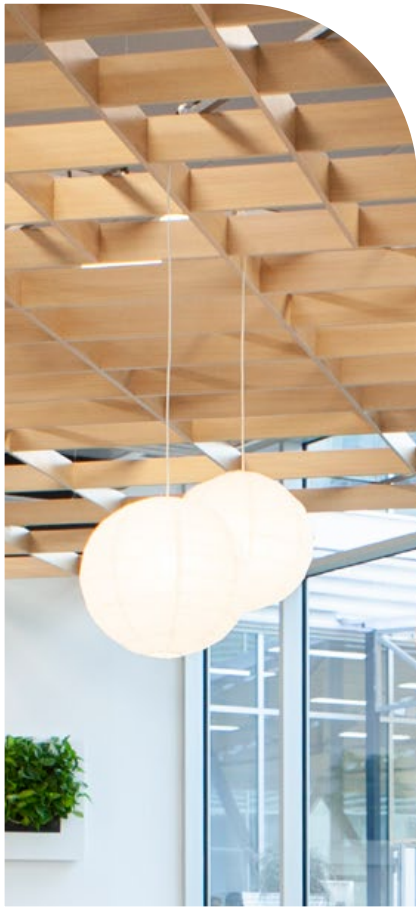




# Corporate Social Responsibility Report 2020





2020 has demonstrated the benefits of diversification and the resistance of MERLIN Properties' business model.





# Corporate Social Responsibility Report 2020

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Ismael Clemente

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## Letter from the Vice-Chairman and Chief Executive Officer

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Dear Shareholder,

As we look back at the events that have unfolded since the beginning of the pandemic, we at MERLIN Properties (hereinafter, "MERLIN" or the "Company") have never been more convinced of the importance of sustainability management as a driver of shared value creation for the Company and its stakeholders. We are therefore pleased to present this Corporate Social Responsibility Report (hereinafter, the "Report"), where we take stock of our performance in 2020 from an economic, environmental, social and governance perspective and look at the challenges we face in each one of these areas moving forward.

As in previous years, this Report was prepared according to the reporting standards of the Global Reporting Initiative and the EPRA's Sustainability Best Practice (sBPR) recommendations. Based on those reporting standards, this publication includes information identified as material for the Company, based on the sustainability information needs of our stakeholders and especially our investors, who are increasingly aware of the key role that sustainability plays in an organization's good performance.

Good financial performance is critical to ensure the generation of sustainable shared value over time. In this respect, our Company managed to withstand the challenges we faced last year, by far, which demonstrates the resilience and solvency of our business model and the advantages of our diversified portfolio. This is evident from the key financial and operating metrics, which remained in line with those of previous years. Our strength as a leading and diversified REIT has also enabled us to implement a policy of incentives for our retail clients, particularly affected by closures and restrictions on footfall at shopping centers.

In response to the new challenges facing the Real Estate sector, in 2020 we also implemented innovative and sustainable initiatives to satisfy the needs of our users and customers. Particularly noteworthy in this regard is the launch of MERLIN Hub Madrid Norte, comprising 33 office assets with an area of 330,000 sqm in the NBA (New Business Area) on the A-1. This initiative involves the integrated management of assets in close proximity, offering services that improve quality of



life and user experience in areas such as mobility, innovation, technology, flexibility, sustainability and community-building.

Also in line with these new trends, at MERLIN we remain committed to Flex Space as a key aspect that supplements and reinforces our offering in the office market through our LOOM brand. As we continued to open new LOOM spaces, in 2020 we also created a range of new flexible solutions adapted to the needs of each type of company, large companies and entrepreneurs, SMEs and freelancers. Progress was also made in 2020 on the implementation of technological and digitalization solutions for our asset portfolio, another initiative that has our full support. Aside from continuing with the development of the initiatives arising from the PropTech Challenge, in 2020 we certified our first offices with the Wired Score seal, a leader in verifying the quality, security, digital and telecommunications resilience of buildings. Ours is the first Spanish company to obtain this type of certification.

One of the most important milestones in 2020 in the environmental arena was the launch of a global initiative to promote the production of photovoltaic solar power in the portfolios of office assets, logistics assets and shopping centers. In the initial phase, we plan to install photovoltaic panels on 24 assets in what is one of the most relevant initiatives of its kind being developed in Spain.

Also in 2020 we continued to make improvements to the environmental performance of our assets, implementing energy consumption efficiency measures, especially in assets under refurbishment. Worthy of note in the area of sustainable mobility is the implementation of new pilot projects to promote sustainability in last-mile logistics, which also benefits our customers' operating efficiency.

Regarding the sustainable building certifications of our assets in particular, it is our goal over the next two years to certify practically all of the assets in the Company's strategic portfolios (offices, logistics assets and shopping centers) to the most demanding international standards: LEED and BREEAM. We believe this is a unique

initiative at the national and even the European level within our sector, in terms of the sheer magnitude (more than 4 million square meters of assets), and the different types of buildings involved. The number of assets certified to these standards continued to increase in 2020, so that by the end of the year 81% of our office, logistics and shopping center assets in terms of GAV (Gross Asset Value) were LEED or BREEAM certified. Moreover, great strides were also made in the number of certifications in benchmark standards such as ISO 14001 and ISO 50001 Environmental Management Systems and AIS accessibility certifications in 2020, and we will continue to move in this direction in the coming years.

We obtained excellent sustainability scores in 2020. This was our third time participating in the GRESB survey, which specializes in REITS, we obtained a score of 78 points, which is above the global and European average and higher than our peers' scores. We participated in the CDP survey for the first time in 2020, which evaluates the organization's performance on climate change, obtaining a "B", which is higher than the global and European average, and also higher than the average of our group of comparable companies. To strengthen our position in sustainability indexes, we plan to participate in the S&P DJSI/CSA international benchmark survey in the near future.

On the social front, at MERLIN we mobilized our resources early on to provide solutions to the challenging circumstances as they arose. In 2020 the Company, together with our directors and employees, donated eight robots for mass COVID-19 testing, which were installed at different medical centers throughout Spain. MERLIN participated in several specific efforts to benefit the communities in the areas near our assets, such as donations of food and school supplies by our shopping centers and our urban gardens at MERLIN Hub Madrid Norte, or the use of space in our logistics assets in Sevilla ZAL to store medical supplies.

In the corporate governance area, in 2020 we continued to work toward the highest levels of robustness in our governance model and compliance system. In addition to obtaining

recertification in the UNE 19.601 compliance standard, in 2020 we adapted our risk model to reflect the circumstances, reinforcing the internal audit activity to control the areas of greatest risk in view of the restrictions imposed as a result of the pandemic. In addition, as part of our commitment to full transparency, there is now extensive documentation describing all of the corporate governance policies in force published on our website.

We are aware that our stakeholders are increasingly demanding a strong commitment on the part of senior management to the oversight of ESG (environmental, social and governance) aspects. As we have demonstrated in a particularly prominent way in recent years, at MERLIN we are firmly committed at all levels of the organization to integrating sustainability into our strategy and decision-making. The company's governing bodies at the highest levels have provided the decisive impetus to deliver excellent sustainability performance. To continue making progress in this area, we've set a goal for the future to create a Sustainability

Committee, independent from the rest of the Board of Directors' Committees, which would be responsible for monitoring the progress of the company's different plans and initiatives in this area.

