán	Member	Proprietary

% of proprietary directors	**40%**
% of independent directors	**60%**
% of other external directors	**0%**

Remarks
In 2020, Ana Forner Beltrán, representing Nortia Capital Investment Holding, S.L., a shareholder that acquired an interest in MERLIN's share capital in 2020, joined the Audit and Control Committee.

Explain the functions attributed to this committee and any additional responsibilities provided for by law, and describe the rules and procedures it follows for its organization and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised, in practice, each of the functions attributed to it by law, in the Articles of Association or in other corporate resolutions.

In addition to that established by current law, the Committee is governed by the Articles of Association, the Board Regulations of the Company and, more specifically, the **Audit and Control Committee Regulations**, the last amendment to which was approved by the Board of Directors on **16 December 2020** following a proposal by the Audit and Control Committee itself.

These Committee Regulations incorporate all the aspects included in the recommendations of **Technical Guide 3/2017** of the Spanish National Securities Market Commission (CNMV) on Audit Committees of Public Interest Entities, as well as the **good governance recommendations approved by the CNMV in June 2020**.

All MERLIN's internal regulations (Articles of Association, Board Regulations and Audit and Control Committee Regulations) are available to any interested party on the corporate website (http://www.merlinproperties.com/gobierno-corporativo/normativa-de-gobierno-corporativo/).

With regard to its composition, and in accordance with sections 12 and 13 of the Audit and Control Committee Regulations, the Committee will be composed of a minimum of three (3) and a maximum of five (5) members, **all of whom will be non-executive directors with the majority being independent**; these members will be appointed by the Board of Directors, at the proposal of the Appointments and Remuneration Committee. In the proposal and appointment of its members, the Committee endeavours to seek diversity in its composition, in particular with regard to gender, professional experience, competencies and sector knowledge.

The Committee members, as Board members, must have the experience and knowledge in management,

economic, financial and business areas necessary for a good director. In addition, the Committee as a whole must have the relevant technical knowledge in relation to the sector of activity to which the Company belongs; and at least one of the Committee members must also be appointed taking into account their knowledge and experience in accounting, auditing or both.

In addition to the above, in the proposal and appointment of the members and positions of the Audit and Control Committee, the Appointments Committee and the Board of Directors will ensure that the Chairman of the Committee has the knowledge, skills and experience appropriate to the functions that they are called upon to perform in accounting, auditing or risk management matters; the members of the Committee as a whole have financial and internal control skills; and at least one of the Committee members has IT experience, among other reasons, in order to facilitate efficient supervision of internal control and risk management systems, which generally use complex computer software, and to be able to adequately assess new emerging risks, such as cybersecurity.

The Chairman of the Audit and Control Committee, a position that in all cases will be held by an independent director, will be appointed from among its members and must be replaced every four (4) years, whereby they may be re-elected once a period of one (1) year has elapsed from the end of their tenure, without prejudice to their continuity or re-election as a Committee member.

The Audit and Control Committee, in accordance with section 17 of its Regulations, and prior to the beginning of each year, will approve an annual work plan that includes the specific objectives in relation to each of the functions entrusted thereto, the organisation of information and the agenda of the meetings or other channels of regular communication with the Company's executives, the head of the internal audit department and the external auditor, and the training considered appropriate in order for the Committee to correctly perform its functions.

In this regard, the Committee has carried out its functions during the year in accordance with the ***Work schedule for 2020***, approved by the Committee in December 2019, and it approved the ***Work schedule for 2021*** at its meeting held on 15 December 2020.

In any case, the Committee will be called and meet at least on a quarterly basis to review the periodic financial information that, in accordance with current regulations, the Board of Directors must submit to the stock exchange authorities, as well as the information that the Board of Directors has to approve and include as part of its annual public documents.

These meetings will be attended by the Internal Audit Manager and, when any review report is issued, by the external auditor. At least part of these meetings will take place without the presence of Company management, so that the specific matters arising from the reviews performed can be discussed exclusively with them.

The Committee may also request collaboration and engage external and advisory services, and gather any information or documents available at the Company relating to the matters that are within the Committee's area of authority and that it considers necessary to perform its duties.

The functions of the Committee are detailed in sections 5 to 10 of the specific Audit and Control Committee Regulations. The main competencies of the Committee are as follows:

a. Approve the policy that determines the procedure for the selection and contracting of and relations with the external auditor, as well as any circumstances that could affect its independence and the instruments to provide these relations with due transparency.

b. Propose to the Board of Directors, for submission at the General Shareholders Meeting, the proposal for the selection, appointment, re-election and replacement of the external auditor, as well as the terms of their engagement and, where applicable, their revocation or non-renewal.

c. Receive, on an annual basis, the statement from the external auditor of its independence, as well as information on any type of additional services provided and the related fees received by the auditor or by persons or entities related to the auditor, pursuant to that provided in current audit regulations.

d. Issue an annual report, prior to the issuance of the auditor's report, expressing an opinion on whether the independence of the external auditor has been compromised.

e. Review with the external auditor the main incidents detected during the audit, compare them with management's opinion, verifying that they have been resolved and, if not, understand why not, and follow up on the recommendations of the external auditor.

f. Analyse with the external auditor any significant weaknesses in the internal control system detected in the course of the audit and submit recommendations or proposals to the Board of Directors and the corresponding period for follow-up.

g. Give prior authorisation for non-audit services that the external auditor (or the auditing firm to which it belongs) or the persons or entities related thereto (in accordance with current audit regulations) are to provide to Group companies, under the terms envisaged by law.

h. Supervise the correct application of generally accepted accounting principles and applicable international financial reporting standards and supervise the process of preparing and presenting the Company's financial statements and the periodic financial information that, in accordance with current law, the Company must provide to the markets and their supervisory bodies, as well as the process of preparing and publishing this information, reporting to the Board of Directors prior to its approval and submitting recommendations or proposals aimed at safeguarding its integrity.

i. Review the clarity and integrity of all financial and related non-financial information published by the entity, such as financial statements, directors' reports, risk management and control reports and annual corporate governance reports, ensuring that the half-yearly financial reports and quarterly management statements are drawn up under the same accounting policies as the annual financial reports and, for such purpose, consider whether the auditor should conduct a limited review of the half-yearly financial reports.

j. Supervise the content of the auditor's reports and, where appropriate, of the limited review reports on interim financial statements and other mandatory reports of the external auditor, prior to their issue, in order to avoid qualifications.

k. Ensure, with the collaboration of the internal audit department, that the financial information published on the Company's website is constantly updated and coincides with that prepared by the Company's directors and published, where appropriate, on the CNMV website when required to do so.

l. Approve the direction and work plans of the internal audit department and receive regular information on its activities. In supervising the work plan, the Committee must verify that the main financial and non-financial risk areas of the business have been taken into consideration in the plan, and that its responsibilities are clearly identified and defined for the purpose of adequate coordination with any other assurance functions, such as the risk management and control, management control, regulatory compliance and external audit units.

m. Supervise all matters relating to the different types of risk faced by the Company, including financial or economic risks, contingent liabilities, other off-balance sheet risks, as well as operational, environmental, technological, legal, social, political and reputational risks.

n. Set the risk levels that the Company considers acceptable, which is an executive function of the Board of Directors. Assess, at least on an annual basis, the list of the most significant financial and non-financial risks and the level of tolerance established for each risk based on the information provided by management, the head of the internal audit department and, where applicable, the risk management and control unit.

o. Review the Company's internal control and risk management systems and, in particular, ensure that the system of internal control over financial reporting (ICFR) is correctly designed, so that the main risks are appropriately identified, managed and disclosed.

p. Approve the internal audit plan for the ICFR assessment, and any changes thereto, and receive periodic information on the results of its work, as well as the action plan to correct any deficiencies identified.

q. Hold, at least on an annual basis, a meeting with the heads of the business units where they explain the business trends and the associated risks, and strengthen the idea that the heads of the business units are directly responsible for effectively managing the risks and that there must be a manager assigned to each risk identified.

r. Report to the shareholders at the General Meeting regarding issues raised in relation to matters for which the Committee is responsible and, in particular, regarding the results of the external audit, explaining how it has contributed to the integrity of the financial information and the function that the Committee has carried out in that process.

s. Supervise the process of engaging external real estate asset appraisers, ensuring the application of the rotation policy and the identification of possible conflicts of interest and threats to independence that may call into question their suitability.

t. Review the methodology applied by external real estate appraisers and the significant assumptions used to ensure they are in line with international accounting standards (IAS).

u. Understand and assess the results of the work carried out by the external auditor in relation to the appraisals of the Company's assets.

v. Report to the Board of Directors on the creation or acquisition of holdings in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens, the economic conditions and accounting impact and, where appropriate, the exchange ratio of the structural and corporate changes that the Company plans to carry out and transactions with related parties.

w. Review the annual activities plan of the Criminal Compliance Body, as well as the half-yearly report on its activities to be subsequently submitted to the Board of Directors. Receive information from the Criminal Compliance Body in relation to any relevant issues regarding regulatory compliance and the prevention and correction of illegal or fraudulent conduct.

x. Review, through the Internal Control Body, the Company's internal policies and procedures to verify their effectiveness regarding anti-money laundering and countering the financing of terrorism and to identify possible policies or procedures that are more effective in promoting the highest ethical standards, to be submitted to the Board of Directors.

The Committee performs its functions with complete independence and full operational autonomy, being directed by its Chairman, who is responsible for calling meetings, proposing the agenda of the matters to be discussed and requesting the attendance of any director, executive or employee of the

Company or the external auditor or any other external party that may be necessary for the performance of its functions.

In 2020, the Committee met on fourteen (14) occasions (in particular, on 9 January, 28 January, 19 February, 25 February, 24 March, 20 April, 12 May, 15 June, 22 July, 28 July, 14 September, 6 October, 10 November and 15 December)The meetings in January and February were held in person at the Company's registered office and from March onwards by videoconference due to the safety measures adopted by MERLIN as a result of the health crisis caused by the COVID-19 pandemic.

In addition to its members, the Audit and Control Committee meetings were attended by the Company's employees and executives, such as the Executive Director and Corporate General Manager, the Chief Financial Officer, the Manager of Legal Affairs, the Head of the Tax Department, the Internal Audit Manager, the Logistics Business Manager, the Loom Business Manager, the Coordinator of Asset Valuations and the Systems Manager, to discuss the items on the agenda for which they had been summoned.

Likewise, the external auditor attended four Committee meetings to report on the 2019 audit, the limited review of the first half of 2020, the preliminary work for the 2020 audit, and the update of the accounting and tax regulations, as part of the Committee's training plan.

As general information, at its meetings in 2020 and in exercising the functions attributed thereto, the Committee has:

i. Submitted to the Board of Directors various reports in relation to the presentation of the separate and consolidated financial statements for the year ended 31 December 2019, as well as the quarterly and half-yearly financial information and directors' reports required (in 2020) of the Company, as a listed company, in accordance with applicable regulations;

ii. Reported to the Board of Directors on the external audit carried out in relation to the year ended 31 December 2019, as well as the limited and preliminary reviews carried out by the external auditor in relation to the financial information for the first half of the year and the preliminary closing information required of the Company in 2020.

iii. Presented to the Board of Directors all the work entrusted to the external auditor (Deloitte) during the current year and their prior analysis of the engagement in terms of independence and compatibility in accordance with the Spanish Audit Law (*Ley de Auditoría*).

iv. Supervised the process of engaging external real estate asset appraisers carried out in 2020, ensuring the application of the rotation policy and the identification of possible conflicts of interest and threats to independence that may call into question their suitability.

v. Reviewed that the methodology and the significant assumptions applied by external real estate appraisers, were in line with international accounting standards (IAS).

vi. Understand and assess the results of the work carried out by the external auditor in relation to the appraisals of the Company's assets.

vii. Recorded the related party transactions, informed the Board of Directors for its approval, as the case may be.

viii. Took note of and reported favourably to the Board of Directors on any accounting and tax aspects of corporate transactions.

ix.	Updated the 2020 Risk Map in accordance with the COSO-ERM 2017 methodology, with special emphasis on the risks heightened by COVID-19 and the monitoring of the main business risks on a regular basis through the appearance of the heads of the business units together with their explanation of the business trends and associated risks.
x.	Analysed the risks affecting the Company in terms of technological and cybersecurity risks, overseeing the IT Department's action plans in this area.
xi.	Reviewed the tax policies followed during the year, before preparing the financial statements and filing corporation tax returns, in compliance with MERLIN's Tax Policy.
xii.	Supervised the execution of the internal audit work within the framework of the internal control systems and in accordance with the 2020 Annual Activities Plan approved at the meeting held on 11 December 2019, monitoring compliance by the Company's management with its recommendations.
xiii.	Reviewed the activities of the different control bodies established in the Company for the supervision and management of criminal risks (Criminal Control Body) and in matters regarding anti-money laundering and countering the financing of terrorism (Internal Control Body).
xiv.	Supervised the functioning of the ICFR system and, in turn, reviewed the internal audit reports on this system, reviewing the ICFR Manual and the Group's Accounting Policies Manual.
xv.	Verified the performance of the work carried out by Company management with regard to data protection regulations, ensuring that the control systems that minimise the risk of vulnerability of the rights of those that use the Company's assets are implemented at all times.
xvi.	Fostered a comprehensive improvement to the Company's Corporate Governance System, by reviewing the existing model with the new requirements on non-financial information, even though it is not applicable to the Company. The Committee is also analysing the New Good Governance Code, approved by the CNMV in June 2020, with a view to moving towards improving MERLIN's Governance System to comply with the amendments and new recommendations issued by the CNMV.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	Juan María Aguirre Gonzalo María Luisa Jordá Castro Ana García Fau Francisca Ortega Hernández-Agero Ana Forner Beltrán
Date of appointment of the chairperson	7 May 2018

Remarks

APPOINTMENTS COMMITTEE

Name	Post	Category
Pilar Cavero Maestre	Chairman	Independent
George Donald Johnston III	Member	Independent
Ignacio Gil-Casares Satrústegui	Member	Proprietary
Juan María Aguirre Gonzalo	Member	Independent

% of proprietary directors	**25%**
% of independent directors	**75%**
% of other external directors	**0%**

Remarks
Despite dividing the Appointments Committee and the Remuneration Committee into two separate committees since 2019, the regulations on their functions in the Board Regulations were listed together, with the delegation of their functions by reference. In 2020, the Board of Directors amended the Board Regulations in order to individually and clearly assign in the Regulations those functions that correspond to and have been exercised by each Committee, approving, in turn, Regulations for each of these Committees on 16 December 2020. Accordingly, in 2020 the composition of the Appointments Committee was changed, with Emilio Novela Berlín and Javier García-Carranza Benjumea leaving the Committee and Ignacio Gil-Casares Satrústegui and Juan María Aguirre Gonzalo joining the Committee.

Explain the functions attributed to this committee and any additional responsibilities provided for by law, and describe the procedures and rules it follows for its organization and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised, in practice, each of the functions attributed to it by law, in the Articles of Association or in other corporate resolutions.

The organisation and competence of MERLIN's Appointments Committee was regulated in section 41 of the Board Regulations and Article 45 of the Company's Articles of Association.

At its meeting held on 9 December 2020, the Committee approved the new regulations, separate from the Board Regulations, the Audit and Control Committee Regulations and the Remuneration Committee Regulations, which were approved by the Board of Directors on 16 December 2020.

Given that, throughout its activity in 2020, the Committee has operated under section 41 of the Board Regulations and Article 45 of the Articles of Association, the following main aspects in relation to the Committee with reference to those regulations are summarised below:

The Appointments Committee:

i. will be formed by non-executive directors, in the number determined by the Board, with a minimum of three (3) and a maximum of five (5), and the **majority of its members must be independent**;

ii. will appoint a Chairman from among its members, who will be an independent director;

iii. will also appoint a Secretary and may appoint a Deputy Secretary, neither of whom need to be Committee members or directors;

iv. the renewal, re-election and removal of directors who are Committee members will be governed by the resolutions of the Board;

With regard to its **functioning**, the Appointments Committee:

i. is convened by its Chairman, either on his own initiative or at the request of the Chairman of the Board or any of its members;

ii. it will ordinarily meet at least once a year, and when called by its Chairman, which must call a meeting whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever considered necessary to properly perform its functions.

iii. it will be considered to be validly convened when attended by the majority of its members in person or by proxy; and

iv. its resolutions are passed by a majority of members attending in person or by proxy, with the Chairman having the casting vote.

The **main tasks** of the Committee are

a. assess the competencies, knowledge and experience required for Board members;

b. submit to the Board any proposals for the appointment, re-election or removal of independent directors;

c. report in relation to:

    i. proposals for the appointment of non-independent directors;

    ii. the appointment of the Chairman, Deputy Chairmen, Secretary and Deputy Secretary of the Board of Directors;

    iii. proposals for the appointment of members of the Audit and Control Committee;

    iv. the performance of the Chairman's duties;

    v. proposals for the appointment and removal of members of the management team and the basic terms and conditions of their contracts; and

    vi. prior to its approval, the Company's annual corporate governance report;

d. examine or organise the succession of the Chairman and/or the Chief Executive Officer;

e. report on the proposals for the appointment and removal of members of the management team and the basic terms and conditions of their contracts;

f. establish a representation target for the less well-represented gender;

g. report to the Board of Directors on gender diversity issues;

h. ensure that, when new vacancies are filled or when new directors are appointed, the selection procedures are not affected by any implicit bias that may entail any kind of discrimination and, in particular, that do not hinder the appointment of female directors;

i. coordinate non-financial and diversity reporting processes in accordance with applicable regulations and international benchmarks.

j. establish and supervise the mechanism that allows employees to report, confidentially and, if considered appropriate, anonymously, any irregularities of particular significance that they notice within the company, especially those of a financial and accounting nature, and supervise compliance with and the updating of internal codes of conduct and corporate governance rules;

k. establish and supervise an annual programme for the evaluation and continuous review of the qualifications, training and, where appropriate, independence, and ensure the conditions of repute, suitability, solvency, competence, availability and commitment to their duties, necessary for the exercise of the office of director, are maintained;

l. know, promote, guide and supervise the Company's actions in matters of corporate social responsibility and sustainability.

In 2020, the Committee met on ten occasions (in particular on 20 February, 4 March, 18 March, 7 April, 7 May, 28 July, 15 September, 7 October, 11 November and 9 December) and held (i) a written meeting without a session, namely on 29 January 2020, and (ii) a meeting with the Board of Directors on 18 June 2020.

Within the framework of its meetings, the Committee held a meeting:

- on 11 November 2020, where the executive directors were invited as guests to present the organisational chart and issues relating to the succession plan for certain key positions; and
- on 9 December 2020, where a representative of KPMG, the entity selected to carry out the external assessment process of the Board, its committees and positions, was invited as a guest to make an initial presentation of the work carried out to date.

At its meetings in 2020, the most significant activities undertaken by the Committee, within the framework of its competencies, were as follows:

(i) Recurrent activities, consisting of the following

Facilitate the assessment of the performance of the Board, its committees and its positions in 2019;

Review the composition of the Board and assess whether its composition, number of members and profiles are appropriate, taking into account the circumstances prevailing at any given time;

Propose the re-election of Emilio Novela as a new independent director and his appointment as lead director;

Report on the proposed appointments of Ignacio Gil Casares and Ana Forner as proprietary directors and committee members;

Report on the proposed re-election of the executive directors, as well as those of Marisa Jordá, Ana García Fau, Emilio Novela, Donald Johnston, Fernando Ortiz and John Gómez Hall.

Review the Annual Corporate Governance Report and report on aspects within its competence;

Approve the Committee's Activities Report for 2019; and

Collaborate with the external advisor contracted for this purpose to issue the assessment of the functioning of this Committee.

(ii) Report on the proposed content of the following Company policies: stakeholder relations policy, director selection, appointment and removal policy, general corporate governance

policy; whistleblowing channel communication protocol, and amendments to the corporate social responsibility policy.

Following the corporate governance recommendations with regard to the performance of an assessment by an independent consultant every 3 years and given that the last external assessment was carried out in 2017 by Egon Zehnder, the Committee began the process of selecting a consultant for 2020; after analysing the proposals requested and received from the candidates, KPMG was selected for this purpose. In this regard, the Committee collaborated with and supported KPMG in the assessment process, which will be submitted to the Board of Directors on 28 January 2021.

In addition, in 2020 the Committee has worked on drafting its own regulations, which are separate from the Board Regulations or those of other committees, following the good governance recommendations and the suggestions of Technical Guide 1/2019 published by the Spanish National Securities Market Commission (CNMV) on Appointments and Remuneration Committees.

Also this year, the CNMV approved the reform of the Good Governance Code for Listed Companies in force since 2015, as notified on 26 June 2020, and, therefore, the Committee decided to review the Company's Articles of Association, regulations and other policies, in order to analyse the amendments necessary to bring them into line with the new recommendations, preparing the report and the appropriate drafting proposals.

Develop the directors training plan and propose an agenda and a schedule of possible sessions for 2021.

Finally, although with the aim of continuing with the analysis in 2021, the review of the Company's organisational chart and the succession plan for key positions was resumed.

REMUNERATION COMMITTEE

Name	Position	Category
María Luisa Jordá Castro	Chairman	Independent
Fernando Ortiz Vaamonde	Member	Independent
Pilar Cavero Mestre	Member	Independent
Ignacio Gil-Casares Satrústegui	Member	Proprietary

% of proprietary directors	**25%**
% of independent directors	**75%**
% of other external directors	**0%**

Remarks
Despite dividing the Appointments Committee and the Remuneration Committee into two separate committees since 2019, the regulations on their functions in the Board Regulations were listed together, with the delegation of their functions by reference. In 2020, the Board of Directors amended the Board Regulations in order to individually and clearly assign in the Regulations those functions that correspond to and have been exercised by each Committee, approving, in turn, Regulations for each of the Committees on 16 December 2020. Accordingly, in 2020 the composition of the Remuneration Committee was changed, with George Donald Johnston III and Javier García-Carranza Benjumea leaving the Committee and Ignacio Gil-Casares Satrústegui and María Luisa Jordá Castro joining the Committee. Likewise, Fernando Ortiz ended his term as Chairman of the Committee and María Luisa Jordá Castro took over the position.

Explain the functions attributed to this committee and any additional responsibilities provided for by law, and describe the procedures and rules it follows for its organization and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised, in practice, each of the functions attributed to it by law, in the Articles of Association or in other corporate resolutions.

The organisation and competence of MERLIN's Remuneration Committee was regulated in section 41 of the Board Regulations and Article 45 of the Company's Articles of Association.

At its meeting held on 11 December 2020, the Committee approved the new regulations, separate from the Board Regulations, the Audit and Control Committee Regulations and the Appointments Committee Regulations, which were approved by the Board of Directors on 16 December 2020.

Given that, throughout its activity in 2020, the Committee has operated under section 41 of the Board Regulations and Article 45 of the Articles of Association, the following main aspects in relation to the Committee with reference to those regulations are summarised below:

The Remuneration Committee:

i. will be formed by non-executive directors, in the number determined by the Board, with a minimum of three (3) and a maximum of five (5), and the **majority of its members must be independent directors**;

ii. will appoint a Chairman from among its members, who will be an independent director;

iii. will also appoint a Secretary and may appoint a Deputy Secretary, neither of whom need to be Committee members or directors; if no such appointments are made, those of the Board of Directors will act as such;

iv. the renewal, re-election and removal of directors who are Committee members will be governed by the resolutions of the Board.

With regard to its **functioning**, the Remuneration Committee:

i. is convened by its Chairman, either on his own initiative or at the request of the Chairman of the Board or any of its members;

ii. it will ordinarily meet at least once a year, and when called by its Chairman, which must call a meeting whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever considered necessary to properly perform its functions.

iii. it will be considered to be validly convened when attended by the majority of its members in person or by proxy;

iv. its resolutions are passed by a majority of members attending in person or by proxy, with the Chairman having the casting vote.

The **main tasks** assigned to the Committee are as follows:

a. Propose to the Board of Directors the remuneration policy for directors and general managers or those who perform senior management functions, as well as the individual remuneration of executive directors and the other terms and conditions of their contracts, and ensure that they are being observed;

b. analyse, develop and regularly review the remuneration programmes, assessing their suitability and performance, and proposing any amendments or updates;

c. oversee compliance with the remuneration policy set by the Company; and

d. assist the Board in preparing the report on the directors remuneration policy.

In 2020, the Committee met on eleven occasions (on 15 January, 4 February, which was adjourned and then continued on 6 February, 19 February, 26 February, 16 March, 2 April, 29 July, 29 September, 22 October, 29 October and 11 December), and also held one meeting with the Board of Directors on 18 June 2020.

Within the framework of these meetings:

- The Company's executive directors attended the Remuneration Committee meetings held on 6 February 2020 (the continuation of the meeting of 4 February) and 29 October 2020.
- Various individuals from KPMG, as a contracted advisor to the Committee, attended the meetings as invited guests. In particular, representatives of KPMG attended the meetings of 15 January, 22 October and 29 October.

At its meetings **in 2020, the most significant activities** undertaken by the Committee, within the framework of its competencies, were as follows:

a. Recurrent activities, consisting of the following

    i. Report the amount of fixed (as well as proposed changes) and variable (STIP) salaries applicable to the management team, including executive directors;

ii. Report on the review of compliance with the targets for the LTIP during the 2017-2019 vesting period, as well as the proposed distribution among the beneficiaries of the portion of the LTIP that became payable upon the authorisation for issue of the financial statements for the year ended 31 December 2019;

iii. Prepare the self-assessment of the Committee in 2019;

iv. Review and inform on the Annual Directors Remuneration Report;

v. Review the Annual Corporate Governance Report and report on aspects within its competence;

vi. Approve the Committee's Activities Report for 2019; and

vii. Collaborate with the external advisor contracted for this purpose to issue the assessment of the functioning of this Committee.

b. The Committee's main activity, with the support of KPMG as an advisor contracted for this purpose, was the drafting of the Board Remuneration Policy for the 2020-2022 period, which has meant a very significant change with regard to the previous Policy, with the aim of bringing it into line with best practices and good governance recommendations. In particular, within the framework of the new Remuneration Policy, the Committee, with the support of KPMG, has worked on selecting and determining the criteria, parameters and weighting of the targets to be achieved for the vesting of the variable short-term incentive.

c. In 2020 the Committee has worked on drafting its own regulations, which are separate from the Board Regulations or those of other committees, following the good governance recommendations and the suggestions of Technical Guide 1/2019 published by the Spanish National Securities Market Commission (CNMV) on Appointments and Remuneration Committees.

d. Also this year, the CNMV approved the reform of the Good Governance Code for Listed Companies in force since 2015, as notified on 26 June 2020, with one of the aspects of the reform being the clarification of issues relating to the remuneration of directors. The Committee has taken this reform into account in its remuneration proposals for the year.

e. Finally, and on an exceptional basis due to the pandemic caused by COVID-19, the Remuneration Committee:

- Reported on the decision not to implement a long-term incentive that would include 2020, given the uncertainty surrounding the year; and

- fostered, supported and reported favourably on the decisions that have been implemented, which consisted of waiving entitlement to variable remuneration for executive directors and the management team, as well as the partial reduction of the remuneration of the Board in 2020.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors			
	Year t Number %	Year t-1 Number %	Year t-2 Number %	Year t-3 Number %
Audit committee	**4-80%**	**3-75%**	**3-75%**	**3-75%**
Appointments and remuneration committee	**-**	**-**	**-**	**1-25%**
Appointments committee	**1-25%**	**1-25%**	**1-25%**	
Remuneration committee	**2-50%**	**1-25%**	**1-25%**	

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

All MERLIN's internal regulations (Articles of Association, Board Regulations and Audit and Control Committee Regulations) are available to any interested party on the corporate website (http://www.merlinproperties.com/gobierno-corporativo/normativa-de-gobierno-corporativo/)

At the meeting held on 16 December 2020, the Board of Directors approved the Remuneration Committee Regulations and the Appointments Committee Regulations, as well as certain amendments to the Audit and Control Committee Regulations and to its own Board Regulations.

In accordance with section 529 *nonies* of the consolidated text of the Corporate Enterprises Act, as well as Recommendation 6 of the Good Governance Code for Listed Companies, section 79 of Technical Guide 3/2017 of the Spanish National Securities Market Commission and that established in section 25.2) of the Audit and Control Committee Regulations, the ***Activities Report of the Audit and Control Committee for 2020*** is available to investors, shareholders and any other interested parties on the corporate website (http://www.merlinproperties.com/gobierno-corporativo/informes-anuales/) from when the Annual General Meeting is called.

Furthermore, and in accordance with section 529 nonies of the consolidated text of the Corporate Enterprises Act, as well as Recommendation 6 of the Good Governance Code for Listed Companies, and section 79 of Technical Guide 3/2017 of the Spanish National Securities Market Commission, the Activities Report of the Appointments Committee for 2020 and the Activities Report of the Remuneration Committee for 2020 are available to investors, shareholders and any other interested parties on the corporate website(http://www.merlinproperties.com/corporate-governance/annual-reports/) from when the Annual General Meeting is called.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure and competent bodies for approval of related-party and intragroup transactions.

MERLIN has a ***Procedure for related party transactions*** approved by the Audit and Control Committee on 13 November 2017, which regulates the approval and reporting of related party transactions, without prejudice to that established in sections 35 and 40.6.y) of the Board Regulations on transactions with directors and significant shareholders and on responsibility of the Audit and Control Committee to supervise compliance with regulations on related party transactions, respectively.

This procedure establishes a process for analysing and approving related party transactions in order to ensure compliance with current regulations on related party transactions, as well as the completeness, reliability, relevance, timeliness and adequate documentary support of the information included in the statements of related party transactions.