Looking to the future, we would also like to highlight our firm commitment to the comprehensive transformation of the Azca complex, Madrid's most important business district, as evidenced by the creation of Renazca in 2020. Under this initiative, the urban development project which we plan to implement in the coming years was recently selected.

In conclusion, I'd like to express my gratitude to all MERLIN executives and employees for their collaboration and commitment in 2020, a challenging year to be sure, all of whom played a decisive role in the Company's ability to retain its position of leadership in the sector. There's no doubt that their collaboration will be key in the coming years to the successful development of our projects.







# 02

The leading commercial real estate company in the Iberian Peninsula

MERLIN Properties Socimi S.A. (“MERLIN”, “MERLIN Properties”, or the “Company”) is the **leading REIT in the Spanish real estate market and one of the most important listed companies in Spain.**

It has a robust and diversified portfolio of assets, comprising mainly of offices, high-quality logistics platforms and shopping centers in key locations throughout Spain and Portugal.



## 2020 performance. Highlights

MERLIN presents its fifth CSR Report prepared in accordance with Global Reporting Initiative (GRI) Standards Guidelines and the EPRA Sustainability Best Practice Recommendations (“EPRA sBPR”).

In this report, the Company continues its transparency commitment to Stakeholders, informing them of its economic, environmental and social performance.

2020 has demonstrated the benefits of diversification and the resistance of the Company’s business model. The key financial and operating metrics such as occupancy (94.2% -57 bp vs. 2019) and the LfL leases (+0.4% vs 2019) have remained in line. Cash flow generation (€ 262.4 million in FFO, -16.2% vs 2019) has been affected by the COVID-19 rent reliefs and non-core disposals. MERLIN has also continued to provide significant value to society and its stakeholders, as can be seen in its social and environmental performance indicators.

### Economic performance

---

**€ 365 M**  
(-14.1% vs 2019)  
EBITDA

**€ 7,263 M**  
(+0.5% vs 2019)  
EPRA NTA

**39.9%**  
(+0.5 p.p. vs 2019)  
LEVERAGE RATIO

### Social performance

---

**220**  
(+0.9% vs 2019)  
EMPLOYEES

**€ 382.0 M**  
(-36.0% vs 2019)  
VALUE DISTRIBUTED  
TO STAKEHOLDERS<sup>(1)</sup>

**2.91 out of 4**  
CUSTOMER  
SATISFACTION<sup>(4)</sup>

### Environmental performance

---

**148 ASSETS**  
(+25% vs 2019)  
WITH SUSTAINABLE BUILDING  
CERTIFICATION<sup>(2)</sup>

**78/100**  
(-4 points vs 2019)  
SCORE OBTAINED IN THE GRESB  
SURVEY

**277,900 GJ**  
(-18.0% vs. 2019)  
ENERGY CONSUMPTION IN LIKE  
FOR LIKE ASSETS MANAGED<sup>3</sup>

**14,295 t CO<sub>2</sub>eq**  
(-21.7% vs 2019)  
GREENHOUSE GAS EMISSIONS  
IN LIKE FOR LIKE MANAGED  
ASSETS<sup>3</sup>

**358,767 m<sup>3</sup>**  
(-39.9% vs 2019)  
WATER CONSUMPTION IN LIKE  
FOR LIKE MANAGED ASSETS<sup>(3)</sup>

**1,492 t**  
(-26.5% vs 2019)  
WASTE GENERATED IN LIKE  
FOR LIKE ASSETS<sup>3</sup>

<sup>(1)</sup> This item includes salary payments, payments to suppliers, payments to governments, community investments and operating costs. Relates to the 201-1 indicator included in GRI Standards Guidelines.

<sup>(2)</sup> The sustainable building certifications include LEED and BREEAM. The certified assets of Barcelona-Zal Port are not included.

<sup>(3)</sup> The term Like for Like groups assets that have been in operation in the MERLIN portfolio over the last three years (from 1 January 2018 to 31 December 2020) without any relevant changes.

<sup>(4)</sup> Customer satisfaction level in multi-tenant offices

## MERLIN Properties' portfolio

MERLIN's current portfolio has over 3 million sqm of rented area, mainly in the market for offices, logistics assets, shopping centers and Net leases.

### Overall portfolio<sup>(1)</sup>

**12,811 M€**  
(+0.5% vs 2019)  
GROSS ASSET  
VALUE (GAV)

**187**  
(-2.1% vs 2019)  
ASSETS

**696**  
NET LEASES

**3.3 k sqm**  
(+0.3% vs 2019)  
GROSS LETTABLE  
AREA (GLA)

**503 M€**  
(-4.3% vs 2019)  
GROSS RENTAL INCOME

**5.4 years**  
(-3.6% vs 2019)  
WAULT

**94.2%**  
(-0.6 percentage points  
vs 2019)  
OCCUPANCY RATE

### Core business lines<sup>(2)</sup>



#### Offices

**€ 6,322 M** GAV  
**122** ASSETS  
**1,192 k SQM** GLA  
**€ 233 M**  
GROSS RENTAL INCOME

#### Logistics

In Stock  
**€ 1,026 M** GAV  
**51** ASSETS  
**1,222 k SQM** GLA  
**€ 59 M**  
GROSS RENTAL  
INCOME

WIP  
**€ 558 M** GAV  
**11** PROJECT  
**937 k SQM** GLA

**ZAL PORT**  
(48.5% stake)  
**51** ASSETS  
**632 k SQM** GLA  
**€ 56 M** GRI

#### Shopping centers

**€ 2,207 M** GAV  
**14** ASSETS  
**462 k SQM** GLA  
**€ 114 M**  
GROSS RENTAL  
INCOME

**TRES AGUAS**  
(50% stake)  
**1** ASSET  
**68 k SQM** GLA  
**€ 8 M** GRI

#### Net leases

**€ 1,846 M** GAV  
**696** ASSETS  
**350 k SQM** GLA  
**€ 87 M**  
GROSS RENTAL  
INCOME

<sup>(1)</sup> Includes In stock assets of the strategic portfolios (offices, shopping centers, logistics), Net leases and other. The calculation of the GAV also includes WIP, land and minority stakes and the calculation of the number of assets also includes office assets under refurbishment. The calculation of the GLA excludes the vacant units acquired in shopping centers. The gross rental income figure is prior to the application of incentives for retail customers.

<sup>(2)</sup> Only includes assets in stock, in the core business lines: Strategic portfolios (offices, shopping centers and logistics and Net leases).



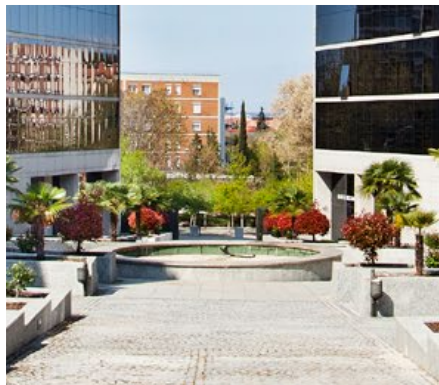
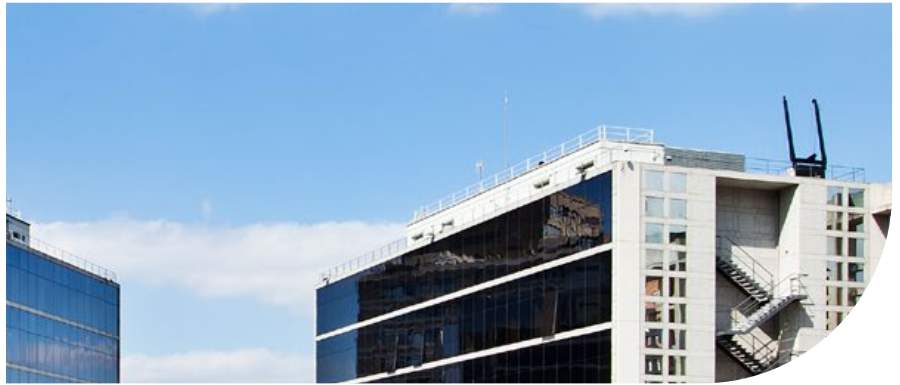






# 03

## MERLIN Properties' strategy



The primary aim of MERLIN's strategy is to generate a sustainable return for shareholders through the acquisition, management and selective rotation of real estate assets in moderate risk profile segments.

To achieve this, the Company focuses on the following aspects using the best practices of the sector as a basis:

- **Internal portfolio management:** Properties are managed internally by professionals with a solid background in real estate, thus maximizing each asset's operational efficiency and profitability.
- **Profitability through asset refurbishment:** MERLIN endeavors to extract the maximum value from the current portfolio, optimizing asset quality and maximizing profitability through their refurbishment.
- **Sustainability, a key aspect of the assets:** MERLIN firmly believes in sustainability for all its assets. The Company therefore adheres to benchmark international standards throughout their life cycle, obtaining certificates evidencing this commitment, and developing initiatives aimed at promoting sustainability in its portfolio of assets.

1

Core & core plus in Spain and Portugal

2

Best Governance practices

3

Investment grade capital structure

4

One of the world's most cost-efficient REITs

5

Dividend policy: 80% of AFFO



50%

**Offices**

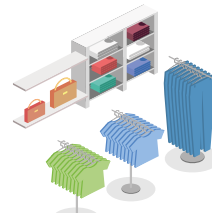
- Prime spaces in Madrid, Barcelona and Lisbon



20%

**Logistics**

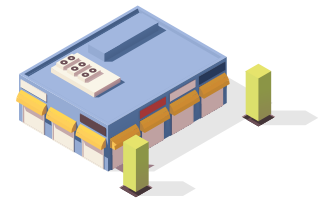
- Iberian peninsula footprint
- "One-stop shop" solution for 3PL



15%

**Shopping centers**

- Urban or dominant
- National scale



15%

**Net lease**

- High triple net cash flow
- Inflation multiplier





### COVID-19 and strategy: connection with the Group's strategic cornerstones

In facing the COVID-19 pandemic, MERLIN acted pro-actively to guarantee the continuity of its strategy in light of the new situation. This is reflected in each one of its strategic cornerstones:

## 1 Core & Core Plus assets in Spain and Portugal

MERLIN has reduced the levels of CAPEX in its Value Creation Plans, prioritizing the refurbishment of assets at key locations and with attractive returns on the investment.

## 2 Best Governance practices

In addition to the ongoing continuous improvement of its corporate governance processes, MERLIN has updated and adapted its Compliance system and its Risk Map to the new circumstances deriving from the health crisis.

## 3 Investment grade capital structure

MERLIN has stabilized its leverage levels in line with previous years, through measures implemented to protect capital, such as redefining its CAPEX plans.

## 4 One of the world's most cost-efficient REITs

In addition to continuing with optimum structural costs, the Company's directors and executive team have significantly reduced their remuneration.

## 5 Dividend policy: 80% of the AFFO

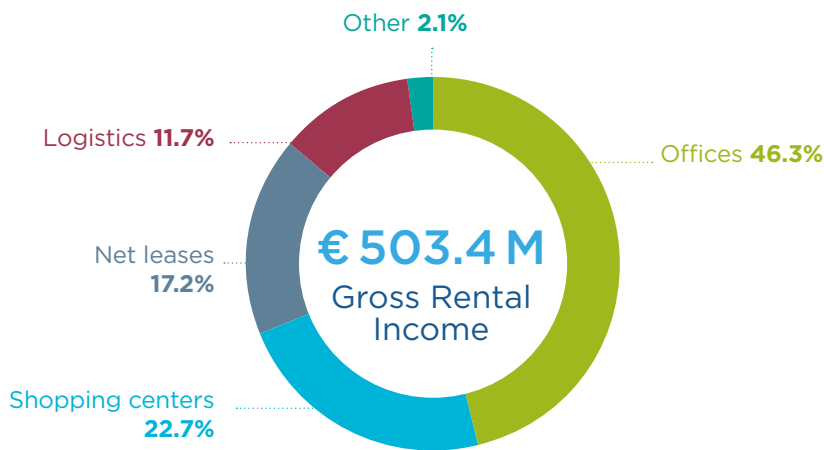
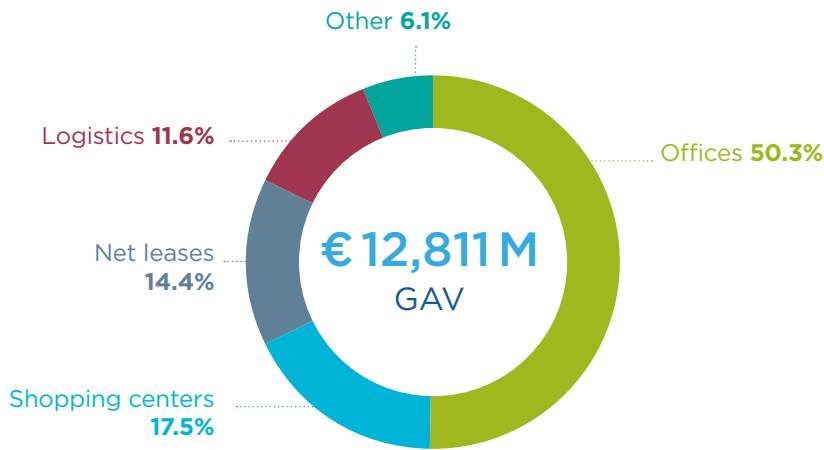
By adjusting the dividends distributed during the year, MERLIN guarantees the creation of sustainable value for the shareholder over the coming years.

### 3.1. Business lines

MERLIN Properties' business is focused on the following asset categories: offices, logistics assets, shopping centers and net leases.

The portfolio of assets is valued at € 12,811 m<sup>(1)</sup> and includes 122 office buildings, 51 logistics warehouses (as well as 11 projects under development), 15 shopping centers (including Tres Aguas) and 696 net leases, as well as other non-core assets.