In this regard, the procedure establishes that:

- Any transaction performed by the Company or the companies forming part of its Group with directors, executives, or with shareholders who have attained the legal threshold for significant shareholdings at any given time or who have proposed or made the appointment of any of the Company's directors, or with the respective related persons, will be subject to authorisation by the Board of Directors, following a report from the Audit and Control Committee.
- As an exception to the above, authorisation for related party transactions must necessarily be agreed by the shareholders at the General Meeting in the cases established by law and, in particular, when the value of the transaction exceeds ten percent of the Company's assets.
- If the execution of a related party transaction gives rise to a conflict of interest, as applicable, for the director that carries out this transaction, or that is related to the person who carries it out, the provisions of section 28 of the Board Regulations will apply.
- The Board of Directors, through the Audit and Control Committee, will ensure that related party transactions are carried out on an arm's length basis and respect the principle of equal treatment of all shareholders who are in the same position. In the case of transactions to be carried out by Group companies, the scope of the authorisation of the Board of Directors referred to in the previous paragraphs will be limited to the verification of compliance with the aforementioned points.
- In the case of related party transactions in the ordinary course of the Company's business and that are of a habitual or recurring nature, prior authorisation of the transactions and their terms of execution by the Board of Directors will be sufficient, following a report from the Audit and Control Committee, and taking into account that established below.
- When the related party transaction involves the successive performance of different transactions, where the second and subsequent transactions are mere acts of executing the first transaction, that indicated in this procedure will only apply to the first transaction to be performed.
- Authorisation will not be required for related party transactions that simultaneously meet the following three conditions: they are performed under contracts with standard terms and conditions applied on an across-the-board basis to a large number of customers; they are performed at market rates, generally set by the

person supplying the goods or services; and their amount does not exceed one per cent of the Group's consolidated annual income.

- The Audit and Control Committee must issue a favourable report to the Board of Directors prior to carrying out any related party transactions. Therefore, new related party transactions must be analysed prior to their execution and, depending on the circumstances of each case and the urgency of the transaction, a meeting of the Audit and Control Committee for such approval may be held, whether an ordinary or extraordinary meeting held in person, or in writing and without a session (e.g. e-mail, telephone session, and other similar means).
- The Company will report on related party transactions in the annual and half-yearly financial report and in the annual corporate governance report, in the cases and to the extent provided by law. Likewise, the Company will include information in the notes to the financial statements on the transactions of the Company or Group companies with the directors and with those acting on their behalf, when they are outside the ordinary course of the Company's business or are not carried out on an arm's length basis.
- Directors and executives must report in writing, within the first week of January and July, on transactions carried out by them and their related parties. In this regard, the Secretary of the Board of Directors sends a request for information to the directors every six months. Accordingly, the Legal Affairs Department does the same for the executives.
- The communication must include the following content: nature of the transaction; date on which the transaction originated; payment terms and conditions; identity of the person who carried out the transaction and relationship, if any, with the director; amount of the transaction; and other aspects, such as prices, guarantees given and received, as well as any other aspect of the transaction that allows it to be adequate assessed, including, in particular, information that verifies whether it was carried out on an arm's length basis and with respect for the principle of equal treatment.
- A communication template is made available to directors and significant shareholders, which requests, among other things, information on related party transactions, and another template is adapted for executives.
- There are separate records of related party transactions for directors (Secretary of the Board of Directors) and executives (Legal Affairs), which include both the transactions reported by them and those known internally by MERLIN, which will be made known to directors and executives prior to their publication.
- The information contained in these records will be made available to the Audit and Control Committee by the Internal Audit Department.

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name or group company or entity name	Nature of the relationship	Type of transaction	Amount (thousand euros)
Other lines of financing				
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Current financing	Financing agreements (loans)	134,712.95
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Current financing	Financing agreements (loans)	65,806.45
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Outstanding balance derivatives	Obligations acquired	158,000.00
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Outstanding balance derivatives	Obligations acquired	122,178.56
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Outstanding balance derivatives	Obligations acquired	65,806.45
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Outstanding balance derivatives	Obligations acquired	62,945.59
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Outstanding balance derivatives	Obligations acquired	55,540.23
Guarantees and other sureties				
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Guarantees received	Guarantees and sureties received	5,445.90
Banco Santander, S.A.	Pº Comer. Carlos III	Guarantees and sureties received	Guarantees and sureties received	1,515.68
Banco Santander, S.A.	Merlin Properties, SOCIMI	Guarantees and sureties received	Guarantees and sureties received	94.77
Repayment of debt, and finance income and costs				
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Repayment of financing	Repayment or cancellation of loans and leases (lessee)	4,556.61
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Fees and interest	Finance costs	1,317.83
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Fees and interest	Finance costs	880.79
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Fees and interest	Finance costs	793.13
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Fees and interest	Finance costs	332.56
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Fees and interest	Finance costs	466.14
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Fees and interest	Finance costs	777.17
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Fees and interest	Finance costs	128.15
Banco Santander, S.A.	Subsidiaries	Fees and interest	Finance costs	27.69
Operating income				

Name of significant shareholder	Name or group company or entity name	Nature of the relationship	Type of transaction	Amount (thousand euros)
Banco Santander, S.A.	Merlin Properties, SOCIMI	Property rental (lessor)	Leases (lessor)	830.47
Banco Santander, S.A.	Torre Dos Oceanos	Property rental (lessor)	Leases (lessor)	49.90
Operating expenses				
Banco Santander, S.A.	Merlin Properties, SOCIMI	Services received (General Shareholders Meeting services)	Services received	60.00
Banco Santander, S.A.	Merlin Properties, SOCIMI	Services received	Services received	37.50
Cash				
Banco Santander, S.A.	Portugal subsidiaries	Cash balances	Current account balances and deposits	32,971.80
Banco Santander, S.A.	Subsidiaries	Cash balances	Current account balances and deposits	24,388.40
Banco Santander, S.A.	Merlin Properties, SOCIMI	Cash balances	Current account balances and deposits	18,140.00
Banco Santander, S.A.	Pº Comer. Carlos III	Cash balances	Current account balances and deposits	12.88

Remarks

D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name or company name of director or manager	Name of the company or entity within its group	Relationship	Type of transaction	Amount (thousand euros)
Executive directors: Ismael Clemente Orrego and Miguel Ollero Barrera	Magic Real Estate, S.L.	These are directors and shareholders of the Company	Leases (lessor)	5.2

Remarks

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
G36 Development, S.L.	Loan to associates accounted for using the equity method, engaging in the management of flexible office space. Interest rate of 1% accrued annually (EUR 6.2 thousand accrued at 31 December 2020).	625.0

Remarks

D.5 Describe the significant transactions between the company or entities of the group and other related parties that have not been reported in the previous sections:

Name of connected person	Brief description of the transaction	Amount (thousand euros)

Remarks

D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

A) CONFLICTS OF INTEREST BETWEEN THE COMPANY AND/OR ITS GROUP OR DIRECTORS

In accordance with section 28 of the Board Regulations, in order to avoid conflicts of interest, directors are required to abstain from:

- performing transactions with the Company, except for ordinary transactions, carried out under standard terms and conditions for customers and considered insignificant, whereby such transactions are considered to be those whose information is not necessary to present a true and fair view of the Company's assets and liabilities, financial position and results;
- using the Company's name or relying on their status as director to unduly influence the performance of private transactions;

- making use of the Company's assets, including its confidential information, for private use;
- taking advantage of the Company's business opportunities;
- obtaining advantages or remuneration from third parties, other than the Company and its Group, associated with the performance of their duties, unless these are merely courtesies; and
- carrying out activities as independent professionals or as employees that involve effective competition, whether present or potential, with the Company or that in any other way put them in permanent conflict with the Company's interests.

These provisions will also apply if the beneficiary of the prohibited actions or activities is a person related to the director.

In any case, the directors must notify the other directors and, where appropriate, the Board of Directors of any direct or indirect conflict of interest that they or persons related to them may have with the interests of the Company. For these purposes, persons related to the directors and those determined by the current law applicable at any given time will be considered to be related persons.

B) CONFLICTS OF INTEREST BETWEEN THE COMPANY AND ITS EXECUTIVES OR EMPLOYEES

In accordance with its Articles of Association, the Company aims to ensure that its conduct and that of the people related to it comply and are compliance with the current law, its corporate governance system and with generally accepted principles of ethical and social responsibility.

The principles and guidelines for conduct contained in the Code of Conduct are applicable to all Group professionals, regardless of their hierarchical or functional level. For the purposes of the Code of Conduct, Group professionals are considered to be executives and employees, as well as those other persons whose activity is expressly subject to the Code of Conduct.

In relation to possible conflicts of interest, the Group's professionals must observe the following general guiding principles:

a) Independence: to act at all times with professionalism, with loyalty to the Group and its shareholders, and independently of their own interests or those of third parties. Consequently, they will refrain in all cases from giving priority to their own interests at the expense of those of the Group.

b) Abstention: to abstain from taking part in or influencing decisions that may affect Group companies with which they have a conflict of interest, from participating in meetings in which such decisions are raised and from accessing confidential information that affects this conflict of interest.

c) Communication: to report any conflicts of interest in which they are involved. For this purpose, the existence or possible existence of a conflict of interest must be reported in writing to their immediate superior and the Appointments and Remuneration Committee.

Under no circumstances may transactions or activities be carried out within the Group that involve or may involve a conflict of interest, unless prior written authorisation is given by the Appointments and Remuneration Committee. The professional should refrain from taking any action in this regard until they have obtained the corresponding answer to their query.

C) CONFLICTS OF INTEREST BETWEEN THE COMPANY AND SIGNIFICANT SHAREHOLDERS

Conflicts of interest between the Company and significant shareholders are regulated in accordance with section 35 of the Board Regulations, and in the Procedure for Related Party Transactions referred to in point D.1 above.

D.7 State whether the company is controlled by another entity, within the meaning of article 42 of the Commercial Code, listed or not, and has, directly or through its subsidiaries, business relationships with said entity or any of its subsidiaries (other than those of the listed company) or pursues activities related to those of any of them.

Yes ☐ No ☒

State whether it has reported publicly and precisely on the respective areas of activity and possible business relationships between, on one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.

Yes ☐ No ☐

State the respective areas of activity and possible business relationships between, on one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries, and identify where these aspects have been publicly reported

Identify measures taken to resolve potential conflicts of interest between the other controlling company of the listed subsidiary and other group companies:

Measures taken to resolve potential conflicts of interest

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

On 26 February 2016, the Company's Board of Directors approved the ***Risk Management and Control Policy***, which establishes the basic principles for controlling and managing the risks faced by MERLIN and its group of subsidiaries. The ***Risk Management and Control Policy*** was approved by the Board of Directors in February 2016, and subsequently revised in April 2018 and finally, in its current wording, in April 2019.

This policy establishes the general guiding principles, rooted in the perception that risk management is an ongoing process based on the identification and assessment of the Company's potential risks according to its strategic and business objectives, the determination of action plans and controls for critical risks, the supervision of the effectiveness of the controls designed and the evolution of residual risk to be reported to the Company's governing bodies.

The MERLIN Group's Risk Management System is based on the principles, key elements and methodology established in the COSO Framework ("Committee of Sponsoring Organisations of the Treadway Commission"), and aims to minimise the volatility of results (profitability) and, therefore, maximise the Group's economic value, incorporating risk and uncertainty into the decision-making process to provide reasonable assurance of achieving the strategic objectives established, providing shareholders, other stakeholders and the market in general with an adequate level of guarantees to ensure that the value generated is protected.

Based on a comprehensive view of risk management, MERLIN has adopted a methodological approach based on the **Enterprise Risk Management Framework - Integrating with Strategy and Performance (COSO 2017)**, which emphasises the importance of enterprise risk management in strategic planning and incorporates it throughout the organisation, since risk influences strategy and performance in all areas, departments and functions.

The Risk Management System is based on a model that identifies the Company's key risk events, assesses them in terms of their impact and probability of occurrence, taking into account the controls in place, and monitors and reports their performance on a regular basis.

MERLIN's risk management is a process driven by the Board of Directors and senior management, and each and every member of the organisation is responsible for it within their own purview.

Risk management is supervised by the Audit and Control Committee and allows Management to effectively manage uncertainty and its associated risks, thereby improving the ability to generate value.

The Risk Management System is based on the control environment of the organisation, which influences the risk awareness of all employees, and forms the basis for the other components of corporate risk management.

Subsequently, risk analysis involves the identification and assessment of factors that may adversely affect the achievement of business objectives (risks and uncertainties), with the

aim of reducing or mitigating these risks, providing responses and establishing the relevant control activities.

Finally, the supervision of corporate risk management is carried out through continuous monitoring activities and/or specific actions designed for this purpose, within the Annual Internal Audit Plan, approved by the Audit and Control Committee.

This system is supplemented by a series of policies and procedures implemented in the Company and that are constantly being reviewed and updated in accordance with the changes in the organisation, processes, resources or regulations.

A central element of the Risk Management System is the Risk Map, which was drawn up for the first time in 2015, and is updated every six months by the Audit and Control Committee and approved by the Board of Directors. It reflects and assesses the risks that could potentially impact its ability to meet its objectives. To determine the key risks, the impact on the organisation and the probability of their occurrence were taken into account, thus establishing a standard risk profile to be managed for the most significant risks.

The Committee (with the support of the Internal Audit Department) supervises the model, based on the application of risk management methodology by supervising the identification and assessment of the risks (probability and impact) that affect the objectives of each of the areas. Through the development of the Annual Audit Plan, the Committee evaluates and concludes on the sufficiency and effectiveness of the controls implemented by the Company, and, where appropriate, issues recommendations.

In 2020, the Committee continued the work undertaken in the previous year with the:

(i) Updating of the **Risk Map** for subsequent presentation to the Board of Directors. **In 2020 and due to the special situation caused by the COVID-19 pandemic, the Risk Map was updated on three occasions**, on 28 January, 20 April and 14 September 2020.

(ii) **Annual review of the Risk Management and Control Policy**, analysing compliance with the policy, its viability and whether or not it should be updated.

(iii) **During the the state of emergency**, the Committee monitored on a monthly basis the analysis of the risks arising from the health crisis, as well as legislative developments and their potential impact on MERLIN, in both Spain and Portugal.

(iv) **Analysis of the Spanish economic and real estate climate and identification of early key risk indicators (KRIs).**

(v) **Half-yearly monitoring of the main key risk indicators** (KPIs), as well as the different actions established for their mitigation.

(vi) **Analysis of Monte-Carlo simulations and sensitivities** of the various risk factors and their impact on the Group's financial statements.

(vii) **Analysis of the risks affecting the Company in terms of technological and cybersecurity risks**, overseeing the IT Department's action plans in this area.

(viii) **Review of tax risks, compliance with the tax policy and compliance with the REIT Regime.**

(ix) Likewise, and with regard to the **risks of the Company's lines of business**, the Committee's work plan for 2020 has taken into account informative sessions for managers of the organisation who have presented to the Committee members the most relevant aspects of their areas of action, such as the risks associated with the Logistics Division and the Loom (flexible office space) Division.

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

A) BOARD OF DIRECTORS

Article 4 "General Function of the Board" of the Board Regulations establishes those functions reserved for MERLIN's Board of Directors by law or under the Articles of Association, which includes the approval of the risk management and control policy and the monitoring of the information and control systems on a regular basis.

Set the risk levels that the Company considers acceptable, which is an executive function of the Board of Directors.

Aware of the importance of this matter, the Board of Directors establishes, through the ***Risk Management Policy***, the basic mechanisms and principles to appropriately manage the key risks it faces, in order to:

- favour the fulfilment of the proposed business objectives;
- prevent losses arising from risks materialising;
- preserve the image and reputation of the Company and its brand; and
- have continuity in the analysis and detection of possible threats and new risks in order to analyse their impact and probability of occurrence.

To implement risk management and control, the Board of Directors is assisted by the Audit and Control Committee, which supervises and reports on the adequacy and effectiveness of the risk management and control system, including tax risks.

B) AUDIT COMMITTEE

The Audit and Control Committee supports the Board in supervising the risk management system and is the body responsible for reviewing the effectiveness of the risk management and internal control system during the year.

In this regard, and in accordance with the functions established in its own Regulations, the Audit and Control Committee is responsible for supervising the effectiveness of the Company's internal control, internal audit and risk management systems, as well as discussing any significant weaknesses detected in the internal control system. The Audit and Control Committee will therefore carry out, among others, the following basic functions:

- Supervise all matters relating to the different types of risk faced by the Company, including financial, economic or tax risks, contingent liabilities, other off-balance sheet risks, as well as operational, environmental, technological, legal, social, political and reputational risks.

- Assess, at least on an annual basis, the list of the most significant financial and non-financial risks based on the information provided by management, the head of the internal audit department and, where applicable, the risk management and control unit.

- Hold, at least on an annual basis, a meeting with the heads of the business units where they explain the business trends and the associated risks, and strengthen the idea that the heads of the business units are directly responsible for effectively managing the risks and that there must be a manager assigned to each risk identified.

- Approve the internal audit plan for the ICFR assessment, and any changes thereto, and receive periodic information on the results of its work, as well as the action plan to correct any deficiencies identified.

- Periodically review the Risk Management and Control Policy and propose any changes and updates to the Board of Directors.

- Regularly review the Company's internal control and risk management systems and, in particular, ensure that the system of internal control over financial reporting (ICFR) is correctly designed, so that the main risks are appropriately identified, managed and disclosed.

- Monitor the effectiveness of the Company's internal control, internal audit and risk management systems, including tax risks, and discuss with the external auditors any significant weaknesses in the internal control system identified during the course of the audit.

- Ensure the independence and effectiveness of the internal audit function, checking its adequacy and integrity, and supporting the Audit Committee in its work of supervising the internal control system.

- Actively develop the implementation of a risk map and the corresponding processes inherent to it, as well as a system of internal control over financial reporting (ICFR).

- Supervise MERLIN's Risk Map, ensuring that MERLIN's risk exposure is consistent with the strategic positioning required at all times for approval by the Board of Directors.

- Approve the budget allocated to the risk management function and the internal audit function.

The Audit and Control Committee carries out these supervisory functions through the approval and monitoring of the action and/or contingency plans agreed within the work plans implemented by Internal Audit, analysing the reports carried out by the head of Internal Audit in relation to the key processes (risks, internal control, ICFR, etc.), thus verifying the adequacy, effectiveness and integrity of the Risk Management System implemented by Company Management.

C) SENIOR MANAGEMENT

In order to ensure that the risk management system operates in a sustainable manner over time, those responsible for managing the model, as well as a person responsible for monitoring and supervising it, have been identified in each of the Group's companies and business divisions.

Accordingly, the **Operating Committee** (OpCo) is responsible for daily risk management, which includes the identification, assessment and mitigation of risks, as well as the design and implementation of action plans and assessment of the internal control system, ensuring its operational effectiveness.

MERLIN considers that the entire company should be actively involved in risk management, with MERLIN's Management being responsible for leading, implementing, transmitting and managing the strategy and resources that make up the Risk Management System, and assumes the fundamental commitment of ensuring an adequate level of independence, based on the following principles:

- Consider risk to be any threat that an event, action or omission may prevent MERLIN from achieving its objectives, successfully executing its strategies, or correctly carrying out its operations, or the loss of opportunities.

- Establish the mechanisms for adequate risk management, taking into consideration risk identification, assessment, response, follow-up and reporting.

- Promote and implement the strategy, culture, resources and processes that make up integrated risk management, which will be reviewed on a regular basis to ensure it is in line with MERLIN's situation and its environment.

- Allocate the responsibility of identifying, analysing, assessing, evaluating and supervising the Risk Management System among the different levels of the organisation.

- Encourage the establishment and implementation of guidelines, limits and mechanisms that ensure risk management is being carried out in accordance with the risk appetite accepted by the Company.

- Promote, foster and disseminate the Risk Management System through training and communication, ensuring the dissemination of this policy, together with the implementing documentation.

D) RISK MANAGEMENT DEPARTMENT

The risk management function is carried out by the Internal Audit Department, an independent function that reports functionally to the Audit and Control Committee and administratively to General Management.

Within the framework of risk management, the Internal Audit Department coordinates the information received from the various people directly responsible for risk management and reports to the Audit and Control Committee. In this regard, the Internal Audit Department has, among others, the following functions:

- Supervise the risk identification process, ensuring that the main risks are identified and keep the risk catalogue and the Risk Map up to date.
- Review compliance with the risk levels considered acceptable by the Company.
- Supervise compliance with the measures in place to mitigate the impact of identified risks, should they occur.
- Assess the information systems and operation of the controls used to manage risks.
- Report to the Audit and Control Committee on a regular basis regarding the evolution of the risks identified, the analyses carried out on their potential impact on the Company's objectives and on compliance with the measures identified to mitigate these risks, proposing recommendations to improve the system and the Group's level of internal control.

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

MERLIN is exposed to a variety of risks inherent to the various segments of the real estate business in which it operates and in the leasing and/or development activities it carries on in each of these segments, as well as in the geographical areas in which it is established and in the evolution of external factors, both political and economic.

In this regard, the Board of Directors considers Risk Management to be an instrument that contributes to achieving greater efficiency and effectiveness in its operations and that ensures the achievement of the strategic objectives established in the long-term commitments acquired with the markets and shareholders, as well as the short-term objectives established annually through the annual budget.

In accordance with COSO ERM 2017 and for the effective management of MERLIN's business risks, the process of identifying and assessing risks has taken into account the development of MERLIN's strategy (Mission/Vision) with the objectives communicated to capital markets and investors.

Based on the analysis of MERLIN's vision, values and strategy, the various components are analysed according to the grouping of the different strategic objectives included in these

elements, i.e. the benchmark REIT, creation of long-term value, generation of sustainable and growing dividends, values of transparency, ethics and responsibility.

In 2020, MERLIN's Risk Map was updated to expressly include a new category of ESG (Environmental, Social and Governance) Risks, replacing the previous category of stakeholder risks, to highlight the importance of this type of risk in the Company's management and administration in its commitment to sustainability, social responsibility and governance in accordance with the highest standards of corporate governance.

In this regard, MERLIN's Risk Map has a total of 29 key risks, from the perspective of the different strategic components, as shown below:

- **Business risks**: these affect the strategic objectives of long-term value creation and the generation of a sustainable and growing dividend, and are mainly achieved through the Group's various assets, grouped into the different business segments (offices, shopping centres, logistics and others):

  1.- Asset occupancy (vacancy, sale, renewals)
  2.- Fluctuation in the level of income
  3.- Income concentration in top 10
  4.- Loss of value of the properties
  5.- Inefficiency in investments/capex
  6.- Political risk in Spain
  7.- Changes in consumption pattern

- **Resource risks**: these affect the strategic objectives of generating a sustainable and growing dividend and the values of transparency, ethics and responsibility, and are achieved mainly through the Group's various internal and external resources (human, technological and financial):

  8.- Personal dependency / remuneration
  9.- Occupational risk prevention
  10.- Business continuity plan
  11.- Cybersecurity breaches
  12.- Technological innovation
  13.- Company credit rating
  14.- Volume of short-term payables
  15.- Interest rate of the debt
  16.- Insurance and underinsurance
  17.- Compliance with covenants
  18.- Investments/divestments

- **ESG (Environmental, Social and Governance) risks**: these affect the strategic objectives of sustainability, leadership and benchmarking (being the benchmark REIT) and the values of transparency, ethics and responsibility, and are achieved mainly through the various actions and policies carried out by the Group to ensure the sustainability of its assets, as well as the actions aimed at its various

stakeholders (customers, suppliers, society, investors and shareholders, and regulatory bodies):

19.- Physical impact on assets (health & climate)
20.- Energy transition costs
21.- Reputation / preference (sustainability)
22.- Reporting versus sustainable standards
23.- Country macroeconomic conditions
24.- Tenant satisfaction
25.- Shareholder return (dividends)
26.- REIT regime
27.- Fraud / unethical behaviour
28.- Regulatory changes
29.- Over-regulation

MERLIN's Risk Management System assesses all risks in terms of impact and probability, obtaining a residual risk indicator for the current year, identifies those KPIs to be reported, as well as KRIs (forward-looking indicators), and assigns those responsible for reporting and implementing or developing the mitigating measures identified for each of the risks.

E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

Setting the risk tolerance level is an executive function of the Board of Directors that cannot be delegated. MERLIN prioritises the risks identified according to their importance and places them on a Risk Map, which in turn determines the proximity of importance to a predetermined tolerance threshold.

MERLIN envisages the risk appetite as the level of risk that the Company is willing to assume or reject based on its objectives, taking into account the expectations of its stakeholders, and risk tolerance as the determination of fluctuations in the level of risk considered to be normal in accordance with its risk appetite.

To identify the key risks, a global tolerance threshold has been considered based on the impact of the risk on the organisation and the probability of occurrence, establishing a standard risk profile to be managed for the most significant risks.

It is important to highlight the existence of risks with "zero tolerance", in other words risks where the response strategy is "avoidance", which implies not continuing with the activity that causes the risk or changing the way in which it is carried out.

This type of risk includes all risks related to compliance with the terms and conditions of the **REIT Regime**, with any other legal or regulatory breaches, with the terms and conditions of financing arrangements and the distribution of dividends, risks related to any

type of fraud (by the Company-s executives and employees, customers or suppliers), and those related to anti-money laundering and countering the financing of terrorism.

In this regard, in 2018 the Board of Directors approved the **Tax Strategy, Tax Policy, and Tax Function Regulations**, which establish a series of guiding principles, including strict compliance with tax obligations and payment of taxes that are legally enforceable, not to use artificial structures or structures that make no economic or business sense in order to reduce the tax burden of the Company or its shareholders, and the commitment not to operate in territories classified as tax havens for the main purpose of reducing the tax burden of the Company or its shareholders.

In 2019 the Board of Directors also approved a **significant reform of MERLIN's Corporate Governance System** through a series of policies that express the Company's desire to strictly comply with the highest standards of ethical and legal behaviour.

These policies include the **Policy on Corruption and Fraud**, which is based on the principle of zero tolerance for unlawful or criminal acts and, therefore, does not allow any of its employees, regardless of their hierarchical or functional level, to become involved or participate in any transaction or business within its business activity that involves a criminal or fraudulent act or goes against the principles set out in its Code of Ethics; and the **Public Authority Relations Policy**, which aims to establish the basic principles governing the Group, and the rules of conduct for MERLIN Group employees in their interactions with public authorities to impose preventive and proactive action in the fight against corruption and bribery in all areas of its business activity.

In 2020 the Board of Directors completed the reform of MERLIN's Corporate Governance System initiated in 2019, with the approval of the stakeholder relations policy, director selection, appointment and removal policy, general corporate governance policy; whistleblowing channel communication protocol, and amendments to the corporate social responsibility policy.

With regard to risks relating to corruption and fraud and MERLIN's Criminal Compliance Management System, it is worth noting that it obtained quality certification in 2019, which was subsequently renewed in 2020, in accordance with the UNE 19601 standard, the Spanish national standard for best practices in management systems to prevent crime, reduce risk and promote an ethical business culture that complies with the law, thus contributing to generating confidence.

The UNE 19601 standard establishes the requirements for criminal compliance management systems with the goal of going beyond compliance with the law and helping companies and organisations prevent crimes from being committed and reduce criminal risk and, thus, promote a culture of ethics and compliance. Likewise, Circular 1/2016 of the Public Prosecution Service values certification as a very significant element to be considered, if necessary, when assessing the effectiveness of criminal prevention models and in exonerating legal entities from criminal liability.

The certification accredits that MERLIN's Crime Prevention and Detection Model meets the standard's requirements and is also effective in its commitment to ongoing improvement to incorporate the highest standards of compliance.

Among other aspects, MERLIN's Crime Prevention and Detection Model includes a map of risks or criminal offences to which the Group is exposed due to its activity and identifies, documents and executes more than 90 controls linked to such offences, demonstrating that the organisation has put in place the mechanisms and controls within its reach in the area of criminal compliance.

MERLIN has therefore become one of the first real estate companies among the Ibex 35 to obtain this certificate, a certificate that helps to generate confidence among its stakeholders and recognises MERLIN's effort to prioritise and adopt the best national and international practices in compliance, corporate governance, social responsibility and business ethics.

E.5 State what risks, including tax risk, have materialized during the year.

The outbreak of the health crisis caused by the spread of COVID-19 is the most significant event in terms of risk that the Company had to face in 2020.

Since the publication of Royal Decree 463/2020, of 14 March, declaring the state of emergency to manage the health crisis caused by COVID-19, Merlin has implemented a series of early commercial actions aimed at facilitating compliance with the terms of the obligations assumed by tenants in its portfolio that have been affected by a government order to close or suspend their activity and who are up to date with their obligations. More detail on these commercial actions, referred to as "Commercial Policy" and "Supplementary Commercial Measures", is included in subsection E.6 (b) below.

Furthermore, tenants affected by government orders to close their establishments or suspend their activity have also been able to benefit, to the extent that they fit within the subjective scope of the rule, from state, regional and municipal measures with regard to labour and tax matters and access to financing, among others, that the various governments have launched to alleviate the effects of the health crisis caused by the spread of COVID-19, thus facilitating the preservation of the balance in their reciprocal benefits, in the context of relations with their suppliers.

Accordingly, the regulatory framework derived from Royal Decree Law 15/2020, of 21 April, and Royal Decree Law 35/2020, of 22 December, contributed to reducing the uncertainty regarding the effect of the health crisis on the various lease agreements, as it contains a real distribution of risk.

Although Merlin has been closely monitoring the development of the health crisis since its beginning and maintaining a proactive attitude to help its tenants affected by a government order to close or suspend their activity to comply with their contracts, the start of the vaccination campaigns as of the end of December 2020 is expected to help to reduce the time horizon of uncertainty that currently exists.