In total, the assets in the portfolio have a Gross Lettable Area (GLA) of more than 3 million sqm. Furthermore, the gross rental income associated with their operation is € 503 M.



<sup>(1)</sup> In terms of gross asset value (GAV: Gross Asset Value). Non-core assets, such as land to be developed and minority stakes are included in the calculation of the GAV.

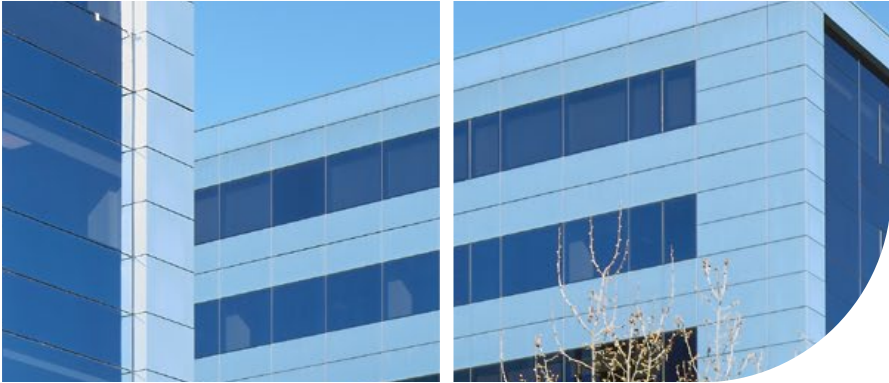


# 04

## Main milestones for the year



MERLIN has demonstrated its robustness during this financial year in light of the current circumstances, by continuing to selectively refurbish its assets within the framework of its value creation plans and achieving remarkable financial and operational results, as reflected in the key metrics such as occupancy levels and the gross rental income from its assets





## 4.1 Introduction

In 2020, MERLIN demonstrated its resistance as the leading REIT in the Spanish and European markets, which is reflected in the positive performance of the key financial and operating metrics. In this regard, the like for like rents (+0.4% vs. 2019) and asset occupancy levels (94.2% occupancy in 2020, -0.6% vs. 2019) have remained at very similar levels during this financial year compared to the previous year.

MERLIN has continued working to further improve its value proposition by developing innovative and extremely significant initiatives that provide its assets a distinctive value.

### Alignment of the Value Creation Plans with the current context

Due to the exceptional circumstances of the financial year, MERLIN has adjusted the degree of progress of its Value Creation Plans (Landmark I, Flagship and Best II & III). As a result, the Company has only continued with those refurbishment projects that were already underway or with pre-lets in place, resulting in projects yet to be commenced being postponed.

However, among the determining factors for the financial year, all the value creation plans have made progress in 2020 and there have been deliveries of assets within the Landmark I (office assets) and Best II & Best III (logistics assets) Plans.

With these advances, MERLIN continues to enhance the value of its assets and increase its attractiveness for tenants in 2020 and for years to come.

	2019	2020	2021	2022
<b>Plan Landmark I</b>	<ul style="list-style-type: none"> <li>• Torre Chamartín (Phase II)</li> <li>• Torre Glòries (Phase II)</li> </ul>	<ul style="list-style-type: none"> <li>• Marqués de Pombal 3</li> <li>• Diagonal 605</li> </ul>	<ul style="list-style-type: none"> <li>• Monumental</li> <li>• Castellana 85</li> </ul>	<ul style="list-style-type: none"> <li>• Plaza Ruiz Picasso</li> </ul>
<b>Plan Flagship</b>	<ul style="list-style-type: none"> <li>• Larios</li> <li>• Arturo Soria</li> <li>• X-Madrid</li> <li>• Tres Aguas</li> </ul>		<ul style="list-style-type: none"> <li>• Saler</li> <li>• Porto Pi</li> </ul>	
<b>Plan Best II</b>	<ul style="list-style-type: none"> <li>• A4-Pinto II B</li> <li>• A2-Cabanillas III</li> <li>• A4-Seseña</li> </ul>	<ul style="list-style-type: none"> <li>• A2-Cabanillas Park I F</li> <li>• A2-San Fernando II</li> </ul>	<ul style="list-style-type: none"> <li>• A2-Cabanillas Park I G, H</li> <li>• A2-Azuqueca II</li> </ul>	
<b>Plan Best III</b>	<ul style="list-style-type: none"> <li>• Valencia Ribarroja</li> <li>• Sevilla ZAL WIP (2019-2020)</li> </ul>	<ul style="list-style-type: none"> <li>• Zaragoza Plaza II</li> </ul>	<ul style="list-style-type: none"> <li>• Lisboa Park (2021/-)</li> <li>• Sevilla ZAL WIP</li> </ul>	

### Extension of corporate bonds maturity

In 2020, MERLIN extended the maturity of a part of its bonds. Specifically, it has issued a 7-year bond for a value of € 500 M, intended for the partial repurchase of the bonds maturing in 2022 and 2023 and the repayment of two mortgage loans.

As a result of this operation, MERLIN has reinforced its financial situation through its debt management.

### Continuity in the debt rating

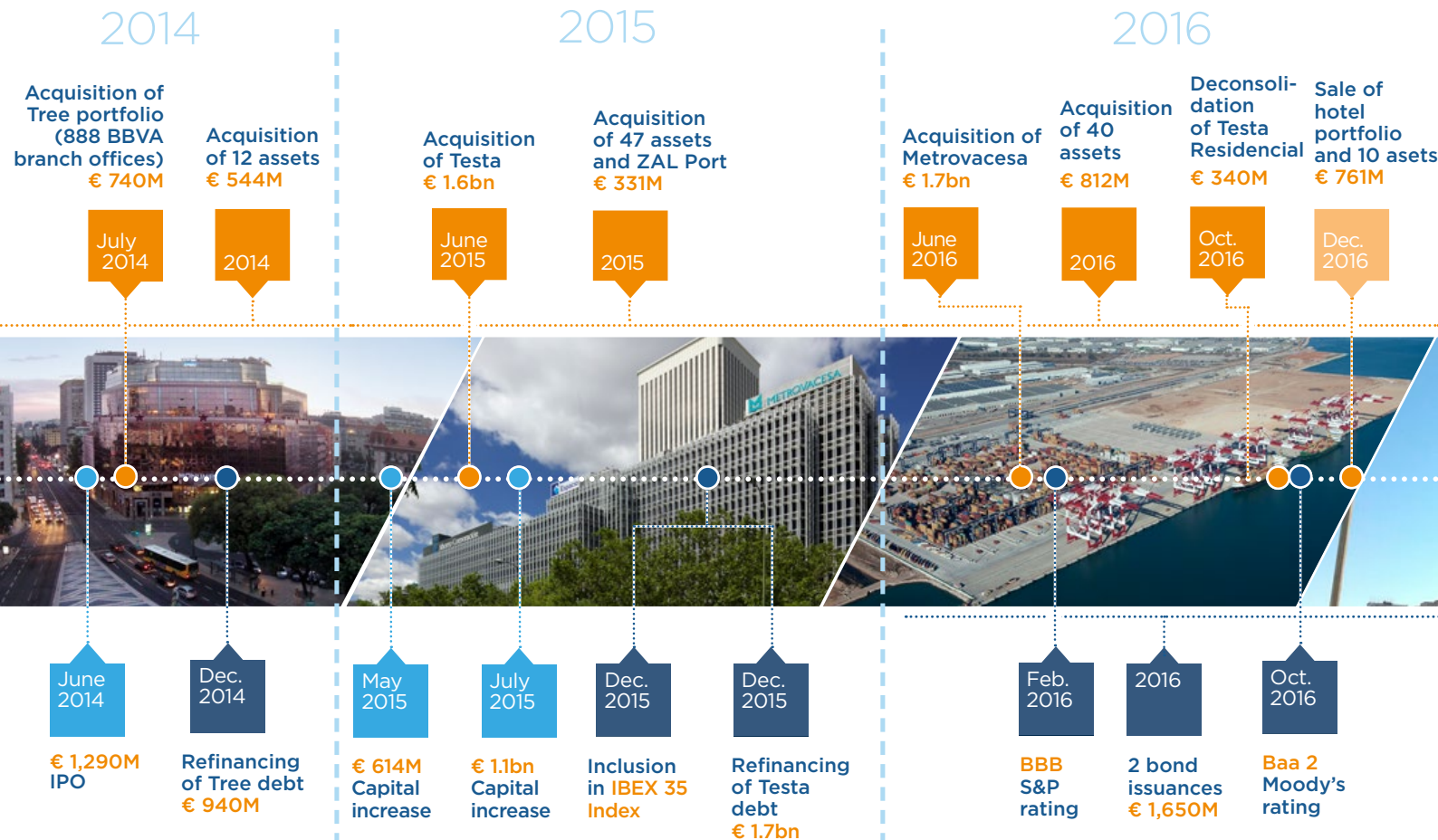
Between March and May 2020, the Moody's and Standard and Poor's credit rating agencies maintained the investment grades that they had previously published at the beginning of the health crisis (BBB and Baa2, respectively), although they did revise the outlook.

In light of the unusual nature of the financial year, this continuity in the rating demonstrates the Company's robustness in facing its debt commitments, maintaining moderate leverage levels during the financial year, in line with previous years.

### Listing of MERLIN shares in Portugal

At the beginning of 2020, MERLIN was admitted to trading on the Lisbon Stock Exchange. After its listing on this stock exchange, MERLIN became the first Spanish REIT to be listed on the Euronext regulated market.

The listing of its shares in Portugal provides greater brand visibility and recognition among investors and other stakeholders in this country and ultimately reinforces MERLIN's commitment to the Portuguese market, where it continues to have high expectations for growth.





## Launch of MERLIN Hub Madrid Norte

In 2020, the Company presented the MERLIN Hub Madrid Norte initiative. This is a pioneer project that is currently being developed in the NBA (New Business Area) of the A-1, involving 33 office assets which represent an area of around 327,400 sqm.

Through this initiative, MERLIN places itself at the forefront of new market trends, creating an ecosystem of services for nearby assets with the main objective of improving the working experience of the more than 30,000 users of MERLIN Hub. With this purpose in mind, a series of exclusive services have been designed that revolve around the five strategic cornerstones of the initiative: mobility, innovation and technology, flexibility, sustainability and creating community.

MERLIN Hub Madrid Norte also has first class corporations, so this initiative reinforces their ability to attract and retain talent, by providing unique working environments that raise the levels of well-being and the quality of life of their employees.

Looking towards the future, the MERLIN Hub Madrid Norte will go hand-in-hand with the urban redevelopment of Madrid Nuevo Norte, sharing new infrastructures and services. Through its participation in Distrito Castellana Norte (DCN), MERLIN will contribute to converting the north of the city of Madrid into the new business district par excellence of the capital, similar to the most important business areas in the larger European cities.





## Creation of the company **Renazca**

With the aim of driving a complete renewal of the Azca zone, the heart of the Prime CBD market for offices in Madrid, and where MERLIN has first class assets, MERLIN and another partner in the sector (GMP) have created the company Renazca.

Open to the inclusion of other large real estate owners in this area of Madrid, the initiative has been designed to convert Azca into a modern place to generate opportunities on a social economic and cultural level for years to come, all this under the umbrella of sustainability, creating an urban ecosystem of great biodiversity formed by native plant species, recovering ancient riverbeds that mix rainwater collection and storage systems for irrigation and fountains.

## Launch of **Project Sun**

In 2020, MERLIN presented Project Sun, an ambitious initiative aimed at increasing the number of photovoltaic energy generation installations over the coming years. The project aims to convert MERLIN into the biggest producer of self-generated energy in its sector.

During the first phase of this project, MERLIN envisages the installation of 264,000 sqm of photovoltaic panels on 24 assets, with a total installed capacity of 37.1 MWp (megawatt-peak). A total investment of around € 26.1 million will be required to carry out this first phase.

This is a project that cuts across all the strategic portfolios of the Company: Office assets, shopping centers and logistics assets. During Phase I, photovoltaic panels will be installed at 11 offices, 4 shopping centers and 9 logistics assets.

The project will significantly contribute to reducing greenhouse gas (GHG) emissions associated to electricity generation. It is forecast that all of these installations will prevent the emission of around 8,800 tons of CO<sub>2</sub> equivalent.

## Acquisition of **COVID-19 analysis robots**

Within the exceptional context of 2020, MERLIN, its employees and executives have financed the acquisition of eight robots to carry out mass COVID-19 testing, by donating a total amount of € 668,000.

Through this initiative, initially promoted by the Company, and which has had the support of other companies, MERLIN has contributed since the very beginning to address the health crisis through a high impact technological solution.

## Consolidation in indexes and **ESG reporting**

In 2020, MERLIN reinforced its benchmark position in relation to its disclosure and performance in sustainability. In its third consecutive year of participating in the GRESB sustainability index, the international benchmark for the sector, MERLIN has obtained a rating of 78 points, which places it above the global and European average, as well as the average of its peers. Furthermore, in 2020, MERLIN commenced its participation in the CDP questionnaire, in which obtained a B, demonstrating its commitment to Climate Change.

In relation to ESG reporting, MERLIN's CSR Reports received the Gold Award for the third year running from EPRA. Through this award, EPRA recognizes the level of alignment of the non-financial report of the Company with its reporting recommendations.

.....

# € 6,322 M

GAV

.....

# 122

ASSETS

.....

# 1,192 k sqm

GLA

.....

# € 233 M

GROSS RENTAL INCOME

.....

# 91.1%

OCCUPANCY RATE

.....

# 3.0 years

WAULT

.....

# 173

 NEW CONTRACTS  
AND RENEWALS

.....