MERLIN considers that the COVID-19 health emergency and its effects on the Group's activities primarily affect the following aspects:

Uncertainty in the measurement of fair value of investment property

The COVID-19 pandemic has impacted global financial markets. Activity in the real estate market is being affected in many sectors. Therefore, reports by independent third-party experts place less weight on prior evidence from the market as a reference to establish their appraisals. In this regard and as at 31 December 2020, the appraisals carried out by CBRE

Valuation Advisory, S.A. and Jones Lang LaSalle, S.A. (responsible for 79.1% of the Group's appraisals), although they point out that the pandemic and the measures taken to deal with COVID-19 continue to affect the economy and the real estate market globally, highlight that, at the date of their appraisal, the real estate markets have already started to work again, with a sufficient volume of transactions and other market evidence on which to base their opinion of value. In the case of appraisals carried out by the independent external third party Savills Consultores Inmobiliarios, S.A. (which, at 31 December 2020, valued 20.9% of the Group's GAV), these are issued on the basis of "material valuation uncertainty" under VPS 3 and VPGA 10 of the RICS Global Valuation Standards and, therefore, recommend that the appraisal be kept under regular review.

The appraisal methods have not been modified, although they were influenced, among other things, by the following aspects arising from the effects of COVID-19.

- Closure of activities in shopping centres.
- Loss of customers and reductions in traffic.
- The positive impact on logistics distributors.
- The risk of losing major contracts.
- Payments of rent for commercial spaces.
- Increased discount rates and exit capitalisation rates due to future uncertainty.

Liquidity and credit risk

The appearance of the health crisis and the impact on the economy had a significant impact on the general financial position of companies, which can be divided into the specific liquidity risk of the companies or groups and the liquidity risk of customers (credit risk).

Occupational risk prevention

Although Royal Decree 6/2020 stipulated that temporary incapacity resulting from COVID-19 infection or preventive isolation was regarded as an accident at work in terms of benefits: "*In order to protect public health, those periods of isolation or infection of workers caused by COVID-19 will be considered, on an exceptional basis, a situation regarded as an accident at work, exclusively for the temporary disability benefits of the social security system*", the final provision one of Royal Decree 13/2020, on agricultural employment, adds the following sentence to the previous provision: "*unless it is proven that the infection of the disease was contracted exclusively as a result of carrying out the work under the terms indicated in section 156 of the consolidated text of the General Social Security Act (Ley General de la Seguridad Social), approved by Royal Legislative Decree 8/2015, of 30 October, in which case it will be classified as an accident at work*".

These rules, together with the context of the COVID-19 health crisis itself, point to the potential liability (including criminal liability) of the employer, in the event of a possible serious breach of its obligation to adopt the health and safety measures necessary for the protection of workers.

Personal data protection

Another risk that has increased significantly as a result of the COVID-19 health crisis concerns the processing of personal data, either (i) related to the processing of workers'

health data (cases of infection) or (ii) related to the processing of their biometric data (temperature control).

Other risks

In addition to the aforementioned risks, in 2020 and as a result of the health and economic crisis caused by COVID-19, the Audit and Control Committee has paid special attention to the substantial increase in the intensity of other risks during the year, such as:

1.- Asset occupancy (vacancy, sale, renewal)
2.- Fluctuation in the level of income
4.- Loss of value of the properties
7.- Changes in consumption pattern
11.- Cybersecurity breaches
19.- Physical impact on assets (health & climate)
23.- Country macroeconomic conditions
25.- Shareholder return (dividends)
28.- Regulatory changes

MERLIN has implemented effective mitigation measures for all these risks, as well as individualised response plans, as detailed below.

E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise

MERLIN understands that it is as important to identify the risks in its integrated Risk Management System as it is to determine risk management measures and ensure that these measures are effective.

The Company therefore continuously monitors risks, ensuring the feasibility, effectiveness, efficiency and sufficiency of the responses established for these risks.

In this regard, and given the exceptional nature of 2020, MERLIN implemented a specific response plan for the various risks exacerbated by the health and economic crisis caused by COVID-19.

COVID-19 response plan

a) Measures to strengthen MERLIN's capital structure

- **Capex investments**. MERLIN reviewed its investment plans to prioritise investments in assets with high levels of pre-rental.
- **Reduced overhead costs**. At its meeting held on 8 April 2020, the Board of Directors decided to reduce its remuneration by 25%, and the Chief Executive Officer, the Corporate General Manager and the management team decided to waive their entitlement to all variable remuneration for 2020. In addition, given the situation, it was agreed not to implement a long-term incentive plan.

- **Drawdown of additional financing**. On 20 March 2020, the Group drew down on its corporate line of credit, which was fully available, for a sum of EUR 700 million. This drawdown, which was repaid in full in July 2020, formed part of the objective of strengthening the financial position in an environment of uncertainty following the onset of the pandemic. In relation to these actions, after June, financing in the form of EUR 500 million in bonds was issued with a maturity of 7 years, with the aim of repaying various bonds and loans maturing in 2022, 2023 and 2025.

- **Dividends**. On 8 July 2020, the 2019 dividend was paid out after it was passed at the General Shareholders Meeting held on 17 June 2020, for a sum of EUR 68,518 thousand. However, even though a refund of the share premium was passed for a maximum of EUR 0.173 per share payable in cash, its execution was delegated to the Board of Directors, which decided not to pay out the dividend given the impact of COVID-19 on the performance of its business.

b) Measures to mitigate tenant credit risk

- **Commercial policy**: After the outbreak of the pandemic, the Group implemented a commercial policy that offered 100% rent credits to commercial tenants whose activities where shut down by the government due to the state of emergency and that were up to date on their contractual obligations. This policy was in force during the shutdown mandated due to the state of emergency and involved a 100% rent credit for tenants that continued to pay common expenses and waived their right to any future actions against MERLIN in relation to COVID-19.

- **Supplementary commercial measures**: In addition, the Group approved supplementary commercial measures that were implemented from June to 31 December 2020. These measures were aimed at the majority of commercial tenants in the Group's asset portfolio that have been affected by the order to close their establishments, a significant operative restriction, or suspension of their activity to facilitate compliance with their obligations under the various lease agreements on their terms for the remainder of 2020. The measures consisted of the application of a decreasing partial rent credit from June to December 2020.

c) Measures to mitigate the risk of infection on its assets

Since the start of the COVID-19 pandemic, MERLIN has launched various initiatives in its assets, which have been categorised into the main lines of recommendations from the competent authorities: (i) social distancing measures; (ii) hygiene and cleaning measures; and (iii) and organisational measures. The objective of these measures is to minimise the risk of infection with COVID-19, preserving the health and safety of those who enter the buildings, taking into consideration the evolution of the spread of the virus, and the latest provisions adopted by the various governments, in addition to the various recommendations and ministerial orders of the Ministry of Health and the Ministry of Industry, Commerce and Tourism. At any rate, since the situation of the pandemic is highly dynamic, the measures taken will be adjusted whenever necessary to respond to the rapidly changing circumstances related to COVID-19 and the recommendations from the competent authorities. Based on this situation, the Group has acquired gloves, masks, sanitiser gels and protective screens and adopted other measures for sensitive areas (stairs, lifts and restrooms).

The protocols for action and prevention in offices and shopping centres have been subject to **external certification by AENOR**, which has certified the implementation and development of the protection measures, as established in

the various plans communicated to tenants and customers, for each multi-tenant office asset and for each of the shopping centres.

d) Measures to mitigate the risk of infection for its employees

MERLIN, through the contracted Health Surveillance Service, implemented a Contingency Plan for COVID-19 in April 2020, with the aim of adapting and updating its preventive planning, taking into consideration the risk of a pandemic (general or specific) for each job category and documenting the measures for its prevention, and implementing an action protocol in cases of infection or suspected infection by a worker. Subsequently, on 10 May 2020, all MERLIN employees were notified of the plan to return to the offices of the Company's various work centres, which included:

Organisational measures: with key dates for staggering the return to the offices, gradually reducing the number of employees working from home, taking into account the personal circumstances of each worker, as well as the protection of those most vulnerable.

Social distancing measures: in the organisation of work stations, a flexible timetable for arrivals and departures, use of meeting rooms, use of common areas, mobility within the office, restriction of visits and business trips.

Protection measures: distribution of PPE (FFP2 masks) to all workers, installation of hydroalcoholic hand gel, information signs, a room for taking employees' temperature as they enter the office.

Action protocol in the event of a suspected infection: temperature measurement before going to work and reporting any suspected infection to Human Resources.

- **PCR, serological and antigen tests** weekly voluntary detection tests are carried out on the entire workforce to detect any incident and to isolate and quarantine the affected employees.

Lastly, and in compliance with Ministerial Order SND 388/2020 which requires that staff must be informed and trained in the risk of COVID infection, as well as in the use of PPE, MERLIN has made available to all workers, through the occupational risk prevention service, an on-line training platform with a course of approximately 3 hours, which covers all the necessary topics for further training in all matters related to COVID-19 (virus typology, routes of infection, protection and hygiene measures, use of personal protective equipment, etc.). This training was determined to be mandatory for all MERLIN staff and they were required to pass a test that had to be taken prior to returning to work at the office.

Furthermore, despite the circumstances surrounding the year, MERLIN maintained the response plans already established for the other risks identified in the Corporate Risk Map, as detailed below.

Recurring response plan

MERLIN set up its response plans through policies, procedures and controls that are adjusted based on the different risks that affect or may affect the Company. In this regard, the Group has defined and identified a series of different types of controls, has designated the person responsible for each control and assesses on a regular basis the risk and its residual component after carrying out and documenting the control. In addition, specific

improvement plans have been established for operational, strategic, compliance and reporting risks that are considered to be significant.

The Audit and Control Committee is committed to the risk management and control process, approving policies, procedures and control structures it considers necessary. The Company's General Management, as well as the Finance Department and the Company's other business divisions analyse at their regular meetings the situation and evolution of the main risks affecting the Group, taking corrective measures when considered necessary.

The following is a summary of the main mitigation measures implemented in the management of the risks considered to be significant:

- **Business risks:**
    - **Monitoring external factors** of the real economy with an impact on the value of the assets, i.e. factors that affect demand (rent renegotiations, unexpected tenant departures, potential future supply, etc.), and factors that affect the return and valuation of assets (interest rates, real estate market yields).
    - **Independent asset valuation** every six months, rotation plan for appraisers, review of appraisals by the external auditor, and internal verification of the appraisal: monitoring of the discount rates applied in the appraisal and of the investment alternatives.
    - **Ongoing monitoring of business indicators** (occupancy, rent, vacancies, like for like, release spread, etc.) of the contracts for each tenant / operator, the concentration of gross rents for the largest tenants, the credit risk of the main tenants and the design of contingency plans for the potential departure of each major tenant.
    - **Implementation of an internal marketing team** that provides service to all business segments in the processes of attracting, marketing and renewing asset contracts.
    - **Investment plan (Value Creation Plan 2019-2022)** that will enable the quality of a certain number of properties to be repositioned within the Flagship, Landmark, Best II and Best III plans, which will contribute to increasing gross rents and maximising the return on the existing portfolio.
- **Resource risks:**
    - **Long-term remuneration incentive plan**: with a view to retaining key personnel, the Company has variable remuneration plans and is designing and implementing succession plans by main business area.
    - **Strategic innovation plan** that encompasses various initiatives launched for the digitalisation of internal processes and interaction with tenants, the development of new business models such as the leasing of flexible office space, and various initiatives linked to energy efficiency and the digitalisation and sensorisation of assets.
    - **Strict financial policy**, by continuously monitoring the debt markets (mortgage, corporate banking, bonds), monitoring the gearing ratio, maturities and average cost of debt, maintaining lines of credit open and reports from the external auditor on compliance with covenants.
    - **Investment procedures and control structures:** documentation of the operation of the financial models, implementation of modification and

integrity controls in all models and internal audits to check the return on investments.

- **Implementation of an IT Security Plan**: establishment of a General Controls Manual on Information Systems, annual plan for improvements to information systems, cybersecurity awareness exercises, monitoring of incidents and regular reporting to the Audit Committee.

- **ESG (Environmental, Social and Governance) risks:**
  - **Sustainable certification of assets**: monitoring the objective of having almost all of its assets LEAD and BREAM certified, as well as maintaining accessibility certifications in centres.
  - **Energy efficiency**: monitoring numerous initiatives linked to efficiency, including the photovoltaic project in logistics.
  - **Sustainability index reporting**: monitoring and review of the information reported to the various sustainability indexes (GRESB, CDC), analysing the scores obtained and establishing action plans for continuous improvement.
  - **Implementation of general controls** (Strategy and Tax Policy), as well as tax department regulations and a protocol for reviewing compliance with Spanish Law 16/2012.
  - **Ongoing monitoring of compliance with REIT requirements**: quarterly calculation of compliance with the income and asset test, review of criteria and calculation by an external expert, regular reporting to the Audit Committee and the Board of Directors, audit of calculations by the auditor every six months and on an annual basis, simulation exercises with future plans and annual budgets.
  - **Monitoring of the control bodies**: regular reporting to the Audit and Control Committee on the plans and activities of the Criminal Compliance Body, as well as the Internal Control Body with regard to anti-money laundering and countering the financing of terrorism.
  - **Supervision of the System of Internal Control over Financial Reporting (ICFR)**: model of responsibilities based on the three lines of defence model, documentation of all processes involved in the preparation of financial information, risk and control matrices, regular supervision of the model by the Audit and Control Committee.
  - **Monitoring of the political and regulatory environment**: regular reporting of new sector regulations, analysis of drafts of new regulations anticipating impacts, ongoing contact with specialised advisors and monitoring of all relations with public authorities.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1 **The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.**

In accordance with MERLIN's Articles of Association, the Board of Directors is responsible for preparing the financial statements, the directors' report and the proposed allocation of the Company's profit or loss, and for approving the Annual Corporate Governance Report to be submitted at the General Meeting, the risk management and control policy, and for monitoring internal information and control systems on a regular basis.

The MERLIN Group's Internal Control Policy aims to define a framework that regulates the process of preparing and supervising financial information, applicable to all Group companies, and also applicable to the preparation of consolidated financial information, consistent with the principles of transparency, usefulness, truthfulness, consistency and adequacy, and that clearly defines the responsibility of its managing bodies in this process.

The main objective of the internal control process is to ensure that the consolidated financial information published by the MERLIN Group presents fairly, in all material respects, the equity, financial position, results and cash flows of the consolidated companies.

Internal control is understood to be the process carried out by the Board of Directors, management and other personnel of the organisation in order to provide reasonable assurance as to the effectiveness and efficiency of operations, reliability of financial information, compliance with applicable standards and safeguarding of assets. In this regard, internal control is an integral part of corporate risk management.

The **System of Internal Control over Financial Reporting (ICFR)** is a part of internal control and consists of a set of processes that the Board of Directors, the Audit and Control Committee, senior management and the Company's personnel involved carry out to provide reasonable assurance regarding the reliability of the financial information published in the markets. This framework applies exclusively to ICFR.

The MERLIN Group has allocated specific and sufficient resources to ensure the effective implementation of the Internal Control over Financial Reporting (ICFR) Policy.

ICFR is a system that affects all levels of the organisation and all Group personnel. The main functions relating to the Group's System of Internal Control over Financial Reporting are attributed to the control structure defined in the Board Regulations:

a. The Board of Directors, responsible for approving the ICFR.

b. The Audit and Control Committee, a delegated body of the Board of Directors, is entrusted with the supervision of the ICFR, a function it performs through the Internal Audit Department.

c. The MERLIN Group's Finance Department, responsible for the design, implementation, execution and monitoring of the ICFR.

d. The departments and divisions of MERLIN Group companies, responsible for risk identification and execution of controls in their respective areas of responsibility.

e. The MERLIN Group's Internal Audit Department, responsible for the supervision of the ICFR.

The powers of each of these levels are attributed based on the principles of hierarchy and competence.

F.1.2 **State whether the following are present, especially if they relate to the creation of financial information:**

- **Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.**

As established in **MERLIN's System of Internal Control over Financial Reporting Manual (ICFR Manual)**, this is a system that affects all levels of the organisation and all Group personnel. The main functions relating to the Group's System of Internal Control over Financial Reporting are summarised in the following points:

- The Board of Directors is responsible approving the ICFR.
- The Audit and Control Committee, through the Internal Audit Department, is responsible for supervision the ICFR.
- The Finance Department is responsible for the design, implementation, execution and monitoring of the ICFR.

The Board of Directors, as the body ultimately responsible for approving the ICFR, has determined that the Audit and Control Committee is the body delegated to supervise its effectiveness. The Audit and Control Committee must therefore ensure correct compliance with the responsibilities defined and assigned to the Finance Department and other departments and areas relating to the Group's ICFR.

The organisational structure defined in the Group in relation to the main supervisory functions is as follows:

Audit and Control Committee

In order to obtain reasonable assurance as to the reliability of the financial information, the Audit and Control Committee monitors:

Compliance with regulatory requirements.

The accurate demarcation of the scope of consolidation.

The correct application of accounting principles.

The adequacy of the control policies and procedures implemented.

The Committee is responsible for the process of preparing and presenting the financial statements and periodic financial information, verifying that it complies with current law, that it is complete and accurate, and that it must be supplied to the markets and their supervisory bodies, and that the preparation and publication process is correct. It will report, prior to its approval by the Board of Directors, on any recommendations it may offer in this regard.

The Audit and Control Committee has various sources to determine whether Management has implemented an effective system of supervising the ICFR. The main sources of analysis are as follows:

Management questions posed and observations made to Management.

Work performed by Internal Audit.

Engagement of specialists or specialised resources.

Supervision of the work of the external auditors.

The Audit and Control Committee relies mainly on the work of the internal auditor and holds meetings with the external auditors as necessary.

Finance Department

The Group's Financial Management is responsible for identifying the risks of error or fraud in the financial information. To identify these risks, it starts with the risk analysis determined by the ***Scope of the ICFR***, documenting and keeping evidence obtained from this analysis of the material controls carried out, which will be reviewed on a regular basis. It is also their responsibility to notify the internal and external auditors of any changes in the scope of consolidation that will affect their own scope.

MERLIN's Finance Department is responsible for establishing the design, implementation and overall monitoring of the Group's ICFR. It has therefore established a structure that allows it to be implemented and reviewed efficiently and in which all levels of responsibility in the Group participate.

In order to fulfil this responsibility, the Finance Department is supported by those responsible for each process, to monitor that the controls are being adequately executed in accordance with the model implemented, and the supervision of the effectiveness of the model is completed with the cooperation of Internal Audit.

In addition, and as a commitment to the proper functioning of the ICFR, specific training is given to members of the Financial Department as considered necessary, including on

IFRSs and the Spanish national chart of accounts, rules on consolidation, taxation and capital market reporting, internal control and risk management concepts.

Process Managers

The Process Managers are responsible for contributing to the proper functioning of the ICFR, both from the point of view of the design and functioning of the controls. These managers are personnel from the Finance Department with sufficient knowledge and level of responsibility at MERLIN to supervise compliance with the functions assigned to the Control Executors in terms of internal control and to monitor that the controls are properly carried out.

Internal Audit

The Internal Audit Department is responsible for planning the supervision of the ICFR with the appropriate scope and frequency in order to review its effectiveness, considering the work in its annual Internal Audit Plan, subject to the approval of the Audit and Control Committee (3rd line of independent defence).

Internal Audit determines the nature and extent of the tests to be performed to facilitate the identification of possible control deficiencies and the analysis of their causes in order to determine the degree of compliance and efficiency of the control systems.

Internal Audit is also responsible for supervising the Action Plans that are put in place to rectify any control deficiencies that have been identified during the process of documenting and carrying out the controls.

- **Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state whether there is specific mention of transaction recording and creation of financial information), a body charged with analyzing breaches and proposing corrective actions and sanctions.**

The Company has a Code of Conduct, approved by the Board of Directors on 16 December 2015, which reflects MERLIN's commitment to the principles of business ethics and transparency in all areas of activity, establishing a set of principles and guidelines for conduct aimed at ensuring the ethical and responsible behaviour of all Group professionals in the performance of their activities, including accounting records and the preparation of financial information.

The Appointments Committee is the body responsible for the internal and external dissemination of the Code of Conduct, as well as its interpretation and general integration. Its interpretative criteria are binding for all the Group's professionals. Non-compliances are analysed and managed in accordance with the whistleblowing channel protocol.

MERLIN's Code of Conduct is public and available to any interested third party from the corporate website. Likewise, an Ethics and Criminal Compliance clause has been included in all lease agreements and contracts with suppliers since 2018, which states the obligation of the parties to know and enforce compliance with the Code, and to report any signs of unlawful or unethical conduct.

The Code of Conduct applies to all Board members and all employees of MERLIN Group companies. They are all obliged to know and comply with the Code of Conduct and collaborate in its implementation at MERLIN. The scope of application of the Code may be extended contractually to any other natural or legal person with commercial relations with MERLIN when, due to the nature of that relationship, its activities could affect the Group's image and reputation.

As a specific and relevant subsection, MERLIN's Code of Conduct includes a specific chapter on transparency of information. It requires all employees and directors, within the scope of their duties, to provide truthful, complete, understandable and timely information, and under no circumstances will they knowingly provide incorrect, inaccurate or imprecise information that could mislead the recipient.

Specifically, it will ensure the reliability and completeness of the financial information that, in accordance with applicable law, is publicly supplied to the market. In particular, the accounting policies, controls and monitoring mechanisms defined by the Group to identify relevant information will be identified, prepared and communicated in due time and form.

The Board of Directors, the Audit and Control Committee and the other governing bodies will also monitor on a regular basis the effectiveness of the internal control system for the preparation of financial information to be sent to the markets, with one of the specific functions of the Audit and Control Committee being to "supervise compliance and internal codes of conduct and corporate governance rules".

The Code of Conduct has been distributed to all employees so that they may read and expressly accept the Code. The Code of Conduct forms part of the Welcome Pack for new hires and is formally signed by each new employee in all Group companies, with the original of each acceptance kept in the employee's personnel file.

- **Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organization, reporting, as the case may be, whether this is of a confidential nature and whether it allows for anonymous notifications that respect the rights of the whistleblower and of the party in breach.**

MERLIN has a Whistleblowing Channel (canal.etico@merlinprop.com) that provides a confidential channel through which to communicate any event that violates the laws in force and the Code of Conduct, as well as potentially material irregularities of a financial or accounting nature or of any other nature.

This Channel is accessible to all employees, executives and directors of all MERLIN companies and is also made public and available to any interested third party, for which purpose there is a specific email address, which is detailed in the Code of Conduct together with its characteristics, published on the Group's corporate web page. In addition, MERLIN has a procedure for handling all complaints received.

An express reference to the Whistleblowing Channel is included in all lease agreements and contracts with suppliers, as well as in the Anti-Money Laundering Manual. Every year

the Compliance Department sends various communications to all Company employees reminding them of its existence, operation and communication protocol.

The ***Whistleblowing Channel Communication Protocol*** was revised by the Board of Directors in 2020, bringing it into line with the new requirements of data protection regulations, accepting anonymous reports that could affect fraud, irregular conduct of a financial, accounting or any other nature, or the quality of the financial information provided to the markets.

This protocol details the rights and obligations of both the complainant and the respondent, as well as MERLIN's strict commitment not to retaliate.

The lead director and the Internal Audit Manager are those that receive the complaints and are empowered to initiate the investigation of the reported facts. All investigations will be conducted confidentially and will be reported at the appropriate Audit and Control Committee meeting.

In 2020, no communications were received through the Whistleblowing Channel.

- **Training and periodic refresher programs for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.**

MERLIN endeavours to have personnel with sufficient training and experience to carry out the functions and responsibilities they are given. The drafting and preparation of financial information requires specific training in accounting, consolidation and tax matters, insurance, risk assessment and checking of controls to mitigate risks.

MERLIN personnel therefore participate in training and refresher courses on current regulations affecting the Company, and it encourages and facilitates the means for its personnel to keep up to date by attending seminars or refresher courses and have access to bulletins and publications to ensure they are trained.

Regular meetings are also held with the external auditor in order to be aware of any changes in current regulations that may affect the Company, as part of the Audit and Control Committee's annual training plan.

In this regard, the Audit and Control Committee's training plan in 2020 included the following matters:

- REIT Regime: new developments and binding rulings issued by the Directorate-General of Taxes (DGT)
- New accounting, tax and regulatory developments in 2020
- Non-financial reporting requirements

With regard to the rest of the workforce, in 2020 various members of the Group's staff received training in information systems, accounting standards and risk management,

bringing the total number of hours of training in these areas to a total of 85 hours. The most notable training actions carried out by these professionals are as follows:

- New accounting and tax developments in 2020
- Training in financial reporting tools
- Anti-money laundering and countering the financing of terrorism
- Billing procedures

F.2 Assessment of financial information risks

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

- **Whether the process exists and is documented.**

Taking as reference the internal control framework set out in the COSO (*Committee of Sponsoring Organisations of the Treadway Commission*) Report and the definition included in the CNMV document entitled "***Internal Control Over Financial Reporting in Listed Companies***", MERLIN considers ICFR to be the set of processes carried out by the entity to provide reasonable assurance regarding the reliability of financial information disseminated in the market.

In order to have an effective and reliable model, based on the identification of key risks and the selection of relevant processes for financial information, **MERLIN applied its work methodology in 2020, which is documented in the ICFR Manual**, approved by the Audit and Control Committee.

First, the Finance Department reviewed the scope of consolidation to verify that all the necessary companies are being included and, furthermore, to verify that the Group's activity has not changed in any significant way that might affect the preparation of the financial information.

Once the scope of consolidation is reviewed, the Finance Department analyses which processes are relevant to the financial information for that period. This analysis is carried out by means of the Risk Scope, prepared by the Finance Department on an annual basis.

In the first quarter of each year, the Finance Department carries out this exercise using the consolidated financial statements for the previous year, in order to analyse the scope of the monitoring and supervision of the ICFR for that period.

The results of the analysis are sent to management of the departments responsible for the significant ICFR processes in order to obtain confirmation from them and make them aware that these processes will be monitored in the following year.

In addition, the scope of the material processes is sent to the Internal Audit Department as a starting point for its supervision within its Audit Plan.

This ICFR Risk Scope does not include the assessment of non-financial risks, as these risks are generally assessed in the ***Corporate Risk Map*** with their corresponding monitoring. The ICFR risks are identified in more detail together with the corresponding controls implemented to mitigate them.

The ICFR Risk Scope enables the identification of which accounts and accounting headings have a significant associated risk and may have a potential material impact on the financial information.

The Finance Department therefore takes into consideration quantitative and qualitative factors in this analysis:

a) **Quantitative criteria**:

Quantitative criteria are established through the calculation of materiality for the year, for which MERLIN's financial statements for each year are taken as a reference.

b) Qualitative criteria:

The qualitative criteria considered for MERLIN's Risk Scope are as follows:

Size: differentiation of the account compared to the materiality of "Material Error".

Composition (volume and unit amount): numerical volume of transactions in the year and unit amount of each transaction.

Process automation: automation vs. manual processes. The greater the automation, the lower the risk.

Standardisation of transactions: assessment of standardising the transactions recognised. The greater the standardisation, the lower the risk.

Susceptibility to fraud or error: risk of fraud or unintentional error. To be considered: segregation of duties, degree of oversight/approval, thoroughness of review process.

Accounting complexity: difficulty in the application of the accounting treatment either due to the interpretation of the standard or the complexity of the related calculations.

Degree of estimation/judgement and valuations: consideration of the degree of estimation and/or judgment required to recognise the transactions.

Risk of loss or contingent liabilities: asset associated with the account subject to potential losses in value. Potential for identification of contingent liabilities.

Changes with regard to the previous year: consideration of potential changes in the accounting treatment (e.g. new regulations, difficulty in obtaining the information required to estimate the account), changes in the economic environment or in the process itself.

Audit adjustments/control weaknesses: consideration of adjustments/control weaknesses identified by internal or external auditors with an impact on this account in prior years.

Criticality decision based on experience: consideration of experience accumulated in each of the line items in previous years.

Once the material headings have been defined with quantitative and qualitative criteria, it is confirmed which processes or sub-processes of the defined **Process Map** they impact based on the activities that make up these processes. In this regard, the critical processes and sub-processes associated with each of the significant accounts and headings have been defined, and the risks that could generate errors and/or give rise to fraud in the financial information have been identified, covering all the financial reporting objectives (MERLIN Process Map).

In addition to carrying out the annual analysis of the ICFR scope following the reference methodology, the Group and the employees involved in the proper functioning of the ICFR have a theoretical framework of documentation designed under the methodology and based on good market practices, including the risk and control matrices, which are documented in a centralised computer tool.

- **Whether the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.**

For each process or sub-process, the risk and control matrices identify the inherent risks, the financial reporting objectives to which these risks relate (financial assertions), and the controls designed to mitigate them, and include all control attributes.

The main purpose of the ICFR is to ensure the reliability of the financial information disclosed to the market, which implies compliance with the following control objectives:

- **Existence and occurrence (EO):** transactions and other events contained in the financial information exist and have been recognised at the appropriate time.

- **Integrity (I) of information:** the information reflects all the transactions and other events in which the entity is the party affected.

- **Appropriate assessment (A):** the transactions and other events are recognised and assessed in accordance with the applicable regulations.

- **Appropriate presentation, breakdown and comparability (P, B, C)** The transactions and other events are classified, presented and reflected in the financial information in accordance with the applicable regulations.

- **Transaction cut-off (C)**: the transactions and events have been recognised at the appropriate time.

- **Appropriate reflection of rights and obligations (R, O):** the financial information reflects, at the corresponding date, the rights and obligations through the corresponding assets and liabilities, in accordance with the applicable regulations.

Therefore, the safeguarding of assets and the prevention/detection of fraud are considered ICFR objectives because of the impact they have on the six core objectives above.

The ICFR model will be updated, without prejudice to that established for the annual review of the ***ICFR Risk Scope***, whenever circumstances arise in the Company's business

and its regulatory environment or events of any nature that, in the opinion of the Audit and Control Committee, senior management or the Internal Audit Department, make it advisable to update the model.

In any case, the Finance Department will assess the concurrence of these circumstances on an annual basis.

- **The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.**

The Finance Department reviews the scope of consolidation on a regular basis to verify that all companies to be consolidated are being included and, furthermore, to verify that the Group's activity has not changed in any significant way that might affect the preparation of the financial information.