# +3.0%

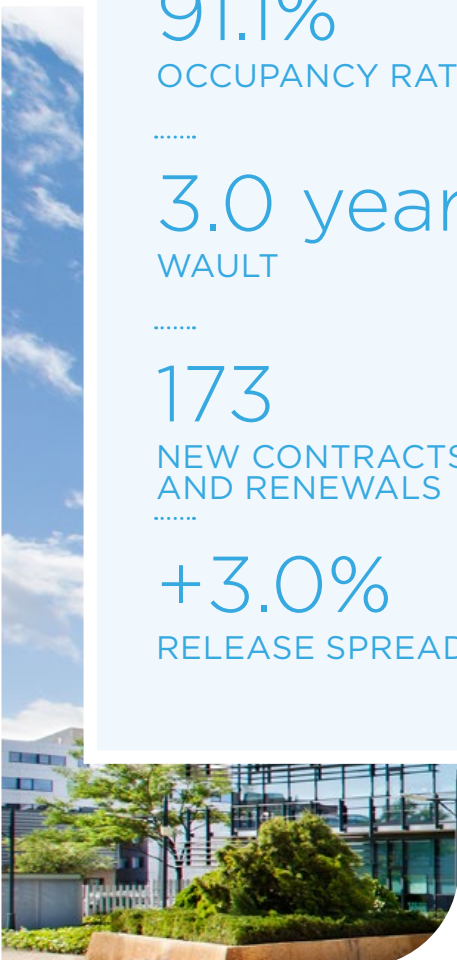
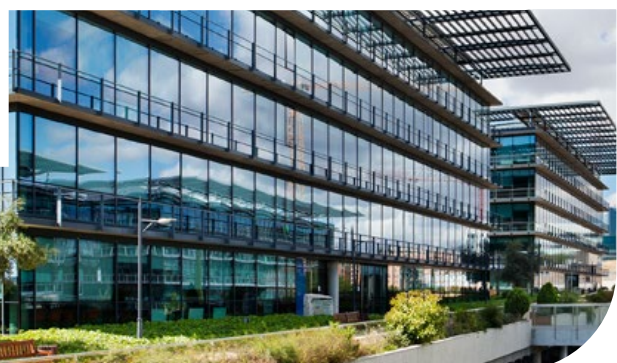
RELEASE SPREAD

## 4.2 Offices

Within the current context, MERLIN has remarkably reinforced its outstanding position in the offices market, maintaining some very positive results in the key indicators such as the occupancy rate and release spread, as well as signing new long-term contracts with first-rate customers.

MERLIN has also continued to strengthen the high quality, versatility and dynamic aspect of its offices portfolio, offering innovative solutions and developing new refurbishments of great value, at strategic locations throughout the cities of Madrid, Barcelona and Lisbon.

At year-end, the offices portfolio contained 122 assets, the total volume contracted during 2020 of 248,992 sqm.



## 2020 Milestones

### • Progress with the Landmark I Plan

Among the actions of the Landmark I Plan that began in previous years, in 2020, MERLIN completed the refurbishment of Diagonal 605 in Barcelona. The work carried out on this asset included the relocation and extension of the reception area, as well as improvements to the premises located at street level (retail and restaurant), thus taking advantage of its location in the city's Prime CBD.

Also in 2020, MERLIN completed the refurbishment of the Marqués de Pombal asset, located in Lisbon. The refurbishment included the entrance, common areas and exterior terrace of this asset.

The characteristics of these refurbishments did not prevent the tenants from continuing with their day-to-day operations.

### • Opening of new LOOM spaces

In 2020, LOOM began its expansion in Barcelona, by opening its first two FlexSpace areas in this city at the beginning of the year: LOOM Glòries and LOOM Cornellà. LOOM has also continued expanding its presence in Madrid, with a new space at LOOM Torre Chamartín. LOOM now has eight spaces in these two cities, for a total of 1,477 flexible working positions.

### • Creation of the company Renazca

With the aim of driving a complete renewal of the Azca zone, the heart of the Prime CBD market for offices in Madrid, and where MERLIN has first class assets, MERLIN and another partner in the sector (GMP) have created the company Renazca.

Open to the inclusion of other large real estate owners in this area of Madrid, the initiative has been designed to convert Azca into a modern place to generate opportunities on a social economic and cultural level for years to come.

### • Commencement of the refurbishment of the Nestle headquarters in Lisbon

In 2020, MERLIN began the refurbishment and expansion process of the Nestle headquarters in Lisbon, which will provide the company with additional space to house its divisions in this building.

With the work carried out on this asset, under a long-term lease to Nestle, MERLIN demonstrates its commitment to the Portuguese market and further reinforces its relationship with first-rate customers.

### • Incorporation of technological solutions into assets

In addition to continuing with the implementation of Proptech solutions into its office assets such as Mayordomo Smart Points, and reinforcing its level of connectivity to the Internet through Wired Score certification, MERLIN has continued to develop new technological solutions at its office assets. In this regard, MERLIN has reached an agreement with a surveillance systems supplier to centralize all the signals captured at its office assets into the Alarm Monitoring Center (AMC). In this manner, the technological systems installed in the assets also have additional functionality, guaranteeing the maximum safety of its occupants.



### COVID-19 and offices. Adaptation of the assets to the current situation

In light of the new circumstances caused by the COVID-19 pandemic, MERLIN has put into motion best practices to guarantee the health and safety of the users and suppliers of the multi-tenant office assets. To ensure the maximum adaptation of these measures to the current situation, MERLIN has obtained the AENOR Certification of Protocols against COVID-19 at a total of 52 multi-tenant offices, becoming the first REIT in Spain to obtain this certification. The LOOM spaces in Madrid have also obtained the Madrid Seal of Guarantee, granted by the Community of Madrid to businesses and premises for their anti-COVID measures.



## Future challenges

### • Continuation of the Landmark I Plan

Within the framework of the Landmark I Plan, MERLIN will continue with the refurbishment of those assets that began in previous years or with pre-lets in place.

Furthermore, during the first half of 2021, MERLIN envisages that it will conclude the refurbishment of the Castellana 85 and Monumental assets. In both cases, these are buildings of notable value within the offices portfolio, located in the top-class business areas (Prime CBD) of Madrid and Lisbon.

The first of these assets, Castellana 85, is located in the Azca area of Madrid and has an area of around 16,500 sqm. The asset has already been pre-let in its entirety and will be the headquarters of Accenture and Elecnor.

In the case of the Monumental asset, located at Plaza de Saldanha in Lisbon, MERLIN has signed a 10-year lease contract with Banco Português de Inversón (BPI), one of the most important financial entities in Portugal. Once the refurbishment has concluded, this location will become its central headquarters in this capital.

Furthermore, in 2021, MERLIN plans to commence the refurbishment of the asset located at Plaza Ruiz Picasso. The execution of the works will also include the remodeling of the public areas adjoining this asset. In the future, MERLIN will also carry out work on the Adequa 4 and 7 assets.

### • Expansion of LOOM to new spaces

In the coming years, LOOM will continue to increase its number of spaces for future openings in Ática and Pozuelo de Alarcón in Madrid, and Plaza Cataluña 9 and Ferretería 22@, in Barcelona. These spaces are currently under development. Additionally, expansions of the LOOM Torre Chamartín and the LOOM Torre Glóries are in the pipeline.

Among these future LOOM spaces, Plaza Cataluña 9 has special significance. With the refurbishment of this historic modernist property, LOOM will have a space right in the heart of Barcelona, at one of its most representative locations, thus reinforcing its range of FlexSpace spaces throughout the city.