In addition, whenever a company is included in the Group's scope of consolidation, the impact of this company is determined (under the principle of materiality) in the headings of the Group's consolidated financial statements, and in each of the processes and sub-processes already identified in its subgroup.

Likewise, if a company is excluded from the Group's scope of consolidation, the ICFR scope is updated provided that the company formed part of the Group's scope at the date on which it was excluded, even though the ICFR at MERLIN is designed to be centralised and does not have an individual scope for each company.

With regard to the possible existence of complex corporate structures, special purpose vehicles or special purpose entities, section 10 of MERLIN's Audit and Control Committee Regulations includes the powers of the Committee to inform the Board of Directors, prior to when the Board takes the corresponding decision, on the creation or acquisition of investments in special purpose entities or companies domiciled in countries or territories considered to be tax havens.

In compliance with these requirements, in 2020 the Audit and Control Committee analysed, on a quarterly basis, MERLIN's company map for the year and any changes during the period.

- **Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.**

As mentioned above, the process of identifying risks that affect the Group's financial information takes into account the five control objectives for financial reporting (existence and occurrence, integrity, assessment and measurement, presentation and breakdown, and rights and obligations).

With regard to other types of risk considered, such as operational, technological, financial, legal, tax, reputational or environmental risks, the risks of the Corporate Risk Map are taken into account in the process of identifying risks that affect financial information.

In this regard, it should be noted that the ICFR scope includes the cycles of IT General Controls and SAP Automatic Controls and Validations, as well as the cycles corresponding to Legal and Tax Affairs.

- **The governing body within the company that supervises the process**

MERLIN's Audit and Control Committee carries out the risk management and financial information supervisory functions delegated to it by the Board of Directors in accordance with their respective Regulations.

In this regard, the Audit and Control Committee is responsible for:

(i) Supervision of financial reporting.

(ii) Supervision of internal and external audit activities.

(iii) Supervision of the effectiveness of the ICFR.

These functions imply that, in order to obtain reasonable assurance as to the reliability of the financial information, the Audit and Control Committee monitors:

(i) Compliance with regulatory requirements.

(ii) The accurate demarcation of the scope of consolidation.

(iii) The correct application of accounting principles.

(iv) The adequacy of the control policies and procedures implemented.

(v) The process of preparing and presenting the financial statements and interim financial information.

(vi) The process of monitoring the functioning of the ICFR to be carried out by the Internal Audit Department.

(vii) The external auditor's observations and recommendations made during the process of auditing the Company's financial statements.

(viii) The proposal of recommendations made in this regard as it considers appropriate to the Board of Directors prior to their approval.

F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorization procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific

review of judgements, estimates, valuations and relevant forecasts.

MERLIN has a formal procedure for reviewing and authorising financial information to be published in the markets **(procedure for the accounting close**). This procedure oversees the process from the time this information is generated by the Finance Department until it is reviewed by the Audit and Control Committee and finally approved by the Board of Directors prior to its publication to the market. This procedure includes the annual financial statements, the financial statements for interim periods (quarterly and half-yearly), the Annual Corporate Governance Report and the Annual Remuneration Report, as well as other relevant public information for the market.

In this regard, the **Audit and Control Committee** Regulations establish that the Committee is responsible for reviewing the clarity and integrity of all financial and related non-financial information published by the entity, such as financial statements, directors' reports, risk management and control reports and annual corporate governance reports, ensuring that the half-yearly financial reports and quarterly management statements are drawn up under the same accounting policies as the annual financial reports and, for such purpose, considering whether the auditor should conduct a limited review of the half-yearly financial reports.

The documentation of the system of internal control over financial reporting, which is reviewed annually in accordance with the updated process procedures, includes descriptions and flowcharts of the different cycles for generating the relevant financial information selected in the identification process (flowcharts and narratives), as well as descriptions of the prioritised risks of error, the controls designed to mitigate these risks, the assignment of those responsible for executing and supervising the controls, and a description of the evidence to be provided in their execution, which will be subject to review by the Internal Audit Department (risk and control matrices).

Risk and control matrix (RCM):

The risk and control matrices are divided into three types depending on the type of control:

- **General controls**: also "Entity Level Controls" (ELCs), those that provide general coverage of the Company's internal control system, such as those related to the control environment (e.g. the Code of Ethics or assignment of responsibilities), and the Company's risk assessment process, among others.

Technological general controls: also "Information Technology General Controls" (ITGCs) and "SAP Automatic Controls and Validations", are those controls that are performed on the Group's applications and systems that support the other processes identified to guarantee the availability, confidentiality, authenticity, reliability and integrity of the information contained therein.

Process controls: controls not included in the previous categories, referring to control activities performed as part of business or support processes involved in the preparation of financial information. These controls are divided into manual and automatic, and periodic and transactional, which have different supervision frequencies and methodologies.

MERLIN has the following documented cycles/processes that regulate the main processes with an impact on financial information:

- General administration process

- Treasury and finance process
- Personnel process
- Tax process
- Individual accounting process
- Consolidation process
- Legal affairs process
- Process of preparing the half-yearly and annual financial statements
- Rental billing process
- CAPEX management process
- Real estate contract management process
- Investment and divestment process
- Asset appraisal process
- Process of preparing the directors' report

The different processes and activities relating to the accounting close of business and administrative and/or corporate activities are considered to be a cycle within the ICFR. Accordingly, the specific review of the relevant judgements, estimates, valuations and projections are subject to specific controls in the model in the corresponding cycles, as they involve the identification of risks of error.

As regards the description of the ICFR to be published in the securities markets, the review and authorisation procedure is the same as for the rest of the economic and financial content of the Annual Corporate Governance Report.

With regard to the procedure for the accounting close and the specific review of the relevant judgements, estimates, valuations and projections, the Audit and Control Committee, with the support of the Internal Audit Department, reviews the financial information on a quarterly basis to confirm that this information is reliable, understandable and relevant.

Likewise, the purpose of the quarterly review is to ensure that the quarterly and half-yearly financial statements are prepared using the same accounting policies as the annual financial statements, to verify that the scope of consolidation is accurately defined and that international financial reporting standards are correctly applied, highlighting any issues identified that could pose a risk in the external audit opinion.

Finally, it should be noted that since 2019 MERLIN has had an IT tool that supports, among other areas, the ICFR controls, so that the documentation of controls through the provision of evidence is centralised, which facilitates the supervision and control work with regard to the execution and documentation of the controls implemented.

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

The internal control policies and procedures associated with the information systems are defined by Management, which relies on an information systems service provider through an outsourcing contract.

The Company has a set of procedures for the control and operation of computer systems, as well as systems related to financial information that are in place.

This set of procedures and associated internal policies that implement risk control operations covers the following aspects:

- **Access security**, processes that regulate the following elements:
  - Access to documents
  - Assigning permissions to computer systems
  - Mandatory computer security regulations for users: document for general dissemination
  - Password policy for access to the network and SAP (main system where financial information is generated and maintained)

- **Control of changes to programs, settings and operation of the systems**, which includes the following processes:

  - Operational processes for patching (small updates) in SAP
  - Operational processes for changes to programs
  - Operational processes for changes to settings in SAP productive
  - Policy for changing or upgrading systems (renewal, SAP patching, version change, etc.).

- **Operational continuity**, which includes the following activities:
  - Systems Contingency and Recovery Plan and its technical instructions (corporate office network, e-mail, communications and SAP)
  - Automatic monitoring of backup processes.
  - Defining the backup scope for SAP.
  - Operational procedure for SAP recovery.

- **Segregation of duties**:
  The segregation of duties is a key pillar in the internal control model and, at the MERLIN Group, it is fundamental in the SAP system environment, both due to the number of users accessing the system and the importance of the information they handle.
  There is a policy in SAP for granting permissions that attempts to follow as closely as possible the assignment of roles to different departments and areas. Therefore, if a person is assigned a role, the processes related to that role will be the ones they are allowed to use. These access and execution permissions change over time as the organisation changes. The decision to allow or not to allow access is determined by the Company and executed by the Systems Department applying the corresponding procedures.

- **Master data change control**:
  SAP is the system most used at the Company and from where the financial information is extracted. This system internally stores the user who makes changes to the most relevant master data. This record is available for review via SAP's own transactions.

The main risks considered by MERLIN, and to which it responds, affect physical security (backups, maintenance and access to servers, etc.), logical security (access controls, registration and removal procedures, virus protection, etc.), sufficient segregation of duties, registration and traceability of information for the different profiles and transactions

in the system, privacy (GDPR), and lastly, system development and maintenance.

Furthermore, MERLIN creats a redundant backup copy of its servers, so that if the server crashes, the risk of loss of data and information and business continuity is prevented.

F.3.3 Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

MERLIN has implemented a procedure (***Procurement Procedure, revised as at April 2020***) for engaging external suppliers, which establishes certain levels of approval depending on the amount to be contracted, including, where applicable, the approval of the Company's Chief Executive Officer.

This Procurement Procedure is mandatory for all employees and executives of all MERLIN Group companies, including investees over which it has effective control, within the limits established in the applicable regulations. The scope of the contracts referred to in this procedure are those purchases made as part of the Group's normal activity, i.e. materials, services rendered, contracting works, professional fees, marketing of assets and other types of corporate or shopping centre management contracts, among others.

Therefore, this procedure does not apply to one-off purchases, including asset acquisitions, which will be governed by the provisions of the Asset Acquisition Procedure.

The **Audit and Control Committee** is responsible, by delegation from the Board of Directors, for **authorising the terms and conditions of the contracts for the main activities outsourced with an impact on** MERLIN'**s financial information** (auditors and real estate appraisers).

Specifically, in relation to the **asset valuation** process, the Company makes a distinction between:

- **Asset acquisition processes**: prior to the potential purchase, third party selection processes are carried out, as well as subsequent monitoring by Management;

- **External appraisal of assets** to obtain accounting estimates (valuations and impairments), with the involvement of independent external appraisers (i.e.: IAS 40, the Spanish national chart of accounts and the rules for the preparation of consolidated financial statements), in accordance with the Audit and Control Committee Regulations, is their responsibility to supervise the appointment process, ensuring the enforcement of the rotation policy and identifying potential conflicts of interest and threats to their independence that may call into question their suitability.

    - The Company counts with a specific operating procedure (***NAV Calculation Procedure, updated in 2019***) that includes the controls implemented for this issue, including the figure of a Valuation Coordinator, a member of the Management Committee, who supervises the suitability and independence of the independent real estate

appraisers, as well as the effectiveness and efficiency of the appraisal process, which is supervised by the Audit and Control Committee.

As for other external advisory services:

- If any of the work is carried out by the firm of the Company's auditor, the compatibility, reasonableness and proportion of the fees with regard to the external audit and the independence for the performance of this work is analysed in accordance with ***the Auditor Procurement and Relations Framework Policy***, and always subject to the approval of the Audit and Control Committee.

- In cases where any type of work related to financial and tax matters, or advisory services for corporate transactions is contracted and the services of an independent expert are used, the technical and legal competence and know-how of the professional is assured, as well as their recognised prestige in the sector.

F.4 Information and communication

State whether the company has at least the following, describing their main characteristics:

F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organization, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

MERLIN's **Finance Department** is responsible for defining and updating the accounting policies and preparing the financial statements in accordance with generally accepted accounting principles.

The Finance Department is responsible for defining and maintaining the Group's accounting policies and for resolving any issues that may arise in their application.

MERLIN has an **Accounting Policy Manual (updated in 2019)** that defines the criteria used to prepare the separate and consolidated financial statements. The personnel involved in the process of preparing and reviewing financial information are informed in a timely manner of accounting or tax changes through subscriptions, alerts and bulletins received from the main auditing firms and the IASB.

In 2020 the Finance Department approved and communicated an addendum to the Manual, specifically to cover the **Accounting Capitalisation Criteria, version April 2020**. This document develops the guidelines contained in the MERLIN Group's Accounting Policy Manual, and is applicable to all Group companies. The scope of this document is limited to the description of the policies that must govern the recognition, in the separate and consolidated financial statements, of items that form part of the Group's assets related to the real estate activity under any of the balance sheet headings: i) investment property, (ii) property, plant and equipment, and (iii) intangible assets.

In addition, the functions of the Finance Department with regard to accounting policies, and placing particular emphasis on the application of the International Financial Reporting

Standards (IFRSs), are as follows:

- Analyse the one-off operations and transactions performed or expected to be performed by the Group in order to determine their accounting treatment in accordance with the Group's accounting policies.

- Unify and standardise accounting policies and control of compliance with regulations in each country, in addition to complying with the Group's accounting policy at a centralised level.

- Resolve any queries that may be made from any Group company regarding the application of accounting policies.

- Monitor projects for new regulations in the IASB, and new standards to be approved by regulatory bodies, and analyse the potential impact on the Group's consolidated financial statements or possible adaptations to be made for compliance.

- Keep all those responsible for preparing and supervising the financial statements at the different levels of the Group informed, in order to provide them with the information necessary to ensure the consistent application of the Group's accounting policies.

In addition, the Audit Committee is responsible for supervising the process of preparing and presenting the Company's financial statements and the periodic financial information that, in accordance with current law, the Company must provide to the markets and their supervisory bodies, supervising the process of preparing and publishing this information, reporting on this to the Board of Directors prior to approval, and monitoring compliance with legal requirements in this regard and the correct application of generally accepted accounting principles, and reporting on proposals for the modification of accounting principles and policies suggested by Management.

On those occasions when the application of accounting regulations is particularly complex, the Finance Department consults with the external auditor, other advisors or the regulatory body, requesting advice on the accounting treatment, as well as the conclusions reached by the auditor in relation to the required accounting analysis.

F.4.2 Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

MERLIN has a common IT tool (**SAP**) for all Group companies, which supports the process of preparing the separate financial statements (Spanish national chart of accounts) under a standardised format.

In 2020 and for the preparation of the consolidated financial statements, a computer tool (**SAP BPC**) was implemented, which performs the consolidation through the aggregation of the accounting information of the separate financial statements in SAP, making the adjustments and eliminations inherent in the consolidation process and obtaining consolidated financial statements (IFRS) for subsequent analysis.

The process is managed by the Finance Department, which has implemented a series of controls in the ICFR, both for individual accounting in SAP and for consolidation in SAP BPC, to ensure the reliability of the information, using a single Chart of Accounts implemented in all Group companies, the evidence of which is documented in the accounting and consolidation cycles of the ICFR.

The accounting consolidation process of the financial statements is carried out on a monthly basis, with closing and consolidation schedules, as well as a timely assignment of roles and responsibilities, in accordance with the procedure for the financial close.

Likewise, **in 2020**, and to comply with ESEF regulations, the Finance Department implemented an IT tool for XBRL tagging of the consolidated financial statements and notes to the annual financial statements and for their publication in xHTML format.

F.5 Supervision of system performance

Describe the main characteristics of at least the following:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

As indicated in the Audit and Control Committee Regulations, the Committee is responsible for the following functions, among others:

- monitor the effectiveness of the Company's internal control, internal audit and risk management systems, including tax risks, and discuss with the external auditors any significant weaknesses in the internal control system identified during the course of the audit.

- regularly review the Company's internal control and risk management systems and, in particular, ensure that the system of internal control over financial reporting (ICFR) is correctly designed, so that the main risks are appropriately identified, managed and disclosed.

- approve the internal audit plan for the ICFR assessment, and any changes thereto, and receive periodic information on the results of its work, as well as the action plan to correct any deficiencies identified.

The Audit and Control Committee is responsible for approving the Annual Internal Audit Plan for the ICFR assessment, and receiving periodic information on the results of its work, as well as the action plan to correct any deficiencies identified.

In this regard, **in 2020** the Committee has worked on:

Review the Internal Control Policy, approved in 2019, which sets out a framework that regulates the process of preparing and supervising financial information, applicable to all Group companies.

Review and approve the materiality levels of the accounting headings in the MERLIN Group's financial statements, with a view to identifying the key controls within the Internal Control Model, and approve the update of the ICFR Functions and Supervision Manual.

(iii) Oversee the review of the ICFR controls within the framework of the 2020 Annual Internal Audit Plan and follow up on weaknesses highlighted.

(iv) Supervise the implementation and effectiveness of the guarantees, designed by Management, and implemented in the process of preparing the financial statements (external guarantees: draft audit opinion, letter of independence and real estate asset appraisal report; and internal guarantees: review of the process by Internal Audit, certification of the financial statements by Management, and execution, documentation and review of the ICFR controls).

The Internal Audit Department, which reports functionally to the Audit and Control Committee and administratively to the Group's Corporate General Management, supports the Committee in its supervisory and reporting tasks. As stated in MERLIN's Internal Audit Regulations, the objectives of the Internal Audit Department, among others, are as follows:

- Assist the Audit and Control Committee in the fulfilment of its responsibilities, providing support to Management in improving and consolidating the internal control system, procedures applied and control activities.

- Supervise the reliability and accuracy of the Risk Control System in place at the organisation, giving an opinion on whether it is adequate and sufficient.

- Collaborate in the identification and assessment of risks of any nature faced by the organisation, supervising their level of control.

- Ensure the integrity of the accounting and management information issued, both internally and externally, i.e. that it is complete and correct.

In this regard, and in support of the Audit and Control Committee, in 2020 the Internal Audit Department carried out an independent review of the design and operation of the internal control system, identifying weaknesses and deficiencies and making recommendations for their correction. In addition to reviewing the design and operation of the controls of the complete cycles every six months, which coincides with the preparation and approval of the half-yearly and annual financial statements, the Internal Audit Department reviews the operation of those controls considered critical and associated with high risks.

The combination of cycle reviews and half-yearly reviews of critical controls enables the Internal Audit Department to perform a comprehensive assessment of the system of internal control over financial reporting as a whole and to issue an opinion on the effectiveness of the controls, which is reported to the Audit and Control Committee as part of the reviews of the half-yearly and annual financial statements.

Therefore, in 2020 the Audit and Control Committee was supported by the Internal Audit Department which, in the review of the annual and half-yearly financial statements, examined whether the **ICFR controls considered to be key (associated with high risks) were correctly documented and carried out**, without any significant weaknesses being revealed that could undermine the process of preparing the financial information.

The Audit and Control Committee also had, for the same review of the annual and half-yearly financial statements, a **formal statement from the Chief Financial Officer, the General Manager and the Chief Executive Officer** certifying the reliability of the financial information presented to the Committee, as well as the effectiveness of the internal control system established for this purpose.

In this regard, **in 2020** the Internal Audit Department reported to the Audit Committee on various occasions on ICFR matters:

(i) Review of all key controls in the preparation and presentation of the annual financial statements for 2019 and the half-yearly financial statements for 2020.

(ii) Supervision of the certification process for the annual and half-yearly financial statements by the different process managers, including the Chief Financial Officer, General Manager and Chief Executive Officer.

(iii) Ad-hoc review of the billing, administration, asset management and personnel cycles.

(iv) Supervision of the Action Plans established for those control weaknesses identified, both in the half-yearly review process and in the ad-hoc cycle review during the year.

(v) Supervision of the process of updating the ICFR documentation, carried out by the Finance Department, in compliance with the methodology established in the ICFR Manual.

F.5.2 Whether there is a procedure by which the account auditor (in accordance with the contents of the *Normas Técnicas de Auditoría* (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

In accordance with the Audit and Control Committee Regulations, its functions include, among others, analysing, together with the external auditors, the internal control weaknesses identified in the auditing process.

For these purposes, the auditor, in compliance with the **Auditor Procurement and Relations Framework Policy**, appears before the Audit and Control Committee on a regular basis to present the recommendations related to the internal control weaknesses identified during the process of reviewing the half-yearly and annual financial statements.

If any internal control weaknesses are detected, they are monitored on a regular basis by the Audit and Control Committee with the support of the Internal Audit Department.

No significant internal control weaknesses were disclosed by the auditors in 2020.

Therefore, and with regard to the performance of their work, in 2020 the Company's external auditors (Deloitte, S.L.) appeared before the Committee on four occasions, each time having the opportunity to present their conclusions without the presence of the management team, at the Committee meetings on (i) 19 February 2020 (ii) 25 February 2020, (iii) 28 July 2020, and (iv) 15 December 2020. In addition, the external auditors appeared on one additional occasion in compliance with the Committee's 2020 Training Plan.

In this regard, at the Committee meeting held on 25 February 2020, the representatives of the auditor, Deloitte, S.L., presented the main conclusions of the work performed in relation to the audit of the separate and consolidated annual financial statements of MERLIN and its consolidated group for 2019, presenting the draft audit opinion and additional report on the separate and consolidated annual financial statements at 31 December 2019, with a favourable and unqualified opinion.

Subsequently, at the meeting held on 28 July 2020, the main conclusions of the work performed in relation to the limited review of the half-yearly interim financial statements of MERLIN and its consolidated group for the first half of 2020 were presented, with a favourable and unqualified conclusion, detailing the main significant events of the period, as well as the main audit risks.

Lastly, at the meeting held on 15 December 2020, the auditor presented the work carried out in the preliminary review as at 30 September 2020 with a view to the review of the financial statements for 2020, and the key audit matters detected in the course of their work.

In the meetings that the external auditor held with MERLIN's Audit and Control Committee (25 February 2020 and 15 December 2020, corresponding to the final phase of 2019 and preliminary phase of 2020, respectively) during the course of its audit work, the auditor informed the Audit and Control Committee that there were no significant deficiencies in the Group's internal control.

At the meeting held on 12 December 2018, the external auditor presented the Audit and Control Committee with a series of recommendations, which the Committee, at that same meeting, unanimously agreed to adopt as its own and for Internal Audit to monitor them in 2019.

In this regard, in 2020 the Audit and Control Committee, through Internal Audit, was continuously monitoring the status of implementing these internal control recommendations, whereby most have been implemented or there is significant progress towards implementation, as reflected in the external auditor's report dated 15 December 2020.

With regard to the coming year, at the meeting held on 15 December 2020, the Committee established a 2021 Work Plan with the external auditor, with the content envisaged for each recommendation and the reports required by the Committee.

Furthermore, and with regard to **Internal Audit**, the Committee, within its competencies and among other aspects, oversees the independence and effectiveness of the internal audit department function, supervising, among other aspects, the annual work plan, approves its

budget and supervises its remuneration, verifying that the members of the management team take into account the conclusions and recommendations of its reports.

Therefore, within the framework of the responsibility attributed to the Committee in 2020:

(i) it reviewed the implementation of the 2020 Internal Audit Annual Plan approved on 11 December 2019.

on 20 April 2020, it approved a specific Internal Audit Plan, known as "COVID-19 Internal Audit Action Plan", focused on the periodic review of those areas identified as being at greatest risk during the state of emergency and confinement that took place in Spain and Portugal.

on 24 March 2020, it approved an Internal Audit Digitalisation Plan for the implementation and development of new work tools, which improve the effectiveness and efficiency of the reviews, as well as the work methodology and the way of communicating the conclusions with the organisation.

it carried out a review of the reports issued by the internal audit department, reviewing the recommendations included and verifying that Company Management complied with the action plans included.

the Internal Audit Manager appeared at all Committee meetings and explained the developments and progress in the area of his responsibility, with special emphasis on the different review work regarding the control models and processes that was being carried out in this regard (mainly auditing of business processes, review of the ICFR, data protection, criminal compliance and the Risk Management System);

it reviewed and approved the Internal Audit Budget and Annual Internal Audit Plan for 2021 at its meeting on 15 December 2020.

(vii) it reviewed and approved the 2020 Annual Activities Report at its meeting on 26 January 2021.

F.6 Other relevant information

None.

F.7 External auditor's report

State:

F.7.1 whether the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

See accompanying external auditor's report.

G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company´s actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

Complies ☒ Explanation ☐

2. That, when the listed company is controlled, within the meaning of article 42 of the Commercial Code, by another entity, listed or not, and has, directly or through its subsidiaries, business relationships with said entity or any of its subsidiaries (other than those of the listed company) or pursues activities related to those of any of them, the following be stated publicly and precisely:

A) The respective areas of activity and possible business relationships between, on one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.

b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors make a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

a) Changes that have occurred since the last General Shareholders' Meeting.

b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies ☒ Complies partially ☐ Explanation ☐

4. That the company have defined and promoted a policy related to communication and contact with shareholders and institutional investors in the context of their involvement in the company, as well as with proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders. And that the company have made

such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

And that, notwithstanding the statutory obligations to disclose insider information and other types of regulated information, the company also have a general policy on the communication of economic-financial, non-financial and corporate information through whatever channels it deems suitable (the media, social networks or other channels), which helps to maximize the disclosure and the quality of the information available to the market, to investors and to other interest groups.

Complies ☐ Complies partially ☒ Explanation ☐

Explanation: Although the Company has a Policy for Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors, approved in February 2016 and available on the corporate website, a general policy regarding the communication of economic-financial, non-financial and corporate information is currently being drafted.

5. That the Board of Directors not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that, whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights, the company immediately publish reports on its web page regarding said exclusions as referenced in applicable company law.

Complies ☒ Complies partially ☐ Explanation ☐

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

a) Report regarding the auditor's independence.

b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.

c) Report by the audit committee regarding related-party transactions.

Complies ☒ Complies partially ☐ Explanation ☐

7. That the company report in real time, on its web page, the proceedings of the General Shareholders' Meetings.

And that the company have mechanisms that permit the delegation and casting of the vote using telematic means and even, in the case of highly capitalized companies and insofar as it is proportional, attendance of and active participation in the Shareholders' Meeting.

Complies ☒ Complies partially ☐ Explanation ☐

8. That the audit committee ensure that the financial statements submitted by the Board of Directors to the General Shareholders' Meetings are prepared in compliance with the accounting regulations. And that, where the auditor has included any qualification in its audit report, the chairman of the audit committee explain clearly, at the Shareholders' Meeting, the opinion of the audit committee regarding its content and scope, a summary of said opinion being made available to the shareholders, together with all other proposals and reports by the Board, upon publication of the call to the meeting.

Complies ☒ Complies partially ☐ Explanation ☐

9. That the company permanently maintain on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies ☒ Complies partially ☐ Explanation ☐

10. That, when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

a) immediately distributed the additions and new proposals;

b) publish the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors;

c) submit all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against; and

d) that after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals be communicated.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

12. That the Board of Directors complete its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it be guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the

promotion of continuity and maximization of the economic value of the business.

And that, in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies ☒ Complies partially ☐ Explanation ☐

13. **That the Board of Directors be of an adequate size to perform its duties effectively and collegially, and that its optimum size be between five and fifteen members.**

Complies ☒ Explanation ☐

14. **That the Board of Directors approve a policy aimed at favoring an appropriate composition of the board of directors and which:**

    a) **is concrete and verifiable;**

    b) **ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and**

    c) **favors diversity in knowledge, experience, age and gender. For such purpose, diversity in gender is deemed favored by measures which encourage the company to have a significant number of female senior managers.**

That the resulting prior analysis of the skills required by the Board of Directors be contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

The appointments committee will annually verify compliance with this policy and explain its findings in the Annual Corporate Governance Report.

Complies ☒ Complies partially ☐ Explanation ☐

15. **That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors be kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.**

And that the number of female directors entail at least 40% of the board members before the end of 2022 and thereafter, not being less than 30% prior thereto.

Complies ☒ Complies partially ☐ Explanation ☐

16. That the percentage of proprietary directors divided by the number of non-executive directors be no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

a) In companies with a high market capitalization in which interests that are legally considered significant are minimal.

b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies ☐ Explanation ☒

Explanation: At 31 December 2020, proprietary directors accounted for 33% of the total number of non-executive directors, while they represent 30.821% of the Company's share capital compared to the rest of the share capital, however, it should be noted that there is a plurality of shareholders represented on the Board of Directors and they are not related to each other.

17. That the number of independent directors represent at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalization or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies ☒ Explanation ☐

18. That companies publish and update the following information regarding directors on the company website:

a) Professional profile and biography.

b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.

d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.

e) The shares and options they own.

Complies ☒ Complies partially ☐ Explanation ☐

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explain the reasons for the appointment of proprietary

directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honored, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honored.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

20. That proprietary directors representing significant shareholders resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

21. That the Board of Directors not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies ☒ Explanation ☐

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when situations arise in which they are involved, whether or not related to their action at the company itself, which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal act in connection with which they are investigated, as well as the related legal proceedings.

And that, if the Board is informed or otherwise becomes aware of the situations mentioned in the preceding paragraph, it investigate the case as soon as possible and, having regard to the particular situation, decide, following a report by the appointments and remuneration committee, whether or not any measures should be taken, such as opening an internal investigation, asking the director to resign or proposing the director's removal. The Annual Corporate Governance Report should also contain a report in this connection, unless there are special circumstances that justify the situation, which must be placed on record in the minutes. All of the foregoing is notwithstanding the information to be disclosed by the company, if appropriate, when the related measures are adopted.

Complies ☒ Complies partially ☐ Explanation ☐

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

24. That whenever, due to resignation or by decision of the Shareholders' Meeting, a director leaves before the completion of his or her term, sufficient explanation be given of the reasons for the director's resignation or, in the case of non-executive directors, of the director's opinion on the reasons for the decision of the Shareholders' Meeting, in a letter addressed to all members of the Board of Directors.

Irrespective of the disclosure of all of the foregoing in the Annual Corporate Governance Report, insofar as it is important to investors, the company should make public, with the least possible delay, the resignation or removal of the director, including sufficient reference to the reasons or circumstances given by the director.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

25. That the appointments committee ensure that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies ☒ Complies partially ☐ Explanation ☐

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies ☒ Complies partially ☐ Explanation ☐

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies ☒ Complies partially ☐ Explanation ☐

28. That, when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns be included in the minutes, upon a request from the protesting party.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

29. That the company establish adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies ☒ Complies partially ☐ Explanation ☐

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies ☒ Explanation ☐ Not applicable ☐

31. That the agenda for meetings clearly state those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

Complies ☒ Complies partially ☐ Explanation ☐

32. That directors be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies ☒ Complies partially ☐ Explanation ☐

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organize and coordinate the periodic evaluation of the Board, and that, if applicable, the chief executive of the company, be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies ☒ Complies partially ☐ Explanation ☐

34. That, when there is a coordinating director, the Articles of Association or the Board rules confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to

understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

35. That the secretary of the Board of Directors pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies ☒ Explanation ☐

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Directors' work.

b) The workings and composition of its committees.

c) Diversity of membership and competence of the Board of Directors.

d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.

e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies ☒ Complies partially ☐ Explanation ☐

37. That, if there is an executive committee, at least two non-executive directors be present on the committee, at least one of which must be independent; and that its secretary be the secretary of the Board of Directors.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

38. That the Board of Directors always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

39. That the members of the audit committee as a whole, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies ☒ Complies partially ☐ Explanation ☐

40. That, under the supervision of the audit committee, there be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies ☒ Complies partially ☐ Explanation ☐

41. That the person in charge of the group performing the internal audit function present an annual work plan to the audit committee, for approval by the committee or by the Board, reporting to it directly on its execution, including any issues and limitations on scope that may arise during its implementation, on the outcome and on compliance with its recommendations, and present the committee with an activity report at the end of each year.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

42. That, in addition to the provisions of applicable law, the audit committee be responsible for the following:

1. With regard to information systems and internal control:

a) Supervise and evaluate the preparation and integrity of financial and non-financial information, as well as the financial and non-financial risk management and control systems relative to the company and, if applicable, to the group (including operational, technological, legal, social, environmental, political and reputational, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.

b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment and dismissal of the head of internal audit; draft a budget for this department; approve or propose to the Board the approval of the annual internal audit goals and work plan, making sure that its activity is focused primarily on material risks (including reputational risk); receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any irregularities with important consequences, including those of a financial or accounting nature, or of any other nature, related to the company, which they observe in the company or its group. This mechanism must ensure confidentiality and, in all cases, provide for the possibility of making communications anonymously, with respect for the rights of the whistleblower and the party in breach.

d) Ensure, in general, that the internal control policies and systems are applied effectively in practice.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.

b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c) Insist that the company report to the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.

e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies ☒ Complies partially ☐ Explanation ☐

43. That the audit committee be able to require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies ☒ Complies partially ☐ Explanation ☐

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

45. That the risk management and control policy identify or determine, as a minimum:

a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational, including those related to corruption) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.

b) A multi-level risk management and control model, including a specialized risks committee, where industry-wide regulations so provide or the company deems it to be appropriate.

c) The level of risk the company considers acceptable.

d) Means identified in order to minimize identified risks in the event they transpire.

e) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies ☒ Complies partially ☐ Explanation ☐

46. That, under the direct supervision of the audit committee or, if applicable, of a specialized committee of the Board of Directors, there be an internal control and management function delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.

b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.

c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies ☒ Complies partially ☐ Explanation ☐

47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate – be chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies ☒ Complies partially ☐ Explanation ☐

48. That high market capitalization companies have formed separate appointments and remuneration committees.

Complies ☒ Complies partially ☐ Explanation ☐

49. That the appointments committee consult with the chairman of the Board of

Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies ☒ Complies partially ☐ Explanation ☐

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it be responsible for the following:

a) Propose basic conditions of employment for senior management.

b) Verify compliance with company remuneration policy.

c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.

d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.

e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies ☒ Complies partially ☐ Explanation ☐

51. That the remuneration committee consult with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies ☒ Complies partially ☐ Explanation ☐

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they be consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

a) That they be comprised exclusively of non-executive directors, with a majority of them independent.

b) That their chairmen be independent directors.

c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.

d) That the committees be allowed to avail themselves of outside advice

when they consider it necessary to perform their duties.

e) That their meetings be recorded and the minutes be made available to all directors.

Complies ☒ Complies partially ☐ Explanation ☐

53. That verification of compliance with the company's environmental, social and corporate governance policies and rules, as well as its internal codes of conduct, be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, a committee specialized in sustainability or corporate social responsibility or another special committee that the Board of Directors, pursuant to its powers of self-organization, has decided to create. Such committee should be composed solely of non-executive directors, the majority of which are independent, and should be specifically assigned the minimum functions indicated in the following recommendation:

Complies ☒ Complies partially ☐ Explanation ☐

54. The following are the minimum functions referred to in the preceding recommendation:

a) Verification of compliance with the company's corporate governance rules and internal codes of conduct, also ensuring that the corporate culture is aligned with its purpose and values.

b) Supervision of the application of the general policy related to the communication of economic-financial, non-financial and corporate information, as well as communications with shareholders and investors, voting advisors and other interest groups; monitoring the way in which the entity communicates with and relates to small- and medium-sized shareholders.

c) The periodic evaluation and review of the company's corporate governance system and its environmental and social policy, with the goal that the company promotes company interests and takes into account, where appropriate, the legitimate interests of other stakeholders.

d) Supervision to ensure that the company's environmental and social practices are in line with the stipulated strategy and policy.

e) Supervision and evaluation of the way relations with various stakeholders are handled.

Complies ☒ Complies partially ☐ Explanation ☐

55. That the environmental and social sustainability policies identify and include at least:

a) The principles, commitments, objectives and strategy related to shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights,

and the prevention of unlawful conduct.

b) Means or systems for monitoring compliance with policies, the associated risks and their management.

c) Means of supervising non-financial risk, including that related to ethics and business conduct.

d) Communication channels, participation and dialogue with stakeholders.

e) Responsible communication practices that impede the manipulation of data and protect integrity and honor.

Complies ☒ Complies partially ☐ Explanation ☐

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies ☒ Explanation ☐

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies ☒ Complies partially ☐ Explanation ☐

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) be linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result;

b) promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies:

c) be based upon balancing short-, medium- and long-term objectives,

permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance and other criteria have been effectively met. Entities should have the annual report on directors' remuneration include criteria regarding the time required and methods used for such verification, having regard to the nature and characteristics of each variable component.

Entities should also consider the establishment of a malus clause pursuant to which the payment of part of the variable components is deferred for a suitable period and is forfeited, in whole or in part, if any event making such forfeiture advisable occurs prior to payment.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

60. That remuneration related to company results take into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

61. That a material portion of variable remuneration for executive directors depend upon the delivery of shares or instruments indexed to share value.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

62. That once shares, options or financial instruments arising from remuneration schemes have been delivered, executive directors be prohibited from transferring the title thereto or exercising them until a term of at least three years has elapsed.

An exception is made where the director has, at the time of the transfer or exercise, a net economic exposure to the variation of the share price for a market value equivalent to an amount of at least twice his/her annual fixed remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition or, subject to favorable opinion of the appointments and remuneration committee, to meet supervening extraordinary situations that so require.

Complies ☐ Complies partially ☒ Explanation ☐ Not applicable ☐

The long-term incentive plan of which the executive directors are beneficiaries, payable in cash and in the Company's shares ("Executive LTIP"), is linked to the creation of value over for shareholders a total of three years and the settlement of this plan (and the obligation for the director to maintain their relationship with the

Company) extends until the authorisation for issue of the financial statements for 2021, which therefore prevents the disposal of these shares by the beneficiary.

In addition, the shares of the previous incentive remuneration plans (Management Stock Plan ("MSP")) are subject to allocation for a period of three years from the calculation date of the MSP. The MSP shares delivered to the executive directors are unavailable until 2023.

63. That contracts and agreements include a clause that allows the company to claim a refund of the variable components of the remuneration when the payment was not been adapted to performance conditions or when it was paid taking into account data that later proved to be erroneous.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

64. That payments made for contract termination, early or otherwise, not exceed an amount equivalent to two years of total annual remuneration and that they not be paid until the company has verified that the director has fulfilled all established criteria or conditions for payment.

For the purpose of this recommendation, payments made for contract termination, early or otherwise, include any payments which become claimable or must be paid as a result or on occasion of the termination of the contractual relationship between the director and the company, including amounts not yet vested under long-term saving plans and amounts paid under post-contractual non-competition clauses.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

H. FURTHER INFORMATION OF INTEREST

1 If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.

2 This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3 The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July 2010.

This annual corporate governance report has been approved by the **Board of Directors of the company at the meeting held on February 25th, 2021.**

State whether any directors voted against or abstained from voting on this report.

Name of the director who did not vote in favor of the approval of this report	Reasons (voted against, abstained, did not attend)	Explain the reasons
Remarks		

Merlin Properties SOCIMI, S.A.

Assurance' report on the 2020 "Information Relating to the system of internal control over financial reporting (ICFR)" of Merlin Properties SOCIMI, S.A.

February 25 2021

Translation of a report originally issued in Spanish based on our work performed in accordance with the assurance regulations in force in Spain and prepared in accordance with the regulatory reporting framework applicable to the Group in Spain. In the event of a discrepancy, the Spanish-language version prevails

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
www.deloitte.es

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"INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF MERLIN PROPERTIES SOCIMI, S.A. ASSURANCE REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31st 2020

To the Directors of
MERLIN PROPERTIES SOCIMI, S.A.:

As requested by the Board of Directors of MERLIN PROPERTIES SOCIMI, S.A. ("the Entity") and in accordance with our engagement letter of January 19th 2021, we have applied certain procedures to the accompanying "Information relating to the ICFR" of Merlin Properties SOCIMI, S.A. for fiscal year finished on December 31st 2020, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

Directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system attached.

In this regard it should be noted, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for 2020 described in the accompanying information on the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

In addition, since this special engagement does not constitute an audit of financial statements and is not subject to current Spanish Audit Law, we do not express an audit opinion in the terms provided in that Law.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, of the ACGR form, relating to the description of the ICFR system as established in CNMV Circular 5/2013 of June 12th 2013, and subsequent modifications, the most recent being CNMV Circular 1/2020 of October 6th 2020 (hereinafter referred to as CNMV circulars).

2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.

3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.

4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.

5. Reading of the meetings minutes of the Board of Directors, Audit and Control Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.

6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of article 540 of Corporate Enterprises Act and by CNMV Circulars, published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

Ignacio Alcaraz Elorrieta

Partner

February 25, 2021

FICHERO ADJUNTO PARA COMPLETAR LA INFORMACIÓN DE LOS APARTADOS SIGUIENTES DEL INFORME ANUAL DE GOBIERNO CORPORATIVO, INFORME ESTADISTICO (C.1.39 Y D.2):

C.1.39 Identifique de forma individualizada, cuando se refiera a consejeros, y de forma agregada en el resto de casos e indique, de forma detallada, los acuerdos entre la sociedad y sus cargos de administración y dirección o empleados que dispongan indemnizaciones, cláusulas de garantía o blindaje, cuando éstos dimitan o sean despedidos de forma improcedente o si la relación contractual llega a su fin con motivo de una oferta pública de adquisición u otro tipo de operaciones.

Tipo de beneficiario	Descripción del acuerdo
Consejeros Ejecutivos (D. Ismael Clemente Orrego y D. Miguel Ollero Barrera) y Altos Directivos	**Los contratos vigentes con los Consejeros ejecutivos recogen una indemnización para el supuesto de terminación de su relación con la Sociedad derivada de** (i) la separación o cese de su cargo de Consejero ejecutivo sin causa. Se entenderá que existe causa cuando dicha separación o cese se deba a (a) un quebrantamiento o incumplimiento grave de deberes y obligaciones legales que le corresponden, o (b) la realización de alguna actuación u omisión que cause graves daños a la Sociedad, y siempre que, en ambos casos, la concurrencia de dicha causa hubiera sido declarada por un tribunal competente. (ii) una dimisión o baja voluntaria motivada por una modificación sustancial en las condiciones de trabajo del consejero ejecutivo que redunden notoriamente en perjuicio de su formación profesional, en menoscabo de su dignidad, o sean decididas con grave transgresión de la buena fe, por parte de la Sociedad. En sentido contrario, no se considerará una modificación sustancial a estos efectos, la aprobación de Políticas futuras que fueran económicamente menos favorables, que no contemplen retribuciones variables similares al STIP de los Ejecutivos o LTIP o decisiones futuras de la Sociedad de no aprobar planes de incentivos a largo plazo similares al LTIP. (iii) una dimisión o baja voluntaria motivada por haber acontecido un cambio de control (entendido cambio de control en los términos regulados en la normativa de ofertas públicas de adquisición de acciones), siempre que la extinción se produzca dentro de los tres meses siguientes a que acontezca el cambio de control.

	Los consejeros ejecutivos tendrían derecho a percibir en concepto de indemnización, y siempre que el pago no comprometa la solvencia de la Sociedad: (i) en los supuestos (i) y (ii), una cantidad equivalente al resultado de multiplicar por dos la Retribución Fija y el STIP de los Ejecutivos concedido al consejero ejecutivo en el periodo de los últimos doce (12) meses anteriores al cese; y (ii) en el supuesto (iii) una cantidad equivalente a una vez a la suma de la Retribución Fija y el STIP de los Ejecutivos concedidos al consejero ejecutivo en el periodo de los últimos doce (12) meses anteriores al cese. De las referidas cantidades, un importe equivalente a seis (6) mensualidades de la Retribución Fija se abonará en concepto de retribución del pacto de no competencia post-contractual. El pago de la indemnización por resolución de contrato, cuando esta procediera, quedará retenido hasta que la Sociedad haya podido comprobar que el consejero ha cumplido con los criterios de rendimiento establecidos en los diferentes elementos del paquete retributivo, siendo el horizonte temporal de dichos elementos de rendimiento distinto por lo que dicho plazo se evaluará y determinará en el momento de determinar la indemnización a percibir. Una vez realizado dicho cálculo y comprobados que los objetivos para el STIP de los Ejecutivos han sido cumplidos adecuadamente se procederá a realizar junto con el pago del STIP resultante, el pago de la indemnización que pudiera corresponderle al consejero ejecutivo. **El único alto directivo, tiene pactadas indemnizaciones para el supuesto de terminación de su relación con la Sociedad derivada de:** (i) una extinción unilateral a instancias de la Compañía, salvo que dicha extinción esté basada en el incumplimiento grave y culpable del Directivo en los términos contemplados en el artículo 11.2 del Real Decreto 1382/1985. (ii) una dimisión o baja voluntaria motivada por una modificación sustancial en las condiciones de trabajo del consejero ejecutivo que redunden notoriamente en perjuicio de su formación profesional, en menoscabo de su dignidad, o sean decididas con grave transgresión de la buena fe, por parte de la Sociedad. En sentido contrario, no se considerará una modificación sustancial a estos efectos, la aprobación de Políticas futuras que fueran económicamente menos favorables, que no contemplen retribuciones variables similares al STIP de los Ejecutivos o LTIP o decisiones futuras de la Sociedad de no aprobar planes de incentivos a largo plazo similares al LTIP. (iii) una dimisión o baja voluntaria motivada por haber acontecido un cambio de control (entendido cambio de control en los términos regulados en la normativa de ofertas públicas de adquisición de acciones), siempre que la extinción se produzca dentro de los tres meses siguientes a que acontezca el cambio de control.

	El Directivo tendrá derecho a percibir en concepto de indemnización, siempre que el pago no comprometa la solvencia de la Sociedad, la cantidad equivalente a la indemnización aplicable a un trabajador con una relación laboral ordinaria, en función del supuesto extintivo de que se trate. En el supuesto de terminación de la relación laboral con la Sociedad a instancias del Directivo motivada por haber acontecido un cambio de control (entendido cambio de control en los términos regulados en la normativa de ofertas públicas de adquisición de acciones), siempre que la extinción se produzca dentro de los tres meses siguientes a que acontezca el cambio de control, se reconoce el derecho del Directivo a una indemnización equivalente a la correspondiente a un despido improcedente de un trabajador con relación laboral ordinaria. En todo caso, la indemnización máxima será la siguiente: (i) En los supuestos (i) y (ii), una cantidad equivalente al resultado de multiplicar por 1,5 la Retribución Fija y el STIP concedido al Directivo en el periodo de los últimos doce meses anteriores al cese. (ii) En el supuesto (iii) una cantidad equivalente al 50% de la suma de la Retribución Fija y el STIP concedido al Directivo en el periodo de los últimos doce meses anteriores al cese. La indemnización que, en su caso, se abone, incluirá y absorberá la indemnización que legalmente le pudiese corresponder, de forma que ambas indemnizaciones no serán acumulables **Con el resto de equipo directivo, diferentes a los consejeros ejecutivos y al citado alto directivo, el régimen de extinción de sus relaciones está sometido a lo recogido en el Estatuto de los Trabajadores y demás normativa de aplicación.**

D.2 Detalle aquellas operaciones significativas por su cuantía o relevantes por su materia realizadas entre la sociedad o entidades de su grupo, y los accionistas significativos de la sociedad:

Se completa la información con la siguiente tabla:

Nombre o denominación social del accionista significativo	Nombre o denominación social de la sociedad o entidad de su grupo	Naturaleza de la relación	Tipo de la operación	Importe (Miles de €)
Amortización de Deuda, Ingresos y Gastos Financieros				
Banco Santander, S.A.	Filiales	Comisiones e Intereses	Gastos Financieros	27,69
Tesorería				
Banco Santander, S.A.	Portugal Filiales	Saldos de tesorería	Saldos en cuentas corrientes y depósitos	32.971,80

Nombre o denominación social del accionista significativo	Nombre o denominación social de la sociedad o entidad de su grupo	Naturaleza de la relación	Tipo de la operación	Importe (Miles de €)
Banco Santander, S.A.	Filiales	Saldos de tesorería	Saldos en cuentas corrientes y depósitos	24.388,40
Banco Santander, S.A.	Merlin Properties, SOCIMI	Saldos de tesorería	Saldos en cuentas corrientes y depósitos	18.140,00
Banco Santander, S.A.	Pº Comer. Carlos III	Saldos de tesorería	Saldos en cuentas corrientes y depósitos	12,88

Merlin Properties SOCIMI, S.A.

Assurance' report on the 2020 "Information Relating to the system of internal control over financial reporting (ICFR)" of Merlin Properties SOCIMI, S.A.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the assurance regulations in force in Spain and prepared in accordance with the regulatory reporting framework applicable to the Group in Spain. In the event of a discrepancy, the Spanish-language version prevails

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Torre Picasso
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"INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF MERLIN PROPERTIES SOCIMI, S.A. ASSURANCE REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31st 2020

To the Directors of
MERLIN PROPERTIES SOCIMI, S.A.:

As requested by the Board of Directors of MERLIN PROPERTIES SOCIMI, S.A. ("the Entity") and in accordance with our engagement letter of January 19th 2021, we have applied certain procedures to the accompanying "Information relating to the ICFR" of Merlin Properties SOCIMI, S.A. for fiscal year finished on December 31st 2020, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

Directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system attached.

In this regard it should be noted, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for 2020 described in the accompanying information on the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

In addition, since this special engagement does not constitute an audit of financial statements and is not subject to current Spanish Audit Law, we do not express an audit opinion in the terms provided in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, of the ACGR form, relating to the description of the ICFR system as established in CNMV Circular 5/2013 of June 12th 2013, and subsequent modifications, the most recent being CNMV Circular 1/2020 of October 6th 2020 (hereinafter referred to as CNMV circulars).

2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.

3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.

4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.

5. Reading of the meetings minutes of the Board of Directors, Audit and Control Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.

6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of article 540 of Corporate Enterprises Act and by CNMV Circulars, published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

Ignacio Alcaraz Elorrieta

Partner

February 25, 2021

FICHERO ADJUNTO PARA COMPLETAR LA INFORMACIÓN DE LOS APARTADOS SIGUIENTES DEL INFORME ANUAL DE GOBIERNO CORPORATIVO, INFORME ESTADISTICO (C.1.39 Y D.2):

C.1.39 Identifique de forma individualizada, cuando se refiera a consejeros, y de forma agregada en el resto de casos e indique, de forma detallada, los acuerdos entre la sociedad y sus cargos de administración y dirección o empleados que dispongan indemnizaciones, cláusulas de garantía o blindaje, cuando éstos dimitan o sean despedidos de forma improcedente o si la relación contractual llega a su fin con motivo de una oferta pública de adquisición u otro tipo de operaciones.

Tipo de beneficiario	Descripción del acuerdo
Consejeros Ejecutivos (D. Ismael Clemente Orrego y D. Miguel Ollero Barrera) y Altos Directivos	**Los contratos vigentes con los Consejeros ejecutivos recogen una indemnización para el supuesto de terminación de su relación con la Sociedad derivada de** (i) la separación o cese de su cargo de Consejero ejecutivo sin causa. Se entenderá que existe causa cuando dicha separación o cese se deba a (a) un quebrantamiento o incumplimiento grave de deberes y obligaciones legales que le corresponden, o (b) la realización de alguna actuación u omisión que cause graves daños a la Sociedad, y siempre que, en ambos casos, la concurrencia de dicha causa hubiera sido declarada por un tribunal competente. (ii) una dimisión o baja voluntaria motivada por una modificación sustancial en las condiciones de trabajo del consejero ejecutivo que redunden notoriamente en perjuicio de su formación profesional, en menoscabo de su dignidad, o sean decididas con grave transgresión de la buena fe, por parte de la Sociedad. En sentido contrario, no se considerará una modificación sustancial a estos efectos, la aprobación de Políticas futuras que fueran económicamente menos favorables, que no contemplen retribuciones variables similares al STIP de los Ejecutivos o LTIP o decisiones futuras de la Sociedad de no aprobar planes de incentivos a largo plazo similares al LTIP. (iii) una dimisión o baja voluntaria motivada por haber acontecido un cambio de control (entendido cambio de control en los términos regulados en la normativa de ofertas públicas de adquisición de acciones), siempre que la extinción se produzca dentro de los tres meses siguientes a que acontezca el cambio de control.

Los consejeros ejecutivos tendrían derecho a percibir en concepto de indemnización, y siempre que el pago no comprometa la solvencia de la Sociedad:

(i) en los supuestos (i) y (ii), una cantidad equivalente al resultado de multiplicar por dos la Retribución Fija y el STIP de los Ejecutivos concedido al consejero ejecutivo en el periodo de los últimos doce (12) meses anteriores al cese; y

(ii) en el supuesto (iii) una cantidad equivalente a una vez a la suma de la Retribución Fija y el STIP de los Ejecutivos concedidos al consejero ejecutivo en el periodo de los últimos doce (12) meses anteriores al cese.

De las referidas cantidades, un importe equivalente a seis (6) mensualidades de la Retribución Fija se abonará en concepto de retribución del pacto de no competencia post-contractual.

El pago de la indemnización por resolución de contrato, cuando esta procediera, quedará retenido hasta que la Sociedad haya podido comprobar que el consejero ha cumplido con los criterios de rendimiento establecidos en los diferentes elementos del paquete retributivo, siendo el horizonte temporal de dichos elementos de rendimiento distinto por lo que dicho plazo se evaluará y determinará en el momento de determinar la indemnización a percibir.

Una vez realizado dicho cálculo y comprobados que los objetivos para el STIP de los Ejecutivos han sido cumplidos adecuadamente se procederá a realizar junto con el pago del STIP resultante, el pago de la indemnización que pudiera corresponderle al consejero ejecutivo.

El único alto directivo, tiene pactadas indemnizaciones para el supuesto de terminación de su relación con la Sociedad derivada de:

(i) una extinción unilateral a instancias de la Compañía, salvo que dicha extinción esté basada en el incumplimiento grave y culpable del Directivo en los términos contemplados en el artículo 11.2 del Real Decreto 1382/1985.

(ii) una dimisión o baja voluntaria motivada por una modificación sustancial en las condiciones de trabajo del consejero ejecutivo que redunden notoriamente en perjuicio de su formación profesional, en menoscabo de su dignidad, o sean decididas con grave transgresión de la buena fe, por parte de la Sociedad. En sentido contrario, no se considerará una modificación sustancial a estos efectos, la aprobación de Políticas futuras que fueran económicamente menos favorables, que no contemplen retribuciones variables similares al STIP de los Ejecutivos o LTIP o decisiones futuras de la Sociedad de no aprobar planes de incentivos a largo plazo similares al LTIP.

(iii) una dimisión o baja voluntaria motivada por haber acontecido un cambio de control (entendido cambio de control en los términos regulados en la normativa de ofertas públicas de adquisición de acciones), siempre que la extinción se produzca dentro de los tres meses siguientes a que acontezca el cambio de control.

	El Directivo tendrá derecho a percibir en concepto de indemnización, siempre que el pago no comprometa la solvencia de la Sociedad, la cantidad equivalente a la indemnización aplicable a un trabajador con una relación laboral ordinaria, en función del supuesto extintivo de que se trate. En el supuesto de terminación de la relación laboral con la Sociedad a instancias del Directivo motivada por haber acontecido un cambio de control (entendido cambio de control en los términos regulados en la normativa de ofertas públicas de adquisición de acciones), siempre que la extinción se produzca dentro de los tres meses siguientes a que acontezca el cambio de control, se reconoce el derecho del Directivo a una indemnización equivalente a la correspondiente a un despido improcedente de un trabajador con relación laboral ordinaria. En todo caso, la indemnización máxima será la siguiente: (i) En los supuestos (i) y (ii), una cantidad equivalente al resultado de multiplicar por 1,5 la Retribución Fija y el STIP concedido al Directivo en el periodo de los últimos doce meses anteriores al cese. (ii) En el supuesto (iii) una cantidad equivalente al 50% de la suma de la Retribución Fija y el STIP concedido al Directivo en el periodo de los últimos doce meses anteriores al cese. La indemnización que, en su caso, se abone, incluirá y absorberá la indemnización que legalmente le pudiese corresponder, de forma que ambas indemnizaciones no serán acumulables **Con el resto de equipo directivo, diferentes a los consejeros ejecutivos y al citado alto directivo, el régimen de extinción de sus relaciones está sometido a lo recogido en el Estatuto de los Trabajadores y demás normativa de aplicación.**

D.2 Detalle aquellas operaciones significativas por su cuantía o relevantes por su materia realizadas entre la sociedad o entidades de su grupo, y los accionistas significativos de la sociedad:

Se completa la información con la siguiente tabla:

Nombre o denominación social del accionista significativo	Nombre o denominación social de la sociedad o entidad de su grupo	Naturaleza de la relación	Tipo de la operación	Importe (Miles de €)
Amortización de Deuda, Ingresos y Gastos Financieros				
Banco Santander, S.A.	Filiales	Comisiones e Intereses	Gastos Financieros	27,69
Tesorería				
Banco Santander, S.A.	Portugal Filiales	Saldos de tesorería	Saldos en cuentas corrientes y depósitos	32.971,80

Nombre o denominación social del accionista significativo	Nombre o denominación social de la sociedad o entidad de su grupo	Naturaleza de la relación	Tipo de la operación	Importe (Miles de €)
Banco Santander, S.A.	Filiales	Saldos de tesorería	Saldos en cuentas corrientes y depósitos	24.388,40
Banco Santander, S.A.	Merlin Properties, SOCIMI	Saldos de tesorería	Saldos en cuentas corrientes y depósitos	18.140,00
Banco Santander, S.A.	Pº Comer. Carlos III	Saldos de tesorería	Saldos en cuentas corrientes y depósitos	12,88

DATOS IDENTIFICATIVOS DEL EMISOR

Fecha fin del ejercicio de referencia:	31/12/2020
CIF:	A86977790

Denominación Social:

MERLIN PROPERTIES, SOCIMI, S.A.