€ 1,026 M

GAV

51

ASSETS

1,222 k sqm

GLA

€ 59 M

GROSS RENTAL INCOME

97.5%

OCCUPANCY RATE

3.4 years

WAULT

90%

LOGISTICS ASSETS ADAPTED  
TO E-COMMERCE

5

NEW CONTRACTS  
AND RENEWALS

+6.0%

RELEASE SPREAD

ZAL PORT  
(48.5% STAKE)

51

ASSETS

632 k sqm

GLA

€ 56 M

GRI

#### 4.4. Logistics assets

With regard to logistics assets, MERLIN has continued throughout 2020 to develop its value creation plans, reinforcing its position as a leader in this sector through the development of new assets with state-of-the-art specifications at key locations throughout the Iberian Peninsula. The high quality of the assets and the acceleration of e-commerce due to the pandemic have resulted in excellent occupancy levels and a positive Release Spread throughout the year.

Within this portfolio, MERLIN has a total of 51 assets in operation with a total area of around 1,222,000 sqm.





## 2020 Milestones

### • Progress of the Best II & III Plans

In 2020, MERLIN continued with its value creation plans in logistics assets: Best II and Best III. With regard to the Best II Plan, focused on the development of assets along the most important corridors in the area of Madrid, MERLIN delivered A2 - Cabanillas Park I F during the first half of the year and A2 - San Fernando II during the second half. In reference to the Best III Plan, aimed at the extension of the logistics assets on the Iberian Peninsula, MERLIN has reaffirmed its presence in two of the most important logistics centers in Spain: Seville and Zaragoza. MERLIN delivered two warehouses in Seville ZAL throughout 2020, as well as the Zaragoza-Plaza II warehouse during the second half of the year. With these new assets, MERLIN has increased its logistics footprint by totaling an area of around 1,221,000 sqm.

### • Launch of last mile solutions

MERLIN is working towards reducing the levels of emissions associated with the logistics routes, thus responding to the increase in e-commerce. In 2020, the Company initiated a series of pilot programs, together with several logistics operators with the aim of expanding this initiative in the future to the entire portfolio. With this objective in mind, the parking lots of the real estate owned by the company in large cities are converted into last mile logistics bases.

### • Start-up of the photovoltaic energy pilot project in Meco

In 2020, the pilot project for the generation of electricity using photovoltaic panels at the Meco I asset became fully functional. This asset has an installed power of 600 KWp (kilowatt peak), as well as a connection to feed any excess generated energy back into the grid. Thus, Meco I has become the first MERLIN logistics asset to generate renewable electrical energy.

### • Development of assets with state-of-the-art specifications

MERLIN has continued incorporating the most advanced technical specifications into its logistics assets portfolio, clearly responding to the needs of its operators, including its 3PL (Third Party Logistics) customers, and adapting their assets for a more efficient management of online commerce.

## Future challenges

### • Continuation of the Best II & III Plans

Over the next few years, MERLIN will continue with the roll-out of the Best II & III Plans within the circumstances deriving from the current situation.

In relation to the Best II Plan, the delivery of the A2-Cabanillas Park I G and H and the A2-Azuqueca II assets are due to be delivered in 2021. Furthermore, the assets corresponding to A2-Cabanillas Park II and A2-Azuqueca III continue to be land reserves.

In addition, the continuation of the Best III Plan in the coming years will mean the conclusion of the last warehouses of the Seville ZAL asset in 2021, as well as the delivery of the first phase of Lisboa Park (44,973 sqm), which will begin in 2021 and continue over the following years. Thus, MERLIN will have its first logistics assets in the Portuguese capital. The following phases of Lisboa Park, as well as A2-San Fernando III and Valencia will continue to be land reserves.

### • Creation of urban last-mile hubs

In the future, the development of new large-scale last mile solutions will require the creation of urban hubs endowed with a series of technical features that allow the movement of goods to be optimized, such as sufficient capacity for the circulation of heavy goods vehicles, loading bays and specially designed unloading areas, as well as suitable areas for installing automated equipment.

With this in mind, MERLIN envisages creating the first urban hub of its portfolio during the refurbishment process of Plaza Ruiz Picasso, in the Azca zone. After this is completed, MERLIN plans to expand this initiative to other assets.



€ 2,207 M

GAV

14

ASSETS

462 k sqm

GLA

€ 114 M

GROSS RENTAL INCOME

93.7%

OCCUPANCY RATE

2.4 years

WAULT

64 M

FOOTFALL

95

NEW CONTRACTS AND RENEWALS

+4.1%

RELEASE SPREAD

TRES AGUAS S.C.  
(50% STAKE)

1

ASSET

68 k sqm

GLA

€ 8 M

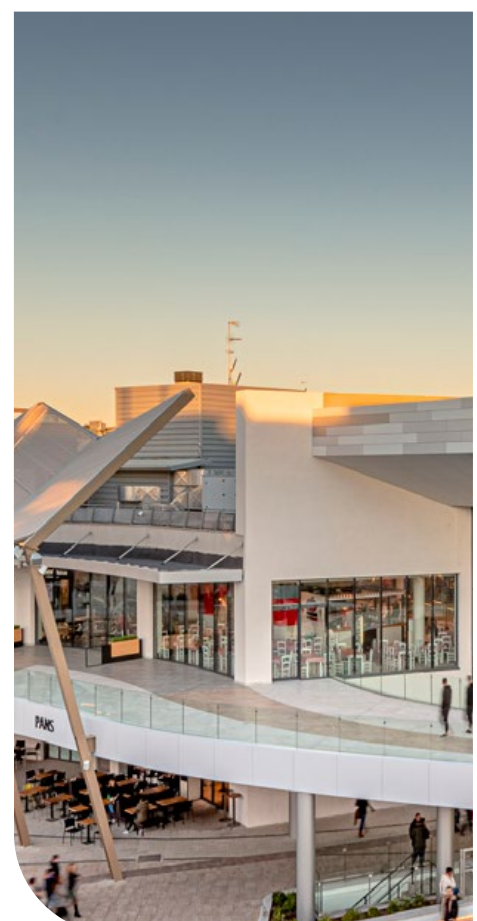
GROSS RENTAL INCOME

### 4.3. Shopping centers

MERLIN shopping centers continue to be a prominent benchmark of the retail sector, given their predominantly urban and dominant character in the main provinces of Spain and Portugal.

MERLIN's portfolio of shopping centers comprises 14 shopping centers, with an area of around 462,000 sqm, as well as the Tres Aguas shopping center in which MERLIN has a 50% stake.

In relation to this portfolio, it should also be noted that as a result of the COVID-19 pandemic, MERLIN launched a commercial policy to help its tenants, and at the same time protect occupancy by extending the terminations to beyond December 2021.



## 2020 Milestones



### COVID-19 and shopping centers. Launch of the commercial policy and adaptation of the assets to the current situation

Given the pandemic situation, the Company developed a commercial policy that supports and promotes the continuity in the activities of its retail tenants. This policy establishes a rent relief in line with the level of sales of this group of tenants during 2020. The application of this policy has allowed the occupancy levels of this portfolio to be maintained, thanks to the extension of the terminations to beyond December 2021.