Domicilio social:

PASEO DE LA CASTELLANA, 257 MADRID

A. ESTRUCTURA DE LA PROPIEDAD

A.1. Complete el siguiente cuadro sobre el capital social de la sociedad:

Fecha de última modificación	Capital social (€)	Número de acciones	Número de derechos de voto
26/10/2016	469.770.750,00	469.770.750	469.770.750

Indique si existen distintas clases de acciones con diferentes derechos asociados:

[ ] Sí
[√] No

A.2. Detalle los titulares directos e indirectos de participaciones significativas a la fecha de cierre del ejercicio, excluidos los consejeros:

Nombre o denominación social del accionista	% derechos de voto atribuidos a las acciones		% derechos de voto a través de instrumentos financieros		% total de derechos de voto
	Directo	Indirecto	Directo	Indirecto	
BLACKROCK INC	0,00	3,14	0,00	0,85	3,99
BANCO SANTANDER, S.A.	19,00	5,55	0,00	0,00	24,55
MANUEL LAO HERNÁNDEZ	0,00	6,27	0,00	0,00	6,27

Detalle de la participación indirecta:

Nombre o denominación social del titular indirecto	Nombre o denominación social del titular directo	% derechos de voto atribuidos a las acciones	% derechos de voto a través de instrumentos financieros	% total de derechos de voto
BLACKROCK INC	INVESTED MANAGERS AND DELEGATED INVESTMENT MANAGERS (UNDER CONTROL BLACKROCK)	3,14	0,85	3,99
BANCO SANTANDER, S.A.	LURI 6 SA, ALTAMIRA SANTANDER REAL ESTATE SA Y TITULOS DE RENTA FIJA,	5,55	0,00	5,55

Nombre o denominación social del titular indirecto	Nombre o denominación social del titular directo	% derechos de voto atribuidos a las acciones	% derechos de voto a través de instrumentos financieros	% total de derechos de voto
MANUEL LAO HERNÁNDEZ	NORTIA CAPITAL INVESTMENT HOLDING, S.L.	6,27	0,00	6,27

A.3. Complete los siguientes cuadros sobre los miembros del consejo de administración de la sociedad, que posean derechos de voto sobre acciones de la sociedad:

Nombre o denominación social del consejero	% derechos de voto atribuidos a las acciones		% derechos de voto a través de instrumentos financieros		% total de derechos de voto	% derechos de voto que pueden ser transmitidos a través de instrumentos financieros	
	Directo	Indirecto	Directo	Indirecto		Directo	Indirecto
DON EMILIO NOVELA BERLIN	0,00	0,00	0,00	0,00	0,00	0,00	0,00
DOÑA MARÍA LUISA JORDÁ CASTRO	0,00	0,00	0,00	0,00	0,00	0,00	0,00
DON FERNANDO JAVIER ORTIZ VAAMONDE	0,00	0,02	0,00	0,00	0,02	0,00	0,00
DON ISMAEL CLEMENTE ORREGO	0,28	0,00	0,00	0,00	0,28	0,00	0,00
DON JAVIER GARCIA-CARRANZA BENJUMEA	0,00	0,02	0,00	0,00	0,02	0,00	0,00
DON MIGUEL OLLERO BARRERA	0,27	0,00	0,00	0,00	0,27	0,00	0,00
DON JOHN GOMEZ HALL	0,02	0,00	0,00	0,00	0,02	0,00	0,00
DON JUAN MARÍA AGUIRRE GONZALO	0,00	0,00	0,00	0,00	0,00	0,00	0,00
DON G. DONALD JOHNSTON III	0,01	0,00	0,00	0,00	0,01	0,00	0,00
DOÑA ANA FORNER BELTRÁN	0,00	0,00	0,00	0,00	0,00	0,00	0,00

% total de derechos de voto en poder del consejo de administración	0,64

Detalle de la participación indirecta:

Nombre o denominación social del consejero	Nombre o denominación social del titular directo	% derechos de voto atribuidos a las acciones	% derechos de voto a través de instrumentos financieros	% total de derechos de voto	% derechos de voto que pueden ser transmitidos a través de instrumentos financieros
DON JAVIER GARCIA-CARRANZA BENJUMEA	ALDER PROPERTY, S.L.	0,02	0,00	0,02	0,00
DON FERNANDO JAVIER ORTIZ VAAMONDE	ZENDA CAPITAL, S. L.	0,02	0,00	0,02	0,00

A.7. Indique si han sido comunicados a la sociedad pactos parasociales que la afecten según lo establecido en los artículos 530 y 531 de la Ley de Sociedades de Capital. En su caso, descríbalos brevemente y relacione los accionistas vinculados por el pacto:

[√] Sí
[ ] No

Intervinientes del pacto parasocial	% de capital social afectado	Breve descripción del pacto	Fecha de vencimiento del pacto, si la tiene
BANCO POPULAR ESPAÑOL, S.A., BANCO SANTANDER, S.A., BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	24,55	Ver "Observaciones"	Ver "Observaciones"

Indique si la sociedad conoce la existencia de acciones concertadas entre sus accionistas. En su caso, descríbalas brevemente:

[ ] Sí
[√] No

A.8. Indique si existe alguna persona física o jurídica que ejerza o pueda ejercer el control sobre la sociedad de acuerdo con el artículo 5 de la Ley del Mercado de Valores. En su caso, identifíquela:

[ ] Sí
[√] No

A.9. Complete los siguientes cuadros sobre la autocartera de la sociedad:

A fecha de cierre del ejercicio:

Número de acciones directas	Número de acciones indirectas(*)	% total sobre capital social
4.836.503		1,03

(*) A través de:

Nombre o denominación social del titular directo de la participación	Número de acciones directas
Sin datos	

A.11. Capital flotante estimado:

	%
Capital flotante estimado	63,51

A.14. Indique si la sociedad ha emitido valores que no se negocian en un mercado regulado de la Unión Europea.

[ ] Sí
[√] No

B. JUNTA GENERAL

B.4. Indique los datos de asistencia en las juntas generales celebradas en el ejercicio al que se refiere el presente informe y los de los dos ejercicios anteriores:

	Datos de asistencia				
Fecha junta general	% de presencia física	% en representación	% voto a distancia		Total
			Voto electrónico	Otros	
07/05/2018	0,84	78,66	0,00	0,91	80,41
De los que Capital flotante	0,36	50,90	0,00	0,91	52,17
10/04/2019	1,82	75,65	0,00	0,91	78,38
De los que Capital flotante	1,25	48,67	0,00	0,91	50,83
17/06/2020	1,40	74,25	0,00	0,55	76,20

	Datos de asistencia				
Fecha junta general	% de presencia física	% en representación	% voto a distancia		Total
			Voto electrónico	Otros	
De los que Capital flotante	0,06	41,18	0,00	0,55	41,79

B.5. Indique si en las juntas generales celebradas en el ejercicio ha habido algún punto del orden del día que, por cualquier motivo, no haya sido aprobado por los accionistas:

[ ] Sí
[√] No

B.6. Indique si existe alguna restricción estatutaria que establezca un número mínimo de acciones necesarias para asistir a la junta general, o para votar a distancia:

[√] Sí
[ ] No

Número de acciones necesarias para asistir a la junta general	500
Número de acciones necesarias para votar a distancia	

C. ESTRUCTURA DE LA ADMINISTRACION DE LA SOCIEDAD

C.1. Consejo de administración

C.1.1 Número máximo y mínimo de consejeros previstos en los estatutos sociales y el número fijado por la junta general:

Número máximo de consejeros	15
Número mínimo de consejeros	3
Número de consejeros fijado por la junta	14

C.1.2 Complete el siguiente cuadro con los miembros del consejo:

Nombre o denominación social del consejero	Representante	Categoría del consejero	Cargo en el consejo	Fecha primer nombramiento	Fecha último nombramiento	Procedimiento de elección
DON EMILIO NOVELA BERLIN		Independiente	CONSEJERO COORDINADOR INDEPENDIENTE	07/05/2018	17/06/2020	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DOÑA FRANCISCA ORTEGA HERNÁNDEZ-AGERO		Dominical	CONSEJERO	15/09/2016	10/04/2019	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DOÑA MARÍA LUISA JORDÁ CASTRO		Independiente	CONSEJERO	10/06/2014	17/06/2020	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DOÑA ANA MARÍA GARCÍA FAU		Independiente	CONSEJERO	06/06/2014	17/06/2020	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DOÑA PILAR CAVERO MESTRE		Independiente	CONSEJERO	15/09/2016	10/04/2019	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DON FERNANDO JAVIER ORTIZ VAAMONDE		Independiente	CONSEJERO	06/06/2014	17/06/2020	ACUERDO JUNTA GENERAL DE ACCIONISTAS

Nombre o denominación social del consejero	Representante	Categoría del consejero	Cargo en el consejo	Fecha primer nombramiento	Fecha último nombramiento	Procedimiento de elección
DON ISMAEL CLEMENTE ORREGO		Ejecutivo	VICEPRESIDENTE-CONSEJERO DELEGADO	27/05/2014	17/06/2020	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DON JAVIER GARCIA-CARRANZA BENJUMEA		Dominical	PRESIDENTE	15/09/2016	10/04/2019	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DON MIGUEL OLLERO BARRERA		Ejecutivo	CONSEJERO	27/05/2014	17/06/2020	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DON JOHN GOMEZ HALL		Independiente	CONSEJERO	31/08/2015	17/06/2020	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DON JUAN MARÍA AGUIRRE GONZALO		Independiente	CONSEJERO	15/09/2016	10/04/2019	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DON G. DONALD JOHNSTON III		Independiente	CONSEJERO	11/06/2014	17/06/2020	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DOÑA ANA FORNER BELTRÁN		Dominical	CONSEJERO	17/06/2020	17/06/2020	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DON IGNACIO GIL-CASARES SATRÚSTEGUI		Dominical	CONSEJERO	17/06/2020	17/06/2020	ACUERDO JUNTA GENERAL DE ACCIONISTAS

Número total de consejeros	14

Indique los ceses que, ya sea por dimisión o por acuerdo de la junta general, se hayan producido en el consejo de administración durante el periodo sujeto a información:

Nombre o denominación social del consejero	Categoría del consejero en el momento del cese	Fecha del último nombramiento	Fecha de baja	Comisiones especializadas de las que era miembro	Indique si el cese se ha producido antes del fin del mandato
Sin datos					

C.1.3 Complete los siguientes cuadros sobre los miembros del consejo y su distinta categoría:

CONSEJEROS EJECUTIVOS		
Nombre o denominación social del consejero	Cargo en el organigrama de la sociedad	Perfil
DON ISMAEL CLEMENTE ORREGO	Vice-Presidente y Consejero Delegado	Comisiones a las que pertenece: N/A Formación: El Sr. Clemente es licenciado en Derecho y Administración de Empresas por ICADE (E-3), profesor en el programa MRE del Instituto de Empresa y miembro del Spanish Council del Urban Land Institute (ULI). Experiencia profesional: D. Ismael Clemente cuenta con una experiencia como profesional del sector inmobiliario de más de 20 años. Ha trabajado en Arthur Andersen Asesores Legales y Tributarios (actualmente Garrigues), Bankers Trust y en el grupo Deutsche Bank, como Director General, habiendo participado en transacciones con un volumen total aproximado de 5.000 millones de euros en toda la tipología de activos inmobiliarios. Entre ellas, cabe destacar la venta y leaseback de la cartera Tree, la mayor transacción inmobiliaria en Europa en 2009. Desde la salida a Bolsa de Merlin, ha liderado dos de las mayores operaciones del sector en España como son la adquisición de Testa y el acuerdo de integración de Metrovacesa, dos operaciones que han llevado a Merlin Properties a convertirse en una inmobiliaria líder en España. Nombramientos externos actuales: N/a
DON MIGUEL OLLERO BARRERA	Director General Corporativo y COO	Comisiones a las que pertenece: N/A Formación: El Sr. Ollero es licenciado en Derecho y Administración de Empresas, con especialización en Finanzas, por ICADE (E-3). Experiencia profesional: D. Miguel Ollero cuenta con una experiencia como profesional del sector inmobiliario desde 2005. Ha trabajado en Arthur Andersen, FCC Construcción, Deutsche Bank M&A y en RREEF, como Director General. En RREEF participó en operaciones con un valor agregado de aproximadamente 4.000 millones de euros, desde inversiones Core hasta Opportunity, y en la posterior gestión de los activos adquiridos. Asimismo, desempeñó un papel fundamental en la estructuración y constitución de cinco vehículos de inversión para la Península Ibérica y Marruecos, en cooperación con la división de Private Wealth Management de Deutsche Bank. Nombramientos externos actuales: N/a

Número total de consejeros ejecutivos	2
% sobre el total del consejo	14,29

CONSEJEROS EXTERNOS DOMINICALES		
Nombre o denominación social del consejero	Nombre o denominación del accionista significativo a quien representa o que ha propuesto su nombramiento	Perfil
DOÑA FRANCISCA ORTEGA HERNÁNDEZ-AGERO	BANCO SANTANDER, S.A.	Comisiones a las que pertenece: Comisión de auditoría y control Formación: Dña. Francisca Ortega Hernández-Agero Es licenciada en Ciencias Económicas y Empresariales por CUNEF, y MBA por el IESE. Experiencia profesional Dña. Francisca Ortega Hernández-Agero inicia carrera profesional en la Caja Naval de Crédito como Responsable del Departamento de Riesgos e Inversiones. En el año 1990 asume la Dirección Financiera de PBI Gestión Agencia de Valores, filial de Bearbull Internacional, siendo responsable también de la gestión de fondos de compañías extranjeras en España. En 1996 entra en Banco Central Hispano como responsable de Riesgos de Banca Corporativa pasando posteriormente, ya como Banco Santander a llevar el Área de Financiación de Adquisiciones y el Área de Seguimiento y Control de Gestión de Financiaciones Estructuradas. Desde el año 2009 es responsable del Departamento de grandes clientes de Banca Comercial dentro del Área de Reestructuraciones y Participaciones Corporativas, incorporando, a partir del 2018 la gestión de los clientes de Corporate Investment Banking en España y la coordinación de los clientes internacionales. Head of Global Credit Watch. Ha sido consejera en Metrovacesa, S.A. y en Sareb, S.A.. Nombramientos externos actuales Actualmente es Consejera de PBI Gestión Agencia de Valores y Consejera de Deva Advisory Co.
DON JAVIER GARCIA-CARRANZA BENJUMEA	BANCO SANTANDER, S.A.	Comisiones a las que pertenece: Ha pertenecido, hasta el 17 de junio de 2020, a la Comisión de Nombramientos y Comisión de Retribuciones. A cierre de 2020 no pertenece a ninguna Comisión. Formación: El Sr. García-Carranza es licenciado en Administración de Empresas por la Universidad Carlos III de Madrid. Experiencia profesional D. Javier Garcia-Carranza Benjumea es actualmente Group Senior Executive Vice-President de Banco Santander como Responsable Global del Banco Santander del área de Reestructuraciones, Participaciones industriales, Situaciones Especiales, Ventas de Cartera y Nuevos Negocios. Antes de unirse al Banco Santander en febrero de 2016, trabajó durante 17 años en Morgan Stanley en el área de principal investments, Banca de Inversion y Asesoramiento Inmobiliario siendo responsable de este negocio para Europa, Norte de África y Oriente Medio (EMEA), con base en Londres, como Co-Head of the Real Estate investment banking business. Ha liderado operaciones de

CONSEJEROS EXTERNOS DOMINICALES		
Nombre o denominación social del consejero	Nombre o denominación del accionista significativo a quien representa o que ha propuesto su nombramiento	Perfil
		Fusiones y Adquisiciones (M&A) por más de $125 Bn y transacciones de financiación de equity y deuda por más de $100 mil millones. Nombramientos externos actuales Igualmente, pertenece a los consejos de Administración de Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria S.A (Sareb) (consejero y miembro de la comisión ejecutiva), Metrovacesa S.A. (consejero), Landco (Consejero), Santander España (Consejero), Santander México (Consejero), Tres Mares Capital (Consejero), Deva Capital (Consejero) y Patrono de la Fundación Princesa de Asturias.
DON IGNACIO GIL-CASARES SATRÚSTEGUI	BANCO SANTANDER, S.A.	Comisiones a las que pertenece: Comisión de nombramientos y comisión de retribuciones Formación: D. Ignacio Gil-Casares Satrústegui estudió Administración de Empresas en Icade y en la Universidad de Georgetown. Experiencia profesional: D. Ignacio Gil-Casares Satrústegui ha desempeñado diversos puestos ejecutivos en sus más de 40 años de carrera profesional, destacando su larga trayectoria en Spencer Stuart, firma norteamericana líder a nivel global en Executive Search, fundando las operaciones de la firma en España en 1978 donde permaneció como Presidente hasta 2017, y en la que ha desempeñado el cargo de director para Europa Continental, y ha sido miembro del Consejo de Administración Mundial durante ocho años. Ha trabajado con distintas compañías ayudándoles a identificar, reclutar y retener directivos y consejeros en firmas cotizadas y privadas, y ha asesorado a múltiples consejos de administración en cuestiones de gobernanza, evaluación, compensación y adopción de mejores prácticas. Fue miembro de la práctica de Consejos de Spencer Stuart a nivel Global, y participó activamente en la creación del Índice de Consejos de Administración elaborado anualmente por Spencer Stuart. Ha sido inversor en diversas start-ups en sectores como la Biotecnología y los bienes de consumo. Adicionalmente, ha ocupado puestos ejecutivos y ha pertenecido a Consejos de Administración, Comités de Dirección y Consejos Asesores. En el inicio de su carrera trabajó en el departamento internacional de Gil y Carvajal (hoy AON), y posteriormente ocupó distintas posiciones en grupos industriales españoles y norteamericanos. Ha sido miembro del consejo asesor de Abante Asesores y ha presidido el Patronato del capítulo español de Plan Internacional. Nombramientos externos actuales: En la actualidad, es Presidente del Consejo Asesor del banco ING para España y Portugal, miembro del Consejo Asesor de Spencer Stuart en España, consejero de Biolty Capital, y miembro del consejo asesor de la Fundación Exit. Es asimismo miembro del jurado del premio Manuel Olivencia al buen gobierno corporativo.

CONSEJEROS EXTERNOS DOMINICALES		
Nombre o denominación social del consejero	Nombre o denominación del accionista significativo a quien representa o que ha propuesto su nombramiento	Perfil
DOÑA ANA FORNER BELTRÁN	NORTIA CAPITAL INVESTMENT HOLDING, S.L.	Comisiones a las que pertenece: Comisión de auditoría y control Formación: Dña. María Ana Forner Beltrán es licenciada en Ciencias Empresariales y MBA por ESADE. CSS Extensión School Havard Business School. Experiencia profesional Dña. María Ana Forner Beltrán ha desempeñado varios puestos ejecutivos en los más de 30 años de experiencia en el sector financiero. Tiene experiencia en asesoramiento en temas de financiación, inversiones y mercados de capitales. Inicia su carrera profesional en el año 1989 en Bankinter. En el año 1993 se incorpora al Banco Central Hispano pasando en 1999 al Banco de Santander como consecuencia de la fusión entre ambas entidades. En Banco Degroof ejerce la función de Subdirectora General. Posteriormente se incorpora a UBS Private Bank como responsable de Grandes Clientes en Cataluña. En Barclays asume la función de responsable de Area Wealth Management en Cataluña. En Citibank ha asesorado a clientes privados en transacciones de adquisiciones de compañías e inversiones. A lo largo de su carrera ha desempeñado distintas funciones ejecutivas en áreas de Banca Corporativa, Banca de Inversión y Wealth Management participando en operaciones de financiación, inversiones o mercados de capitales. Ha pertenecido a Comités de Dirección e inversiones en las distintas entidades y ha sido miembro del Consejo de Administración de varias Sociedades de inversión. Desde marzo 2019 desarrolla su actividad profesional en Nortia Capital Investment Holding como Directora General y secretaria del Consejo. Nombramientos externos actuales Actualmente es consejera de Healthcare Activos SA y miembro del Consejo Consultivo de Foment de Treball

Número total de consejeros dominicales	4
% sobre el total del consejo	28,57

CONSEJEROS EXTERNOS INDEPENDIENTES	
Nombre o denominación social del consejero	Perfil
DON EMILIO NOVELA BERLIN	Cargo: Consejero coordinador y miembro (Presidente) de la Comisión de Nombramientos hasta el 17 de junio de 2020. Formación: Ingeniero Industrial por la Universidad Politécnica de Madrid. Experiencia profesional anterior: Ha desempeñado diversos puestos ejecutivos en sus más de 40 años de carrera profesional, perteneciendo a Consejos de Administración, Comités de Dirección y Consejos Asesores. Ha sido Subdirector General del Banco del Comercio, Director General

CONSEJEROS EXTERNOS INDEPENDIENTES	
Nombre o denominación social del consejero	Perfil
	Económico y Financiero de Repsol, Director General del Banco Central Hispano, Presidente de Banco BANIF y Vicepresidente y Consejero Delegado de la inmobiliaria cotizada Vallehermoso desde 1999 y hasta 2003. Fue consejero de, entre otras, Banco Urquijo, Cortefiel, Spanair, Union Fenosa, Blackrock Asset Management, Openbank y Larios. Nombramientos externos actuales: Consejero Coordinador de Talgo y Presidente de su Comisión de Auditoría y Presidente del grupo ITEVELESA.
DOÑA MARÍA LUISA JORDÁ CASTRO	Comisiones a las que pertenece: Comisión de auditoría y control. Presidente de la Comisión de retribuciones. Formación: Licenciada en Ciencias Empresariales; master en Dirección de Empresas por el Instituto de Empresa y por Centro Estudios Financieros (1985-1987) y Master en Digital Business por The Valley Business School (2016-2017). Curso de Business Angel por Deusto Business School Madrid (2018). Es Miembro del Registro Oficial de Auditores de Cuentas (ROAC) y Miembro del Instituto de Consejeros y Administradores (ICA) Experiencia profesional: Ha desempeñado diversos puestos ejecutivos en sus 30 años de carrera profesional perteneciendo a los distintos Comités de Dirección, de Inversiones y de Auditoría. Ha sido Directora General Económico-Financiera en el Grupo Deoleo hasta febrero 2015, Directora de Auditoría Interna de SOS Corporación Alimentaria (ahora Deoleo, S.A.), Directora de Auditoría Interna y Gobierno Corporativo en Metrovacesa, Directora de Finanzas e Inversiones en la Corporación Empresarial ONCE, Directora Económico-Financiera del Grupo Alimentos y Aceites S.A. Directora Económico-Financiera en Testa (anteriormente denominada Prima Inmobiliaria) y Grupo Ayco (anteriormente denominada Inmobiliaria Alcázar). Ha sido miembro del Consejo de Jazztel desde noviembre 2009 hasta marzo de 2016 y Vocal de la Comisión de Auditoría. Ha sido presidente de la Comisión de Auditoría de Jazztel desde octubre 2011 a julio 2015. Ha sido miembro del Consejo de Administración y vocal de la Comisión de Auditoría y Control de Tubos Reunidos, S.A. desde mayo y junio de 2015, respectivamente hasta septiembre de 2016. Ha sido miembro de la Junta de Gobierno y vocal del Comité de Auditoría del Instituto de Consejeros y Administradores (ICA) desde junio de 2013 hasta diciembre 2016. Ha sido miembro del Consejo de Administración del Banco Europeo de Finanzas (filial 100 % Unicaja), siendo Presidente de la Comisión de Auditoría y Riesgos desde mayo 2018 hasta marzo 2019. Nombramientos externos actuales: Miembro del Consejo de Administración de Orange España, S.A. desde marzo 2016 y Vocal de la Comisión de Auditoría. Consejera independiente de Grupo Bimbo en México (sociedad cotizada) y Vocal de la Comisión de Auditoría y prácticas Societarias desde abril de 2016. Miembro del Consejo de Administración de Bankinter, y Vocal del Comité de Riesgos y Presidente del Comité de Auditoría y Cumplimiento Normativo desde marzo de 2020. Miembro del Comité Técnico Asesor del Instituto de Auditores Internos de España desde septiembre de 2017 y Presidente del Comité desde septiembre de 2019.
DOÑA ANA MARÍA GARCÍA FAU	Comisiones a las que pertenece: Comisión de auditoría y control. Formación: Licenciada en Derecho y Empresariales por Universidad Pontificia Comillas, ICADE, (E-3, especialidad financiera) y tiene un MBA del Massachussets Institute of Technology (Sloan, MIT). Experiencia profesional: Trabajó más de 20 años en compañías como McKinsey & Co., Goldman Sachs, Grupo Telefónica y Grupo Yell. Durante su etapa profesional en el Grupo Telefónica ocupó varias responsabilidades ejecutivas en TPI Páginas Amarillas, como Directora General Financiera y Directora General de Desarrollo Corporativo, siendo a su vez miembro del Consejo de Administración de varias de sus filiales. En Yell/hibu fue CEO para España, Latinoamérica

CONSEJEROS EXTERNOS INDEPENDIENTES	
Nombre o denominación social del consejero	Perfil
	y el mercado hispano de EEUU, miembro de su Comité ejecutivo internacional, así como Directora General de Desarrollo Corporativo y Estrategia a nivel global, con responsabilidad sobre la transformación digital del negocio. Nombramientos externos actuales: Consejera independiente de Eutelsat Communications, S.A., compañía francesa cotizada en la Bolsa de París, Euronext, que opera en el sector de satélites de comunicación. Presidente de la Comisión de Retribuciones. Consejera independiente de Gestamp Automoción S.A., compañía española cotizada, fabricante de componentes de automoción. Vocal de la Comisión de Auditoría. Consejera independiente de Euskatel, S.A. compañía española cotizada, que opera en el sector de las telecomunicaciones. Presidenta de la Comisión de Auditoría.
DOÑA PILAR CAVERO MESTRE	Comisiones a las que pertenece: Presidente de la Comisión de nombramientos Comisión de retribuciones. Formación: Licenciada en Derecho por la Universidad Complutense de Madrid. Master en Relaciones Industriales y Master en la Escuela de Práctica Jurídica. Master por el IESE, PDD específico para los Socios de la Firma. En 2007 realizo en la Harvard Business School, el programa "leading profesional service firms". Cuenta con el Diploma profesional de Consejera del IC-A. Es profesora del IESE en el Curso sobre Consejeras y Consejables desde el 2008. Experiencia profesional: Dña. Pilar Cavero Mestre cuenta con una dilatada experiencia profesional en el mundo de la Abogacía. Entre 1980 y 1986 fue letrado en la Asociación de Cajas de Ahorros para Relaciones Laborales. Posteriormente, entre 1986 y 1990 desempeñó funciones como Letrado en el Despacho Internacional Fabregat y Bermejo, como especialista en todas las materias jurídico laborales, Alta Dirección, compensación y beneficios, así como reestructuraciones empresariales. En 1990 se incorporó a Cuatrecasas Abogados, como Socia Fundadora y Directora del Área Laboral de Cuatrecasas, y Socia cofundadora de Cuatrecasas Madrid. Desde 1999 y hasta 2008 ha sido miembro del Consejo de Administración de Cuatrecasas y de los distintos Comités de Organización y Dirección del Despacho durante toda su trayectoria profesional. Desde 2011 fue Vicepresidenta Fundación Cuatrecasas, desempeñando labores de formación, cultura y otras actividades de potenciación de la reputación de la firma, representando al Despacho en todo tipo de Instituciones nacionales e internacionales junto con su posición como Socia Senior referente en clientes estratégicos de la Firma y adjunta a la Dirección General de Cuatrecasas Madrid. Desde el 2016 fue destacada con el nombramiento vitalicio de Socia de Honor de la Firma. Ha formado parte del Consejo de Administración de Testa, durante el año 2016 y de ABENGOA desde 2017 hasta el 2020 en calidad de Consejera independiente y Presidenta de su Comisión de Retribuciones y Nombramientos. Nombramientos externos actuales: Es miembro del Consejo de Administración del Real Club de Golf La Moraleja desde 2012.
DON FERNANDO JAVIER ORTIZ VAAMONDE	Comisiones a las que pertenece: Comisión de retribuciones. Formación Licenciado en Derecho y Empresariales por ICADE (E-3). Experiencia profesional: Accionista fundador y Presidente Ejecutivo de ProA Capital de Inversiones S.G.E.I.C., uno de las mayores gestoras de capital privado (private equity) en España con más de 800 millones de euros en gestión. Ha sido socio del grupo N+1 y miembro de su Comité de Dirección. Fue Director de Inversiones en BBVA y responsable de un vehículo inversor especializado en la inversión en empresas de internet y nuevas tecnologías. Previamente, fue Director de Corporate Finance en ING Barings. D. Fernando Ortiz inició su carrera profesional como asesor fiscal y legal en Arthur Andersen Asesores Legales y Tributarios, hoy Garrigues. Nombramientos externos: Entre otras y en representación de los Fondos ProA, es o ha sido Consejero de Grupo Vips, Ibermática, Avizor, Eugin, Moyca y SABA y Pastas Gallo.

CONSEJEROS EXTERNOS INDEPENDIENTES	
Nombre o denominación social del consejero	Perfil
DON JOHN GOMEZ HALL	Formación: Licenciado en Arquitectura por la escuela de Hammersmith, afiliada a la Universidad de Londres. Miembro del Royal Institute of British Architects y F.R.I.C.S. Experiencia profesional: Acumula más de 50 años de experiencia en el mercado inmobiliario español, ocupando puestos directivos en varias de las principales sociedades inmobiliarias en España. El señor Gómez-Hall ha sido Consejero Delegado de Hines España, filial de Hines. Previamente el Sr. Gómez-Hall fue el Consejero Delegado y fundador de Prima Inmobiliaria, cotizada desde 1998. La compañía desarrolló y adquirió una cartera de activos de más de 300.000 m2 de superficie bruta arrendable, en diferentes tipos de activos, predominantemente oficinas. La compañía fue adquirida por Vallehermoso en 2001 y se cambió su denominación a Testa Inmuebles en Renta, S.A. Nombramientos externos: Ha sido consejero de Servihabitat y asesor de TPG Capital.
DON JUAN MARÍA AGUIRRE GONZALO	Comisiones a las que pertenece: Presidente de Comisión de auditoría y control Comisión de nombramientos Formación Licenciado en Ciencias Económicas y Empresariales por la Universidad Pontificia de Comillas (ICADE), y Master en Dirección Financiera por el Instituto de Empresa. Experiencia profesional: D. Juan María Aguirre Gonzalo cuenta con una carrera profesional de la cual gran parte ha estado vinculada al área financiera, ocupando puestos de responsabilidad en el Departamento de Riesgos, Administración y Planificación de Banco de Progreso, S.A. (1985/1988), y posteriormente como Director Financiero de Entidad de Financiación y Leasing de Mercedes-Benz (1989/1990). En el año 1990 se incorpora a Torreal, S.A. como consejero y Director General. Durante su paso por Torreal, y hasta su salida en el año 2005, fue responsable de inversiones financieras e inmobiliarias del Grupo Torreal y miembro del Consejo de Administración de compañías participadas por Torreal. Desde el año 2006, es socio y Director General de Quantica Asesores, S.A: Asesoramiento financiero a Grupos Familiares e Institucionales, y también ha sido consejero de Testa Inmuebles en Renta, SOCIMI, S.A. y de BBVA Elcano SCR. Nombramientos externos actuales Es consejero independiente de SACYR S.A., donde es también consejero coordinador, miembro de la Comisión Ejecutiva y miembro de la Comisión de Auditoría.
DON G. DONALD JOHNSTON III	Comisiones a las que pertenece: Comisión de nombramientos Formación: Bachelor of Arts en Ciencias Políticas por el Middlebury College, Vermont (EE.UU.) Master of Arts en Economía Internacional y Estudios Latinoamericanos por la Johns Hopkins University, Washington DC (EE.UU.) Experiencia profesional: Consejero Delegado del grupo Europeo de M&A en Deutsche Bank desde 1999 hasta 2005. Presidente del mismo grupo de 2005 hasta 2010. Miembro del Comité Europeo de Dirección y del Comité de Operaciones de la división de Finanza Corporativa del Deutsche Bank. Fue Miembro del Consejo de Administración de Bankers Trust International y Miembro del Comité de Dirección. Entró en Bankers Trust como Responsable Europeo de M&A en 1992 y se convirtió en co-responsable del Banco de Inversión en Europa, mientras seguía gestionando BT Wolfensohn. Trabajó en Salomon Brothers durante 11 años donde era responsable de la división de banca de inversión para España, Austria, Italia y Portugal. Nombramientos externos: Miembro del Consejo de Administración de Acerinox y presidente de su Comisión de Auditoría y Control; y miembro del Consejo de Administración de Banco Sabadell, presidente de la Comisión de Riesgos y miembro de la Comisión de Retribuciones.

Número total de consejeros independientes	8
% sobre el total del consejo	57,14

Indique si algún consejero calificado como independiente percibe de la sociedad, o de su mismo grupo, cualquier cantidad o beneficio por un concepto distinto de la remuneración de consejero, o mantiene o ha mantenido, durante el último ejercicio, una relación de negocios con la sociedad o con cualquier sociedad de su grupo, ya sea en nombre propio o como accionista significativo, consejero o alto directivo de una entidad que mantenga o hubiera mantenido dicha relación.

En su caso, se incluirá una declaración motivada del consejo sobre las razones por las que considera que dicho consejero puede desempeñar sus funciones en calidad de consejero independiente.

Nombre o denominación social del consejero	Descripción de la relación	Declaración motivada
Sin datos		

OTROS CONSEJEROS EXTERNOS			
Se identificará a los otros consejeros externos y se detallarán los motivos por los que no se puedan considerar dominicales o independientes y sus vínculos, ya sea con la sociedad, sus directivos, o sus accionistas:			
Nombre o denominación social del consejero	Motivos	Sociedad, directivo o accionista con el que mantiene el vínculo	Perfil
Sin datos			

Número total de otros consejeros externos	N.A.
% sobre el total del consejo	N.A.

Indique las variaciones que, en su caso, se hayan producido durante el periodo en la categoría de cada consejero:

Nombre o denominación social del consejero	Fecha del cambio	Categoría anterior	Categoría actual
Sin datos			

C.1.4 Complete el siguiente cuadro con la información relativa al número de consejeras al cierre de los últimos 4 ejercicios, así como la categoría de tales consejeras:

	Número de consejeras				% sobre el total de consejeros de cada categoría			
	Ejercicio 2020	Ejercicio 2019	Ejercicio 2018	Ejercicio 2017	Ejercicio 2020	Ejercicio 2019	Ejercicio 2018	Ejercicio 2017
Ejecutivas					0,00	0,00	0,00	0,00
Dominicales	2	1	1	1	50,00	50,00	50,00	50,00
Independientes	3	3	3	3	37,50	37,50	37,50	37,50

	Número de consejeras				% sobre el total de consejeros de cada categoría			
	Ejercicio 2020	Ejercicio 2019	Ejercicio 2018	Ejercicio 2017	Ejercicio 2020	Ejercicio 2019	Ejercicio 2018	Ejercicio 2017
Otras Externas					0,00	0,00	0,00	0,00
Total	5	4	4	4	35,71	33,33	33,33	33,33

C.1.11 Detalle, en su caso, los consejeros o representantes de consejeros personas jurídicas de su sociedad, que sean miembros del consejo de administración o representantes de consejeros personas jurídicas de otras entidades cotizadas en mercados regulados distintas de su grupo, que hayan sido comunicadas a la sociedad:

Nombre o denominación social del consejero	Denominación social de la entidad cotizada	Cargo
DON EMILIO NOVELA BERLIN	Talgo, SA	CONSEJERO
DOÑA MARÍA LUISA JORDÁ CASTRO	Grupo Bimbo, Sociedad cotizada en la bolsa de valores de México	CONSEJERO
DOÑA MARÍA LUISA JORDÁ CASTRO	Bankinter, S.A.	CONSEJERO
DOÑA ANA MARÍA GARCÍA FAU	Eutelsat Communications, S.A.	CONSEJERO
DOÑA ANA MARÍA GARCÍA FAU	Euskatel, S.A	CONSEJERO
DOÑA ANA MARÍA GARCÍA FAU	Gestamp Automoción, S.A.	CONSEJERO
DON JAVIER GARCIA-CARRANZA BENJUMEA	Banco Santander México, S.A.	CONSEJERO
DON JAVIER GARCIA-CARRANZA BENJUMEA	Metrovacesa, S.A.	CONSEJERO
DON JUAN MARÍA AGUIRRE GONZALO	Sacyr, S.A.	CONSEJERO
DON G. DONALD JOHNSTON III	Banco de Sabadell, SA	CONSEJERO
DON G. DONALD JOHNSTON III	Acerinox, SA	CONSEJERO

C.1.12 Indique y, en su caso explique, si la sociedad ha establecido reglas sobre el número máximo de consejos de sociedades de los que puedan formar parte sus consejeros, identificando, en su caso, dónde se regula:

[√] Sí
[ ] No

C.1.13 Indique los importes de los conceptos relativos a la remuneración global del consejo de administración siguientes:

Remuneración devengada en el ejercicio a favor del consejo de administración (miles de euros)	3.149
Importe de los derechos acumulados por los consejeros actuales en materia de pensiones (miles de euros)	

Importe de los derechos acumulados por los consejeros antiguos en materia de pensiones (miles de euros)	

C.1.14 Identifique a los miembros de la alta dirección que no sean a su vez consejeros ejecutivos, e indique la remuneración total devengada a su favor durante el ejercicio:

Nombre o denominación social	Cargo/s
DON JAVIER ZARRABEITIA UNZUETA	Director
DON LUIS LAZARO	Director
DON FERNANDO LACADENA AZPEITIA	Director Financiero
DON JON NAVARRO MENDIZABAL	Director de Audiotoría Interna
DON DAVID MICHAEL BRUSH	Director de Inversiones

Número de mujeres en la alta dirección	
Porcentaje sobre el total de miembros de la alta dirección	0,00

Remuneración total alta dirección (en miles de euros)	1.891

C.1.15 Indique si se ha producido durante el ejercicio alguna modificación en el reglamento del consejo:

[√] Sí
[ ] No

C.1.21 Explique si existen requisitos específicos, distintos de los relativos a los consejeros, para ser nombrado presidente del consejo de administración:

[ ] Sí
[√] No

C.1.23 Indique si los estatutos o el reglamento del consejo establecen un mandato limitado u otros requisitos más estrictos adicionales a los previstos legalmente para los consejeros independientes, distinto al establecido en la normativa:

[ ] Sí
[√] No

C.1.25 Indique el número de reuniones que ha mantenido el consejo de administración durante el ejercicio. Asimismo, señale, en su caso, las veces que se ha reunido el consejo sin la asistencia de su presidente. En el cómputo se considerarán asistencias las representaciones realizadas con instrucciones específicas.

Número de reuniones del consejo	16
Número de reuniones del consejo sin la asistencia del presidente	1

Indíquese el número de reuniones mantenidas por el consejero coordinador con el resto de consejeros, sin asistencia ni representación de ningún consejero ejecutivo:

Número de reuniones	14

Indique el número de reuniones que han mantenido en el ejercicio las distintas comisiones del consejo:

Número de reuniones de COMISION DE AUDITORIA Y CONTROL	14
Número de reuniones de COMISIÓN DE NOMBRAMIENTOS	11
Número de reuniones de COMISIÓN DE RETRIBUCIONES	11

C.1.26 Indique el número de reuniones que ha mantenido el consejo de administración durante el ejercicio y los datos sobre asistencia de sus miembros:

Número de reuniones con la asistencia presencial de al menos el 80% de los consejeros	16
% de asistencia presencial sobre el total de votos durante el ejercicio	97,17
Número de reuniones con la asistencia presencial, o representaciones realizadas con instrucciones específicas, de todos los consejeros	13
% de votos emitidos con asistencia presencial y representaciones realizadas con instrucciones específicas, sobre el total de votos durante el ejercicio	98,59

C.1.27 Indique si están previamente certificadas las cuentas anuales individuales y consolidadas que se presentan al consejo para su formulación:

[√] Sí
[ ] No

Identifique, en su caso, a la/s persona/s que ha/han certificado las cuentas anuales individuales y consolidadas de la sociedad, para su formulación por el consejo:

Nombre	Cargo
DON ISMAEL CLEMENTE ORREGO	Consejero Delegado
DON FERNANDO LACADENA AZPEITIA	Director Financiero

Nombre	Cargo
DON MIGUEL OLLERO BARRERA	Director General Corporativo y COO

C.1.29 ¿El secretario del consejo tiene la condición de consejero?

[ ] Sí
[√] No

Si el secretario no tiene la condición de consejero complete el siguiente cuadro:

Nombre o denominación social del secretario	Representante
DOÑA MÓNICA ELOISA MARTÍN DE VIDALES GODINO	

C.1.31 Indique si durante el ejercicio la Sociedad ha cambiado de auditor externo. En su caso identifique al auditor entrante y saliente:

[ ] Sí
[√] No

En el caso de que hubieran existido desacuerdos con el auditor saliente, explique el contenido de los mismos:

[ ] Sí
[√] No

C.1.32 Indique si la firma de auditoría realiza otros trabajos para la sociedad y/o su grupo distintos de los de auditoría y en ese caso declare el importe de los honorarios recibidos por dichos trabajos y el porcentaje que el importe anterior supone sobre los honorarios facturados por trabajos de auditoría a la sociedad y/o su grupo:

[√] Sí
[ ] No

	Sociedad	Sociedades del grupo	Total
Importe de otros trabajos distintos de los de auditoría (miles de euros)	132	6	138
Importe trabajos distintos de los de auditoría / Importe trabajos de auditoría (en %)	27,83	5,11	23,32

C.1.33 Indique si el informe de auditoría de las cuentas anuales del ejercicio anterior presenta salvedades. En su caso, indique las razones dadas a los accionistas en la Junta General por el presidente de la comisión de auditoría para explicar el contenido y alcance de dichas salvedades.

[ ] Sí
[√] No

C.1.34 Indique el número de ejercicios que la firma actual de auditoría lleva de forma ininterrumpida realizando la auditoría de las cuentas anuales individuales y/o consolidadas de la sociedad. Asimismo, indique el porcentaje que representa el número de ejercicios auditados por la actual firma de auditoría sobre el número total de ejercicios en los que las cuentas anuales han sido auditadas:

	Individuales	Consolidadas
Número de ejercicios ininterrumpidos	7	7

	Individuales	Consolidadas
N° de ejercicios auditados por la firma actual de auditoría / N° de ejercicios que la sociedad o su grupo han sido auditados (en %)	100,00	100,00

C.1.35 Indique y, en su caso detalle, si existe un procedimiento para que los consejeros puedan contar con la información necesaria para preparar las reuniones de los órganos de administración con tiempo suficiente:

[√] Sí
[ ] No

Detalle del procedimiento
De conformidad con el artículo 21 del Reglamento del Consejo de Administración, con el fin de ser auxiliados en el ejercicio de sus funciones, los Consejeros externos pueden solicitar la contratación con cargo a la Sociedad de asesores legales, contables, financieros u otros expertos. El encargo ha de versar necesariamente sobre problemas concretos de cierto relieve y complejidad que se presenten en el desempeño del cargo. La solicitud de contratación deberá ser comunicada al Presidente de la Sociedad, y, no obstante, podrá ser rechazada por el Consejo de Administración, siempre que acredite: a. que no es precisa para el cabal desempeño de las funciones encomendadas a los Consejeros externos; b. que su coste no es razonable a la vista de la importancia del problema y de los activos e ingresos de la Sociedad; c. que la asistencia técnica que se recaba puede ser dispensada adecuadamente por expertos y técnicos de la Sociedad; o d. que pueda suponer un riesgo para la confidencialidad de la información que deba ser manejada. Hasta el momento, no se ha rechazado por el Consejo de Administración la solicitud de contratación con cargo a la Sociedad de asesores legales, contables, financieros u otros expertos cuando la participación de los mismos ha sido solicitada.

C.1.39 Identifique de forma individualizada, cuando se refiera a consejeros, y de forma agregada en el resto de casos e indique, de forma detallada, los acuerdos entre la sociedad y sus cargos de administración y dirección o empleados que dispongan indemnizaciones, cláusulas de garantía o blindaje, cuando éstos dimitan o sean despedidos de forma improcedente o si la relación contractual llega a su fin con motivo de una oferta pública de adquisición u otro tipo de operaciones.

Numero de beneficiarios	3
Tipo de beneficiario	Descripción del acuerdo
Consejeros ejecutivos y Altos Directivos	Por exceso de caracteres, se incluye en Anexo adjunto.

Indique si, más allá de en los supuestos previstos por la normativa, estos contratos han de ser comunicados y/o aprobados por los órganos de la sociedad o de su grupo. En caso positivo, especifique los procedimientos, supuestos previstos y la naturaleza de los órganos responsables de su aprobación o de realizar la comunicación:

	Consejo de administración	Junta general
Órgano que autoriza las cláusulas	√	

	Si	No
¿Se informa a la junta general sobre las cláusulas?	√	

C.2. Comisiones del consejo de administración

C.2.1 Detalle todas las comisiones del consejo de administración, sus miembros y la proporción de consejeros ejecutivos, dominicales, independientes y otros externos que las integran:

COMISION DE AUDITORIA Y CONTROL		
Nombre	Cargo	Categoría
DOÑA FRANCISCA ORTEGA HERNÁNDEZ-AGERO	VOCAL	Dominical
DOÑA MARÍA LUISA JORDÁ CASTRO	VOCAL	Independiente
DOÑA ANA MARÍA GARCÍA FAU	VOCAL	Independiente
DON JUAN MARÍA AGUIRRE GONZALO	PRESIDENTE	Independiente
DOÑA ANA FORNER BELTRÁN	VOCAL	Dominical

% de consejeros ejecutivos	0,00
% de consejeros dominicales	40,00
% de consejeros independientes	60,00
% de consejeros otros externos	0,00

Identifique a los consejeros miembros de la comisión de auditoría que hayan sido designados teniendo en cuenta sus conocimientos y experiencia en materia de contabilidad, auditoría o en ambas e informe sobre la fecha de nombramiento del Presidente de esta comisión en el cargo.

Nombres de los consejeros con experiencia	DOÑA FRANCISCA ORTEGA HERNÁNDEZ-AGERO / DOÑA MARÍA LUISA JORDÁ CASTRO / DOÑA ANA MARÍA GARCÍA FAU / DON JUAN MARÍA AGUIRRE GONZALO / DOÑA ANA FORNER BELTRÁN
Fecha de nombramiento del presidente en el cargo	07/05/2018

COMISIÓN DE NOMBRAMIENTOS		
Nombre	Cargo	Categoría
DOÑA PILAR CAVERO MESTRE	PRESIDENTE	Independiente
DON G. DONALD JOHNSTON III	VOCAL	Independiente
DON JUAN MARÍA AGUIRRE GONZALO	VOCAL	Independiente
DON IGNACIO GIL-CASARES SATRÚSTEGUI	VOCAL	Dominical

% de consejeros ejecutivos	0,00
% de consejeros dominicales	25,00
% de consejeros independientes	75,00
% de consejeros otros externos	0,00

COMISIÓN DE RETRIBUCIONES		
Nombre	Cargo	Categoría
DOÑA PILAR CAVERO MESTRE	VOCAL	Independiente
DON FERNANDO JAVIER ORTIZ VAAMONDE	VOCAL	Independiente
DOÑA MARÍA LUISA JORDÁ CASTRO	PRESIDENTE	Independiente
DON IGNACIO GIL-CASARES SATRÚSTEGUI	VOCAL	Dominical

% de consejeros ejecutivos	0,00
% de consejeros dominicales	25,00
% de consejeros independientes	75,00
% de consejeros otros externos	0,00

C.2.2 Complete el siguiente cuadro con la información relativa al número de consejeras que integran las comisiones del consejo de administración al cierre de los últimos cuatro ejercicios:

	Número de consejeras							
	Ejercicio 2020		Ejercicio 2019		Ejercicio 2018		Ejercicio 2017	
	Número	%	Número	%	Número	%	Número	%
COMISION DE AUDITORIA Y CONTROL	4	80,00	3	75,00	3	75,00	3	75,00
COMISIÓN DE NOMBRAMIENTOS	1	25,00	1	25,00	1	25,00	N.A.	N.A.
COMISIÓN DE RETRIBUCIONES	2	50,00	1	25,00	1	25,00	N.A.	N.A.

D. OPERACIONES VINCULADAS Y OPERACIONES INTRAGRUPO

D.2. Detalle aquellas operaciones significativas por su cuantía o relevantes por su materia realizadas entre la sociedad o entidades de su grupo, y los accionistas significativos de la sociedad:

Nombre o denominación social del accionista significativo	Nombre o denominación social de la sociedad o entidad de su grupo	Naturaleza de la relación	Tipo de la operación	Importe (miles de euros)
BANCO SANTANDER, S.A.	Tree Inversiones Inmobiliarias Socimi, SAU	Contractual	Acuerdos de financiación: préstamos	134.713
BANCO SANTANDER, S.A.	Tree Inversiones Inmobiliarias Socimi, SAU	Contractual	Acuerdos de financiación: otros	240.664
BANCO SANTANDER, S.A.	MERLIN PROPERTIES SOCIMI, S.A.	Contractual	Acuerdos de financiación: otros	223.806
BANCO SANTANDER, S.A.	MERLIN PROPERTIES SOCIMI, S.A.	Contractual	Garantías y avales	5.541
BANCO SANTANDER, S.A.	Paseo Comercial Carlos III, SA	Contractual	Garantías y avales	1.516
BANCO SANTANDER, S.A.	Tree Inversiones Inmobiliarias Socimi, SAU	Contractual	Intereses cargados	2.976
BANCO SANTANDER, S.A.	MERLIN PROPERTIES SOCIMI, S.A.	Contractual	Intereses cargados	1.720
BANCO SANTANDER, S.A.	MERLIN PROPERTIES SOCIMI, S.A.	Contractual	Recepción de servicios	98
BANCO SANTANDER, S.A.	MERLIN PROPERTIES SOCIMI, S.A.	Contractual	Contratos de arrendamiento operativo	830
BANCO SANTANDER, S.A.	MERLIN Properties SOCIMI, S.A.	Contractual	Acuerdos de financiación: préstamos	65.806
MERLIN PROPERTIES SOCIMI, SA	G36 Development, S.L.	Contractual	Acuerdos de financiación: préstamos	631

Nombre o denominación social del accionista significativo	Nombre o denominación social de la sociedad o entidad de su grupo	Naturaleza de la relación	Tipo de la operación	Importe (miles de euros)
BANCO SANTANDER, S.A.	Tree Inversiones Inmobiliarias Socimi, S.A.U.	Contractual	Otras	4.557
BANCO SANTANDER, S.A.	Torre Dos Oceanus - Invest. Imob. S.A.	Contractual	Contratos de arrendamiento operativo	50

D.3. Detalle las operaciones significativas por su cuantía o relevantes por su materia realizadas entre la sociedad o entidades de su grupo, y los administradores o directivos de la sociedad:

Nombre o denominación social de los administradores o directivos	Nombre o denominación social de la sociedad o entidad de su grupo	Vínculo	Naturaleza de la operación	Importe (miles de euros)
DON ISMAEL CLEMENTE ORREGO	MAGIC REAL ESTATE, S.L.	Es administrador y socio de la parte vinculada	Contratos de arrendamiento operativo	5
DON MIGUEL OLLERO BARRERA	MAGIC REAL ESTATE, S.L.	Es administrador y socio de la parte vinculada	Contratos de arrendamiento operativo	5

D.4. Informe de las operaciones significativas realizadas por la sociedad con otras entidades pertenecientes al mismo grupo, siempre y cuando no se eliminen en el proceso de elaboración de estados financieros consolidados y no formen parte del tráfico habitual de la sociedad en cuanto a su objeto y condiciones.

En todo caso, se informará de cualquier operación intragrupo realizada con entidades establecidas en países o territorios que tengan la consideración de paraíso fiscal:

Denominación social de la entidad de su grupo	Breve descripción de la operación	Importe (miles de euros)
G36 Developement , S.L.	Préstamo a sociedad asociada consolidada por puesta en equivalencia, dedicada a la gestión de espacios de flexibles de oficinas. Tipo de interés del 1% devengado anualmente (6,2 miles de euros devengados a 31-dic-2020)	625

D.5. Detalle las operaciones significativas realizadas entre la sociedad o entidades de su grupo y otras partes vinculadas, que no hayan sido informadas en los epígrafes anteriores.

Denominación social de la parte vinculada	Breve descripción de la operación	Importe (miles de euros)
Sin datos		N.A.

G. GRADO DE SEGUIMIENTO DE LAS RECOMENDACIONES DE GOBIERNO CORPORATIVO

Indique el grado de seguimiento de la sociedad respecto de las recomendaciones del Código de buen gobierno de las sociedades cotizadas.

En el caso de que alguna recomendación no se siga o se siga parcialmente, se deberá incluir una explicación detallada de sus motivos de manera que los accionistas, los inversores y el mercado en general, cuenten con información suficiente para valorar el proceder de la sociedad. No serán aceptables explicaciones de carácter general.

1. Que los estatutos de las sociedades cotizadas no limiten el número máximo de votos que pueda emitir un mismo accionista, ni contengan otras restricciones que dificulten la toma de control de la sociedad mediante la adquisición de sus acciones en el mercado.

   Cumple [X] Explique [ ]

2. Que, cuando la sociedad cotizada esté controlada, en el sentido del artículo 42 del Código de Comercio, por otra entidad, cotizada o no, y tenga, directamente o a través de sus filiales, relaciones de negocio con dicha entidad o alguna de sus filiales (distintas de las de la sociedad cotizada) o desarrolle actividades relacionadas con las de cualquiera de ellas informe públicamente con precisión acerca de:

   a) Las respectivas áreas de actividad y eventuales relaciones de negocio entre, por un lado, la sociedad cotizada o sus filiales y, por otro, la sociedad matriz o sus filiales.

   b) Los mecanismos previstos para resolver los eventuales conflictos de intereses que puedan presentarse.

   Cumple [ ] Cumple parcialmente [ ] Explique [ ] No aplicable [X]

3. Que durante la celebración de la junta general ordinaria, como complemento de la difusión por escrito del informe anual de gobierno corporativo, el presidente del consejo de administración informe verbalmente a los accionistas, con suficiente detalle, de los aspectos más relevantes del gobierno corporativo de la sociedad y, en particular:

   a) De los cambios acaecidos desde la anterior junta general ordinaria.

   b) De los motivos concretos por los que la compañía no sigue alguna de las recomendaciones del Código de Gobierno Corporativo y, si existieran, de las reglas alternativas que aplique en esa materia.

   Cumple [X] Cumple parcialmente [ ] Explique [ ]

4. Que la sociedad defina y promueva una política relativa a la comunicación y contactos con accionistas e inversores institucionales en el marco de su implicación en la sociedad, así como con los asesores de voto que sea plenamente respetuosa con las normas contra el abuso de mercado y dé un trato semejante a los accionistas que se encuentren en la misma posición. Y que la sociedad haga pública dicha política a través de su página web, incluyendo información relativa a la forma en que la misma se ha puesto en práctica e identificando a los interlocutores o responsables de llevarla a cabo.

   Y que, sin perjuicio de las obligaciones legales de difusión de información privilegiada y otro tipo de información regulada, la sociedad cuente también con una política general relativa a la comunicación de información económico-financiera, no financiera y corporativa a través de los canales que considere adecuados (medios de comunicación, redes sociales u otras vías) que contribuya a maximizar la difusión y la calidad de la información a disposición del mercado, de los inversores y demás grupos de interés.

   Cumple [ ] Cumple parcialmente [X] Explique [ ]

Si bien la Sociedad cuenta con una Política de Comunicación y Contactos con Accionistas, Inversores Institucionales y Asesores de Voto, aprobada en febrero 2016 y accesible desde la página web corporativa, se encuentra actualmente en fase de elaboración una política general relativa a la comunicación de información económico-financiera, no financiera y corporativa.

5. Que el consejo de administración no eleve a la junta general una propuesta de delegación de facultades, para emitir acciones o valores convertibles con exclusión del derecho de suscripción preferente, por un importe superior al 20% del capital en el momento de la delegación.

   Y que cuando el consejo de administración apruebe cualquier emisión de acciones o de valores convertibles con exclusión del derecho de suscripción preferente, la sociedad publique inmediatamente en su página web los informes sobre dicha exclusión a los que hace referencia la legislación mercantil.

   Cumple [X] Cumple parcialmente [ ] Explique [ ]

6. Que las sociedades cotizadas que elaboren los informes que se citan a continuación, ya sea de forma preceptiva o voluntaria, los publiquen en su página web con antelación suficiente a la celebración de la junta general ordinaria, aunque su difusión no sea obligatoria:

   a) Informe sobre la independencia del auditor.

   b) Informes de funcionamiento de las comisiones de auditoría y de nombramientos y retribuciones.

   c) Informe de la comisión de auditoría sobre operaciones vinculadas.

   Cumple [X] Cumple parcialmente [ ] Explique [ ]

7. Que la sociedad transmita en directo, a través de su página web, la celebración de las juntas generales de accionistas.

   Y que la sociedad cuente con mecanismos que permitan la delegación y el ejercicio del voto por medios telemáticos e incluso, tratándose de sociedades de elevada capitalización y en la medida en que resulte proporcionado, la asistencia y participación activa en la Junta General.

   Cumple [X] Cumple parcialmente [ ] Explique [ ]

8. Que la comisión de auditoría vele por que las cuentas anuales que el consejo de administración presente a la junta general de accionistas se elaboren de conformidad con la normativa contable. Y que en aquellos supuestos en que el auditor de cuentas haya incluido en su informe de auditoría alguna salvedad, el presidente de la comisión de auditoría explique con claridad en la junta general el parecer de la comisión de auditoría sobre su contenido y alcance, poniéndose a disposición de los accionistas en el momento de la publicación de la convocatoria de la junta, junto con el resto de propuestas e informes del consejo, un resumen de dicho parecer.

   Cumple [X] Cumple parcialmente [ ] Explique [ ]

9. Que la sociedad haga públicos en su página web, de manera permanente, los requisitos y procedimientos que aceptará para acreditar la titularidad de acciones, el derecho de asistencia a la junta general de accionistas y el ejercicio o delegación del derecho de voto.

   Y que tales requisitos y procedimientos favorezcan la asistencia y el ejercicio de sus derechos a los accionistas y se apliquen de forma no discriminatoria.

   Cumple [X] Cumple parcialmente [ ] Explique [ ]

10. Que cuando algún accionista legitimado haya ejercitado, con anterioridad a la celebración de la junta general de accionistas, el derecho a completar el orden del día o a presentar nuevas propuestas de acuerdo, la sociedad:

    a) Difunda de inmediato tales puntos complementarios y nuevas propuestas de acuerdo.

    b) Haga público el modelo de tarjeta de asistencia o formulario de delegación de voto o voto a distancia con las modificaciones precisas para que puedan votarse los nuevos puntos del orden del día y propuestas alternativas de acuerdo en los mismos términos que los propuestos por el consejo de administración.

    c) Someta todos esos puntos o propuestas alternativas a votación y les aplique las mismas reglas de voto que a las formuladas por el consejo de administración, incluidas, en particular, las presunciones o deducciones sobre el sentido del voto.

    d) Con posterioridad a la junta general de accionistas, comunique el desglose del voto sobre tales puntos complementarios o propuestas alternativas.

    Cumple [ ] Cumple parcialmente [ ] Explique [ ] No aplicable [X]

11. Que, en el caso de que la sociedad tenga previsto pagar primas de asistencia a la junta general de accionistas, establezca, con anterioridad, una política general sobre tales primas y que dicha política sea estable.

Cumple [X] Cumple parcialmente [ ] Explique [ ] No aplicable [ ]

12. Que el consejo de administración desempeñe sus funciones con unidad de propósito e independencia de criterio, dispense el mismo trato a todos los accionistas que se hallen en la misma posición y se guíe por el interés social, entendido como la consecución de un negocio rentable y sostenible a largo plazo, que promueva su continuidad y la maximización del valor económico de la empresa.

Y que en la búsqueda del interés social, además del respeto de las leyes y reglamentos y de un comportamiento basado en la buena fe, la ética y el respeto a los usos y a las buenas prácticas comúnmente aceptadas, procure conciliar el propio interés social con, según corresponda, los legítimos intereses de sus empleados, sus proveedores, sus clientes y los de los restantes grupos de interés que puedan verse afectados, así como el impacto de las actividades de la compañía en la comunidad en su conjunto y en el medio ambiente.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

13. Que el consejo de administración posea la dimensión precisa para lograr un funcionamiento eficaz y participativo, lo que hace aconsejable que tenga entre cinco y quince miembros.

Cumple [X] Explique [ ]

14. Que el consejo de administración apruebe una política dirigida a favorecer una composición apropiada del consejo de administración y que:

a) Sea concreta y verificable.

b) asegure que las propuestas de nombramiento o reelección se fundamenten en un análisis previo de las competencias requeridas por el consejo de administración; y

c) favorezca la diversidad de conocimientos, experiencias, edad y género. A estos efectos, se considera que favorecen la diversidad de género las medidas que fomenten que la compañía cuente con un número significativo de altas directivas.

Que el resultado del análisis previo de las competencias requeridas por el consejo de administración se recoja en el informe justificativo de la comisión de nombramientos que se publique al convocar la junta general de accionistas a la que se someta la ratificación, el nombramiento o la reelección de cada consejero.

La comisión de nombramientos verificará anualmente el cumplimiento de esta política y se informará de ello en el informe anual de gobierno corporativo.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

15. Que los consejeros dominicales e independientes constituyan una amplia mayoría del consejo de administración y que el número de consejeros ejecutivos sea el mínimo necesario, teniendo en cuenta la complejidad del grupo societario y el porcentaje de participación de los consejeros ejecutivos en el capital de la sociedad.

    Y que el número de consejeras suponga, al menos, el 40% de los miembros del consejo de administración antes de que finalice 2022 y en adelante, no siendo con anterioridad inferior al 30%.

    Cumple [X] Cumple parcialmente [ ] Explique [ ]

16. Que el porcentaje de consejeros dominicales sobre el total de consejeros no ejecutivos no sea mayor que la proporción existente entre el capital de la sociedad representado por dichos consejeros y el resto del capital.

    Este criterio podrá atenuarse:

    a) En sociedades de elevada capitalización en las que sean escasas las participaciones accionariales que tengan legalmente la consideración de significativas.

    b) Cuando se trate de sociedades en las que exista una pluralidad de accionistas representados en el consejo de administración y no tengan vínculos entre sí.

    Cumple [ ] Explique [X]

A 31 de diciembre de 2020, el porcentaje de consejeros dominicales sobre el total de consejeros no ejecutivos ascendía a 33%, mientras que la proporción existente entre el capital de la sociedad representado por dichos consejeros y el resto del capital es del 30,821%, si bien cabe decir que en el Consejo de Administración existe una pluralidad de accionistas representados en el consejo de administración y no tienen vínculos entre sí.

17. Que el número de consejeros independientes represente, al menos, la mitad del total de consejeros.

    Que, sin embargo, cuando la sociedad no sea de elevada capitalización o cuando, aun siéndolo, cuente con un accionista o varios actuando concertadamente, que controlen más del 30% del capital social, el número de consejeros independientes represente, al menos, un tercio del total de consejeros.

    Cumple [X] Explique [ ]

18. Que las sociedades hagan pública a través de su página web, y mantengan actualizada, la siguiente información sobre sus consejeros:

    a) Perfil profesional y biográfico.

    b) Otros consejos de administración a los que pertenezcan, se trate o no de sociedades cotizadas, así como sobre las demás actividades retribuidas que realice cualquiera que sea su naturaleza.

    c) Indicación de la categoría de consejero a la que pertenezcan, señalándose, en el caso de consejeros dominicales, el accionista al que representen o con quien tengan vínculos.

    d) Fecha de su primer nombramiento como consejero en la sociedad, así como de las posteriores reelecciones.

    e) Acciones de la compañía, y opciones sobre ellas, de las que sean titulares.

    Cumple [X] Cumple parcialmente [ ] Explique [ ]

19. Que en el informe anual de gobierno corporativo, previa verificación por la comisión de nombramientos, se expliquen las razones por las cuales se hayan nombrado consejeros dominicales a instancia de accionistas cuya participación accionarial sea inferior al 3% del capital; y se expongan las razones por las que no se hubieran atendido, en su caso, peticiones formales de presencia en el consejo procedentes de accionistas cuya participación accionarial sea igual o superior a la de otros a cuya instancia se hubieran designado consejeros dominicales.

    Cumple [ ] Cumple parcialmente [ ] Explique [ ] No aplicable [X]

20. Que los consejeros dominicales presenten su dimisión cuando el accionista a quien representen transmita íntegramente su participación accionarial. Y que también lo hagan, en el número que corresponda, cuando dicho accionista rebaje su participación accionarial hasta un nivel que exija la reducción del número de sus consejeros dominicales.

    Cumple [ ] Cumple parcialmente [ ] Explique [ ] No aplicable [X]

21. Que el consejo de administración no proponga la separación de ningún consejero independiente antes del cumplimiento del período estatutario para el que hubiera sido nombrado, salvo cuando concurra justa causa, apreciada por el consejo de administración previo informe de la comisión de nombramientos. En particular, se entenderá que existe justa causa cuando el consejero pase a ocupar nuevos cargos o contraiga nuevas obligaciones que le impidan dedicar el tiempo necesario al desempeño de las funciones propias del cargo de consejero, incumpla los deberes inherentes a su cargo o incurra en algunas de las circunstancias que le hagan perder su condición de independiente, de acuerdo con lo establecido en la legislación aplicable.

También podrá proponerse la separación de consejeros independientes como consecuencia de ofertas públicas de adquisición, fusiones u otras operaciones corporativas similares que supongan un cambio en la estructura de capital de la sociedad, cuando tales cambios en la estructura del consejo de administración vengan propiciados por el criterio de proporcionalidad señalado en la recomendación 16.

Cumple [X] Explique [ ]

22. Que las sociedades establezcan reglas que obliguen a los consejeros a informar y, en su caso, a dimitir cuando se den situaciones que les afecten, relacionadas o no con su actuación en la propia sociedad, que puedan perjudicar al crédito y reputación de esta y, en particular, que les obliguen a informar al consejo de administración de cualquier causa penal en la que aparezcan como investigados, así como de sus vicisitudes procesales.

Y que, habiendo sido informado o habiendo conocido el consejo de otro modo alguna de las situaciones mencionadas en el párrafo anterior, examine el caso tan pronto como sea posible y, atendiendo a las circunstancias concretas, decida, previo informe de la comisión de nombramientos y retribuciones, si debe o no adoptar alguna medida, como la apertura de una investigación interna, solicitar la dimisión del consejero o proponer su cese. Y que se informe al respecto en el informe anual de gobierno corporativo, salvo que concurran circunstancias especiales que lo justifiquen, de lo que deberá dejarse constancia en acta. Ello sin perjuicio de la información que la sociedad deba difundir, de resultar procedente, en el momento de la adopción de las medidas correspondientes.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

23. Que todos los consejeros expresen claramente su oposición cuando consideren que alguna propuesta de decisión sometida al consejo de administración puede ser contraria al interés social. Y que otro tanto hagan, de forma especial, los independientes y demás consejeros a quienes no afecte el potencial conflicto de intereses, cuando se trate de decisiones que puedan perjudicar a los accionistas no representados en el consejo de administración.

Y que cuando el consejo de administración adopte decisiones significativas o reiteradas sobre las que el consejero hubiera formulado serias reservas, este saque las conclusiones que procedan y, si optara por dimitir, explique las razones en la carta a que se refiere la recomendación siguiente.

Esta recomendación alcanza también al secretario del consejo de administración, aunque no tenga la condición de consejero.

Cumple [X] Cumple parcialmente [ ] Explique [ ] No aplicable [ ]

24. Que cuando, ya sea por dimisión o por acuerdo de la junta general, un consejero cese en su cargo antes del término de su mandato, explique de manera suficiente las razones de su dimisión o, en el caso de consejeros no ejecutivos, su parecer sobre los motivos del cese por la junta, en una carta que remitirá a todos los miembros del consejo de administración.

    Y que, sin perjuicio de que se dé cuenta de todo ello en el informe anual de gobierno corporativo, en la medida en que sea relevante para los inversores, la sociedad publique a la mayor brevedad posible el cese incluyendo referencia suficiente a los motivos o circunstancias aportados por el consejero.

    Cumple [X] Cumple parcialmente [ ] Explique [ ] No aplicable [ ]

25. Que la comisión de nombramientos se asegure de que los consejeros no ejecutivos tienen suficiente disponibilidad de tiempo para el correcto desarrollo de sus funciones.

    Y que el reglamento del consejo establezca el número máximo de consejos de sociedades de los que pueden formar parte sus consejeros.

    Cumple [X] Cumple parcialmente [ ] Explique [ ]

26. Que el consejo de administración se reúna con la frecuencia precisa para desempeñar con eficacia sus funciones y, al menos, ocho veces al año, siguiendo el programa de fechas y asuntos que establezca al inicio del ejercicio, pudiendo cada consejero individualmente proponer otros puntos del orden del día inicialmente no previstos.

    Cumple [X] Cumple parcialmente [ ] Explique [ ]

27. Que las inasistencias de los consejeros se reduzcan a los casos indispensables y se cuantifiquen en el informe anual de gobierno corporativo. Y que, cuando deban producirse, se otorgue representación con instrucciones.

    Cumple [X] Cumple parcialmente [ ] Explique [ ]

28. Que cuando los consejeros o el secretario manifiesten preocupación sobre alguna propuesta o, en el caso de los consejeros, sobre la marcha de la sociedad y tales preocupaciones no queden resueltas en el consejo de administración, a petición de quien las hubiera manifestado, se deje constancia de ellas en el acta.

    Cumple [X] Cumple parcialmente [ ] Explique [ ] No aplicable [ ]

29. Que la sociedad establezca los cauces adecuados para que los consejeros puedan obtener el asesoramiento preciso para el cumplimiento de sus funciones incluyendo, si así lo exigieran las circunstancias, asesoramiento externo con cargo a la empresa.

    Cumple [X] Cumple parcialmente [ ] Explique [ ]

30. Que, con independencia de los conocimientos que se exijan a los consejeros para el ejercicio de sus funciones, las sociedades ofrezcan también a los consejeros programas de actualización de conocimientos cuando las circunstancias lo aconsejen.

Cumple [X] Explique [ ] No aplicable [ ]

31. Que el orden del día de las sesiones indique con claridad aquellos puntos sobre los que el consejo de administración deberá adoptar una decisión o acuerdo para que los consejeros puedan estudiar o recabar, con carácter previo, la información precisa para su adopción.

Cuando, excepcionalmente, por razones de urgencia, el presidente quiera someter a la aprobación del consejo de administración decisiones o acuerdos que no figuraran en el orden del día, será preciso el consentimiento previo y expreso de la mayoría de los consejeros presentes, del que se dejará debida constancia en el acta.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

32. Que los consejeros sean periódicamente informados de los movimientos en el accionariado y de la opinión que los accionistas significativos, los inversores y las agencias de calificación tengan sobre la sociedad y su grupo.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

33. Que el presidente, como responsable del eficaz funcionamiento del consejo de administración, además de ejercer las funciones que tiene legal y estatutariamente atribuidas, prepare y someta al consejo de administración un programa de fechas y asuntos a tratar; organice y coordine la evaluación periódica del consejo, así como, en su caso, la del primer ejecutivo de la sociedad; sea responsable de la dirección del consejo y de la efectividad de su funcionamiento; se asegure de que se dedica suficiente tiempo de discusión a las cuestiones estratégicas, y acuerde y revise los programas de actualización de conocimientos para cada consejero, cuando las circunstancias lo aconsejen.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

34. Que cuando exista un consejero coordinador, los estatutos o el reglamento del consejo de administración, además de las facultades que le corresponden legalmente, le atribuya las siguientes: presidir el consejo de administración en ausencia del presidente y de los vicepresidentes, en caso de existir; hacerse eco de las preocupaciones de los consejeros no ejecutivos; mantener contactos con inversores y accionistas para conocer sus puntos de vista a efectos de formarse una opinión sobre sus preocupaciones, en particular, en relación con el gobierno corporativo de la sociedad; y coordinar el plan de sucesión del presidente.

Cumple [X] Cumple parcialmente [ ] Explique [ ] No aplicable [ ]

35. Que el secretario del consejo de administración vele de forma especial para que en sus actuaciones y decisiones el consejo de administración tenga presentes las recomendaciones sobre buen gobierno contenidas en este Código de buen gobierno que fueran aplicables a la sociedad.

Cumple [X] Explique [ ]

36. Que el consejo de administración en pleno evalúe una vez al año y adopte, en su caso, un plan de acción que corrija las deficiencias detectadas respecto de:

a) La calidad y eficiencia del funcionamiento del consejo de administración.

b) El funcionamiento y la composición de sus comisiones.

c) La diversidad en la composición y competencias del consejo de administración.

d) El desempeño del presidente del consejo de administración y del primer ejecutivo de la sociedad.

e) El desempeño y la aportación de cada consejero, prestando especial atención a los responsables de las distintas comisiones del consejo.

Para la realización de la evaluación de las distintas comisiones se partirá del informe que estas eleven al consejo de administración, y para la de este último, del que le eleve la comisión de nombramientos.

Cada tres años, el consejo de administración será auxiliado para la realización de la evaluación por un consultor externo, cuya independencia será verificada por la comisión de nombramientos.

Las relaciones de negocio que el consultor o cualquier sociedad de su grupo mantengan con la sociedad o cualquier sociedad de su grupo deberán ser desglosadas en el informe anual de gobierno corporativo.

El proceso y las áreas evaluadas serán objeto de descripción en el informe anual de gobierno corporativo.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

37. Que cuando exista una comisión ejecutiva en ella haya presencia de al menos dos consejeros no ejecutivos, siendo al menos uno de ellos independiente; y que su secretario sea el del consejo de administración.

Cumple [ ] Cumple parcialmente [ ] Explique [ ] No aplicable [X]

38. Que el consejo de administración tenga siempre conocimiento de los asuntos tratados y de las decisiones adoptadas por la comisión ejecutiva y que todos los miembros del consejo de administración reciban copia de las actas de las sesiones de la comisión ejecutiva.

Cumple [ ] Cumple parcialmente [ ] Explique [ ] No aplicable [X]

39. Que los miembros de la comisión de auditoría en su conjunto, y de forma especial su presidente, se designen teniendo en cuenta sus conocimientos y experiencia en materia de contabilidad, auditoría y gestión de riesgos, tanto financieros como no financieros.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

40. Que bajo la supervisión de la comisión de auditoría, se disponga de una unidad que asuma la función de auditoría interna que vele por el buen funcionamiento de los sistemas de información y control interno y que funcionalmente dependa del presidente no ejecutivo del consejo o del de la comisión de auditoría.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

41. Que el responsable de la unidad que asuma la función de auditoría interna presente a la comisión de auditoría, para su aprobación por esta o por el consejo, su plan anual de trabajo, le informe directamente de su ejecución, incluidas las posibles incidencias y limitaciones al alcance que se presenten en su desarrollo, los resultados y el seguimiento de sus recomendaciones y le someta al final de cada ejercicio un informe de actividades.

Cumple [X] Cumple parcialmente [ ] Explique [ ] No aplicable [ ]

42. Que, además de las previstas en la ley, correspondan a la comisión de auditoría las siguientes funciones:

1. En relación con los sistemas de información y control interno:

a) Supervisar y evaluar el proceso de elaboración y la integridad de la información financiera y no financiera, así como los sistemas de control y gestión de riesgos financieros y no financieros relativos a la sociedad y, en su caso, al grupo —incluyendo los operativos, tecnológicos, legales, sociales, medioambientales, políticos y reputacionales o relacionados con la corrupción— revisando el cumplimiento de los requisitos normativos, la adecuada delimitación del perímetro de consolidación y la correcta aplicación de los criterios contables.

b) Velar por la independencia de la unidad que asume la función de auditoría interna; proponer la selección, nombramiento y cese del responsable del servicio de auditoría interna; proponer el presupuesto de ese servicio; aprobar o proponer la aprobación al consejo de la orientación y el plan de trabajo anual de la auditoría interna, asegurándose de que su actividad esté enfocada principalmente en los riesgos relevantes (incluidos los reputacionales); recibir información periódica sobre sus actividades; y verificar que la alta dirección tenga en cuenta las conclusiones y recomendaciones de sus informes.

c) Establecer y supervisar un mecanismo que permita a los empleados y a otras personas relacionadas con la sociedad, tales como consejeros, accionistas, proveedores, contratistas o subcontratistas, comunicar las irregularidades de potencial trascendencia, incluyendo las financieras y contables, o de cualquier otra índole, relacionadas con la compañía que adviertan en el seno de la empresa o su grupo. Dicho mecanismo deberá garantizar la confidencialidad y, en todo caso, prever supuestos en los que las comunicaciones puedan realizarse de forma anónima, respetando los derechos del denunciante y denunciado.

d) Velar en general por que las políticas y sistemas establecidos en materia de control interno se apliquen de modo efectivo en la práctica.

2. En relación con el auditor externo:

a) En caso de renuncia del auditor externo, examinar las circunstancias que la hubieran motivado.

b) Velar que la retribución del auditor externo por su trabajo no comprometa su calidad ni su independencia.

c) Supervisar que la sociedad comunique a través de la CNMV el cambio de auditor y lo acompañe de una declaración sobre la eventual existencia de desacuerdos con el auditor saliente y, si hubieran existido, de su contenido.

d) Asegurar que el auditor externo mantenga anualmente una reunión con el pleno del consejo de administración para informarle sobre el trabajo realizado y sobre la evolución de la situación contable y de riesgos de la sociedad.

e) Asegurar que la sociedad y el auditor externo respetan las normas vigentes sobre prestación de servicios distintos a los de auditoría, los límites a la concentración del negocio del auditor y, en general, las demás normas sobre independencia de los auditores.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

43. Que la comisión de auditoría pueda convocar a cualquier empleado o directivo de la sociedad, e incluso disponer que comparezcan sin presencia de ningún otro directivo.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

44. Que la comisión de auditoría sea informada sobre las operaciones de modificaciones estructurales y corporativas que proyecte realizar la sociedad para su análisis e informe previo al consejo de administración sobre sus condiciones económicas y su impacto contable y, en especial, en su caso, sobre la ecuación de canje propuesta.

Cumple [X] Cumple parcialmente [ ] Explique [ ] No aplicable [ ]

45. Que la política de control y gestión de riesgos identifique o determine al menos:

a) Los distintos tipos de riesgo, financieros y no financieros (entre otros los operativos, tecnológicos, legales, sociales, medio ambientales, políticos y reputacionales, incluidos los relacionados con la corrupción) a los que se enfrenta la sociedad, incluyendo entre los financieros o económicos, los pasivos contingentes y otros riesgos fuera de balance.

b) Un modelo de control y gestión de riesgos basado en diferentes niveles, del que formará parte una comisión especializada en riesgos cuando las normas sectoriales lo prevean o la sociedad lo estime apropiado.

c) El nivel de riesgo que la sociedad considere aceptable.

d) Las medidas previstas para mitigar el impacto de los riesgos identificados, en caso de que llegaran a materializarse.

e) Los sistemas de información y control interno que se utilizarán para controlar y gestionar los citados riesgos, incluidos los pasivos contingentes o riesgos fuera de balance.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

46. Que bajo la supervisión directa de la comisión de auditoría o, en su caso, de una comisión especializada del consejo de administración, exista una función interna de control y gestión de riesgos ejercida por una unidad o departamento interno de la sociedad que tenga atribuidas expresamente las siguientes funciones:

a) Asegurar el buen funcionamiento de los sistemas de control y gestión de riesgos y, en particular, que se identifican, gestionan, y cuantifican adecuadamente todos los riesgos importantes que afecten a la sociedad.

b) Participar activamente en la elaboración de la estrategia de riesgos y en las decisiones importantes sobre su gestión.

c) Velar por que los sistemas de control y gestión de riesgos mitiguen los riesgos adecuadamente en el marco de la política definida por el consejo de administración.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

47. Que los miembros de la comisión de nombramientos y de retribuciones –o de la comisión de nombramientos y la comisión de retribuciones, si estuvieren separadas– se designen procurando que tengan los conocimientos, aptitudes y experiencia adecuados a las funciones que estén llamados a desempeñar y que la mayoría de dichos miembros sean consejeros independientes.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

48. Que las sociedades de elevada capitalización cuenten con una comisión de nombramientos y con una comisión de remuneraciones separadas.

Cumple [X] Explique [ ] No aplicable [ ]

49. Que la comisión de nombramientos consulte al presidente del consejo de administración y al primer ejecutivo de la sociedad, especialmente cuando se trate de materias relativas a los consejeros ejecutivos.

Y que cualquier consejero pueda solicitar de la comisión de nombramientos que tome en consideración, por si los encuentra idóneos a su juicio, potenciales candidatos para cubrir vacantes de consejero.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

50. Que la comisión de retribuciones ejerza sus funciones con independencia y que, además de las funciones que le atribuya la ley, le correspondan las siguientes:

a) Proponer al consejo de administración las condiciones básicas de los contratos de los altos directivos.

b) Comprobar la observancia de la política retributiva establecida por la sociedad.

c) Revisar periódicamente la política de remuneraciones aplicada a los consejeros y altos directivos, incluidos los sistemas retributivos con acciones y su aplicación, así como garantizar que su remuneración individual sea proporcionada a la que se pague a los demás consejeros y altos directivos de la sociedad.

d) Velar por que los eventuales conflictos de intereses no perjudiquen la independencia del asesoramiento externo prestado a la comisión.

e) Verificar la información sobre remuneraciones de los consejeros y altos directivos contenida en los distintos documentos corporativos, incluido el informe anual sobre remuneraciones de los consejeros.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

51. Que la comisión de retribuciones consulte al presidente y al primer ejecutivo de la sociedad, especialmente cuando se trate de materias relativas a los consejeros ejecutivos y altos directivos.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

52. Que las reglas de composición y funcionamiento de las comisiones de supervisión y control figuren en el reglamento del consejo de administración y que sean consistentes con las aplicables a las comisiones legalmente obligatorias conforme a las recomendaciones anteriores, incluyendo:

a) Que estén compuestas exclusivamente por consejeros no ejecutivos, con mayoría de consejeros independientes.

b) Que sus presidentes sean consejeros independientes.

c) Que el consejo de administración designe a los miembros de estas comisiones teniendo presentes los conocimientos, aptitudes y experiencia de los consejeros y los cometidos de cada comisión, delibere sobre sus propuestas e informes; y que rindan cuentas, en el primer pleno del consejo de administración posterior a sus reuniones, de su actividad y que respondan del trabajo realizado.

d) Que las comisiones puedan recabar asesoramiento externo, cuando lo consideren necesario para el desempeño de sus funciones.

e) Que de sus reuniones se levante acta, que se pondrá a disposición de todos los consejeros.

Cumple [X] Cumple parcialmente [ ] Explique [ ] No aplicable [ ]

53. Que la supervisión del cumplimiento de las políticas y reglas de la sociedad en materia medioambiental, social y de gobierno corporativo, así como de los códigos internos de conducta, se atribuya a una o se reparta entre varias comisiones del consejo de administración que podrán ser la comisión de auditoría, la de nombramientos, una comisión especializada en sostenibilidad o responsabilidad social corporativa u otra comisión especializada que el consejo de administración, en ejercicio de sus facultades de auto-organización, haya decidido crear. Y que tal comisión esté integrada únicamente por consejeros no ejecutivos, siendo la mayoría independientes y se le atribuyan específicamente las funciones mínimas que se indican en la recomendación siguiente.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

54. Las funciones mínimas a las que se refiere la recomendación anterior son las siguientes:

a) La supervisión del cumplimiento de las reglas de gobierno corporativo y de los códigos internos de conducta de la empresa, velando asimismo por que la cultura corporativa esté alineada con su propósito y valores.

b) La supervisión de la aplicación de la política general relativa a la comunicación de información económico-financiera, no financiera y corporativa así como a la comunicación con accionistas e inversores, asesores de voto y otros grupos de interés. Asimismo se hará seguimiento del modo en que la entidad se comunica y relaciona con los pequeños y medianos accionistas.

c) La evaluación y revisión periódica del sistema de gobierno corporativo y de la política en materia medioambiental y social de la sociedad, con el fin de que cumplan su misión de promover el interés social y tengan en cuenta, según corresponda, los legítimos intereses de los restantes grupos de interés.

d) La supervisión de que las prácticas de la sociedad en materia medioambiental y social se ajustan a la estrategia y política fijadas.

e) La supervisión y evaluación de los procesos de relación con los distintos grupos de interés.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

55. Que las políticas de sostenibilidad en materias medioambientales y sociales identifiquen e incluyan al menos:

a) Los principios, compromisos, objetivos y estrategia en lo relativo a accionistas, empleados, clientes, proveedores, cuestiones sociales, medio ambiente, diversidad, responsabilidad fiscal, respeto de los derechos humanos y prevención de la corrupción y otras conductas ilegales

b) Los métodos o sistemas para el seguimiento del cumplimiento de las políticas, de los riesgos asociados y su gestión.

c) Los mecanismos de supervisión del riesgo no financiero, incluido el relacionado con aspectos éticos y de conducta empresarial.

d) Los canales de comunicación, participación y diálogo con los grupos de interés.

e) Las prácticas de comunicación responsable que eviten la manipulación informativa y protejan la integridad y el honor.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

56. Que la remuneración de los consejeros sea la necesaria para atraer y retener a los consejeros del perfil deseado y para retribuir la dedicación, cualificación y responsabilidad que el cargo exija, pero no tan elevada como para comprometer la independencia de criterio de los consejeros no ejecutivos.

Cumple [X] Explique [ ]

57. Que se circunscriban a los consejeros ejecutivos las remuneraciones variables ligadas al rendimiento de la sociedad y al desempeño personal, así como la remuneración mediante entrega de acciones, opciones o derechos sobre acciones o instrumentos referenciados al valor de la acción y los sistemas de ahorro a largo plazo tales como planes de pensiones, sistemas de jubilación u otros sistemas de previsión social.

Se podrá contemplar la entrega de acciones como remuneración a los consejeros no ejecutivos cuando se condicione a que las mantengan hasta su cese como consejeros. Lo anterior no será de aplicación a las acciones que el consejero necesite enajenar, en su caso, para satisfacer los costes relacionados con su adquisición.

Cumple [X] Cumple parcialmente [ ] Explique [ ]

58. Que en caso de remuneraciones variables, las políticas retributivas incorporen los límites y las cautelas técnicas precisas para asegurar que tales remuneraciones guardan relación con el rendimiento profesional de sus beneficiarios y no derivan solamente de la evolución general de los mercados o del sector de actividad de la compañía o de otras circunstancias similares.

Y, en particular, que los componentes variables de las remuneraciones:

a) Estén vinculados a criterios de rendimiento que sean predeterminados y medibles y que dichos criterios consideren el riesgo asumido para la obtención de un resultado.

b) Promuevan la sostenibilidad de la empresa e incluyan criterios no financieros que sean adecuados para la creación de valor a largo plazo, como el cumplimiento de las reglas y los procedimientos internos de la sociedad y de sus políticas para el control y gestión de riesgos.

c) Se configuren sobre la base de un equilibrio entre el cumplimiento de objetivos a corto, medio y largo plazo, que permitan remunerar el rendimiento por un desempeño continuado durante un período de tiempo suficiente para apreciar su contribución a la creación sostenible de valor, de forma que los elementos de medida de ese rendimiento no giren únicamente en torno a hechos puntuales, ocasionales o extraordinarios.

Cumple [X] Cumple parcialmente [ ] Explique [ ] No aplicable [ ]

59. Que el pago de los componentes variables de la remuneración quede sujeto a una comprobación suficiente de que se han cumplido de modo efectivo las condiciones de rendimiento o de otro tipo previamente establecidas. Las entidades incluirán en el informe anual de remuneraciones de los consejeros los criterios en cuanto al tiempo requerido y métodos para tal comprobación en función de la naturaleza y características de cada componente variable.

Que, adicionalmente, las entidades valoren el establecimiento de una cláusula de reducción ('malus') basada en el diferimiento por un período suficiente del pago de una parte de los componentes variables que implique su pérdida total o parcial en el caso de que con anterioridad al momento del pago se produzca algún evento que lo haga aconsejable.

Cumple [X] Cumple parcialmente [ ] Explique [ ] No aplicable [ ]

60. Que las remuneraciones relacionadas con los resultados de la sociedad tomen en cuenta las eventuales salvedades que consten en el informe del auditor externo y minoren dichos resultados.

Cumple [X] Cumple parcialmente [ ] Explique [ ] No aplicable [ ]

61. Que un porcentaje relevante de la remuneración variable de los consejeros ejecutivos esté vinculado a la entrega de acciones o de instrumentos financieros referenciados a su valor.

Cumple [X] Cumple parcialmente [ ] Explique [ ] No aplicable [ ]

62. Que una vez atribuidas las acciones, las opciones o instrumentos financieros correspondientes a los sistemas retributivos, los consejeros ejecutivos no puedan transferir su titularidad o ejercitarlos hasta transcurrido un plazo de al menos tres años.

Se exceptúa el caso en el que el consejero mantenga, en el momento de la transmisión o ejercicio, una exposición económica neta a la variación del precio de las acciones por un valor de mercado equivalente a un importe de al menos dos veces su remuneración fija anual mediante la titularidad de acciones, opciones u otros instrumentos financieros.

Lo anterior no será de aplicación a las acciones que el consejero necesite enajenar para satisfacer los costes relacionados con su adquisición o, previa apreciación favorable de la comisión de nombramientos y retribuciones, para hacer frente a situaciones extraordinarias sobrevenidas que lo requieran.

Cumple [ ] Cumple parcialmente [X] Explique [ ] No aplicable [ ]

El sistema de incentivos a largo plazo del que son beneficiarios los consejeros ejecutivos, pagadero en metálico y en acciones de la Sociedad ("LTIP de los Ejecutivos"), está vinculado con la creación de valor para el accionista durante un periodo total de tres años y la liquidación del mismo (y la obligación de mantenimiento de la relación del consejero) se extiende hasta la formulación de las cuentas del ejercicio 2021, lo cual, de facto, impide la disposición de dichas acciones por el beneficiario.

Asimismo, las acciones de los planes de retribución derivados de Incentivos Pasados (Management Stock Plan ("MSP")) son objeto de asignación durante un periodo de tres años desde la fecha de cálculo del MSP. Las acciones del MSP entregadas a los consejeros ejecutivos son indisponibles hasta 2023.

63. Que los acuerdos contractuales incluyan una cláusula que permita a la sociedad reclamar el reembolso de los componentes variables de la remuneración cuando el pago no haya estado ajustado a las condiciones de rendimiento o cuando se hayan abonado atendiendo a datos cuya inexactitud quede acreditada con posterioridad.

Cumple [X] Cumple parcialmente [ ] Explique [ ] No aplicable [ ]

64. Que los pagos por resolución o extinción del contrato no superen un importe equivalente a dos años de la retribución total anual y que no se abonen hasta que la sociedad haya podido comprobar que el consejero ha cumplido con los criterios o condiciones establecidos para su percepción.

A efectos de esta recomendación, entre los pagos por resolución o extinción contractual se considerarán cualesquiera abonos cuyo devengo u obligación de pago surja como consecuencia o con ocasión de la extinción de la relación contractual que vinculaba al consejero con la sociedad, incluidos los importes no previamente consolidados de sistemas de ahorro a largo plazo y las cantidades que se abonen en virtud de pactos de no competencia post-contractual.

Cumple [X] Cumple parcialmente [ ] Explique [ ] No aplicable [ ]

Indique si ha habido consejeros que hayan votado en contra o se hayan abstenido en relación con la aprobación del presente Informe.

[ ] Sí
[√] No

Manifiesto que los datos incluidos en este anexo estadístico coinciden y son consistentes con las descripciones y datos incluidos en el informe anual de gobierno corporativo publicado por la sociedad.