Furthermore, in accordance with the characteristics of these types of assets, MERLIN has adopted the best practices against COVID-19, by using the latest technology in the circulation areas of these assets. As with the offices portfolio, MERLIN has obtained the AENOR Certification of Protocols against COVID-19 at 13 of its shopping centers, thus externally guaranteeing the suitability of the measures implemented.

Moreover, MERLIN has continued to operate all its shopping centers, even during the state of alarm of the first half of 2020, since the premises include activities that are classified as essential.

### • Increased presence of the leading operators in shopping centers

In 2020, MERLIN continued adding new tenants to its shopping centers. For example, of particular note are the new openings of Mango in Marineda and Saler, in 2020.

At X-Madrid, Marepolis, a scuba and apnea diving center, opened its doors in 2020 with its 1,600 sqm boasting three swimming pools, one with a depth of 20 m. Thus, X-Madrid, which opened in 2019, completes its range for practicing extreme sports, in line with the spirit of this asset.

Likewise, in 2020, the signature cuisine restaurant La Txulapona, opened its new premises at the Arturo Soria shopping center. This new establishment is divided into two floors and three ambient areas, and has a total area of 490 sqm. In this manner, the recently refurbished Arturo Soria asset shows its great allure for attracting top-class customers in the restaurants area.



## Future challenges

### • Continuation of the Flagship Plan and other refurbishments

Continuing with its value creation plan at shopping centers (Flagship Plan), MERLIN forecasts completing the refurbishment of Saler during the second quarter of 2021, which will include the remodeling of the square located next to the asset's entrance. This action will reaffirm the position of Saler as a landmark urban shopping center in the city of Valencia. MERLIN also plans to complete the refurbishment of the Porto Pi shopping center, in Palma de Mallorca, also during the second quarter of 2021. With regard this refurbishment, of particular note is the remodeling of the square outside the asset, which is public property, as well as the creation of an area of outdoor terraces which highlights the asset's location, alongside the Mediterranean Sea. In addition to the above, MERLIN will continue executing different refurbishments at its shopping centers in the pedestrian areas and access points.

### • Range of new flexible solutions

The start-up Fillit began to carry out its activity in Spain with MERLIN at its side. Fillit, created in Ireland and one of the winners of the latest edition of the PropTech Challenge, allows zones in the common areas of shopping centers to be let for a period of between one day and three months, through an easy and quick management that is completely online. At present, MERLIN and Fillit are developing a pilot project in X-Madrid. In the coming years, the initiative will extend to other MERLIN shopping centers.

### • Development of new digitalization initiatives

MERLIN continues with its strategy towards integrating of new digitalization solutions for its assets and, in particular, its shopping centers. In the same vein, MERLIN hopes to implement a project in the next few years in which big data analytical tools will be used. As a result of this initiative, MERLIN will have even more detailed knowledge of the visitors at the shopping centers, which will allow it to increase the level of knowledge that the tenants have of their own customers, or design notifications and campaigns that are customized to the visitors' profiles.



.....

# € 1,846 M

GAV

.....

# 696

ASSETS

.....

# 350 k sqm

GLA

.....

# € 87 M

GROSS RENTAL INCOME

.....

# 100%

OCCUPANCY RATE

.....

# 17.4 years

WAULT



## 4.5. Net leases

MERLIN has a Net leases portfolio comprising 663 branches leased to BBVA on a long-term basis and 33 supermarkets in Catalonia that are at leased to Caprabo.

## 2020 Milestones

- **Continuation with the sale of branches**

In 2020, MERLIN continued with its selective branch sale plan, with the divestment of 19 BBVA assets for the amount of € 25.3 million. Since 2016, MERLIN has sold a total of 225 branches for an amount in the region of € 316 million.

## Future challenges

- **Divestment in non-core assets**

Over the coming years, MERLIN will continue with the strategy that commenced in 2016 of divesting those assets considered as less strategic within the portfolio of branches leased to BBVA.



# 05

## Responsible governance model

MERLIN Properties has continued advancing with its Corporate Governance System, guaranteeing the solidity, integrity and transparency of its governance model. The Compliance System has remained at its maximum level, also continuing with its high level of recognition at an external level.

## 2020 Milestones

Adaptation of the Board of Directors Regulations and of its Committees to the new Good Governance Code, as well as Technical Guide 1/2019 of the CNMV.

Review of some of the corporate policies, including the update to the Directors' Remuneration Policy.

Publication on the MERLIN website of the extensive documentation pertaining to the Corporate Governance System, as well as a summary of the corporate policies.

Update of the Compliance System, as a result of the pandemic, as well as the recertification of the system in accordance with standard UNE: 19 601.

Regular update of the Risks Map in view of the circumstances of the health crisis.

Reinforcement of the internal audit activity to control the areas of greater risk in light of the current situation.

Creation of an Advisory Board to the executive directors.

## Future challenges

Development of a Training Plan for the Board and all its Committees to guarantee the ongoing update of knowledge and skills.

Definition of the regulations of the long-term incentive plan (LTIP), as well as the qualitative and quantitative criteria for its achievement.

Creation of a Sustainability Committee.

Attainment of a more in-depth knowledge of the ESG risks associated with climate change.

Creation of a new general policy relating to the communication of economic-financial, non-financial and corporate information.

Extension of the Crime Prevention Model to Portugal.

Development of the digitalization project of the internal audit function.

## Main indicators for of the year

	2020	CHANGE 2019-2020
Independent directors	8/14	-9.5 percentage points
Women on the Board of Directors	5/14	+2.4 percentage points
Reports received via the whistleblowing channel	0	=
Number of Board of Directors meetings	16	+3
Attendance at Board of Directors meetings	97.2%	+4.3 percentage points

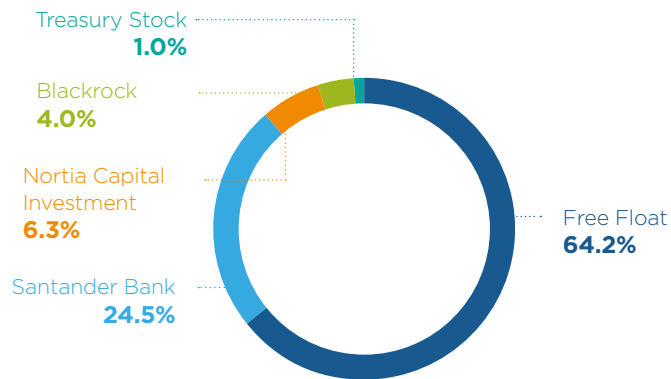


## 5.1. Capital structure

As of December 31, 2020, the share capital of MERLIN comprised a total of 469,770,750 ordinary shares, with a par value of €1 euro per share. All the ordinary shares are fully subscribed and paid-up, and all carry the same rights.

Among the significant shareholders, Spanish investors represent 30.82% of the capital. Among the national investors, Banco Santander has a 24.55% stake in the capital, whereas Nortia Capital has a 6.27% stake. Furthermore, the foreign investment manager, Blackrock, has a 3.99% stake in the capital.

The company has a free float of 65.19%.



## 5.2. MERLIN's Corporate Governance

### 5.2.1. Corporate Governance System

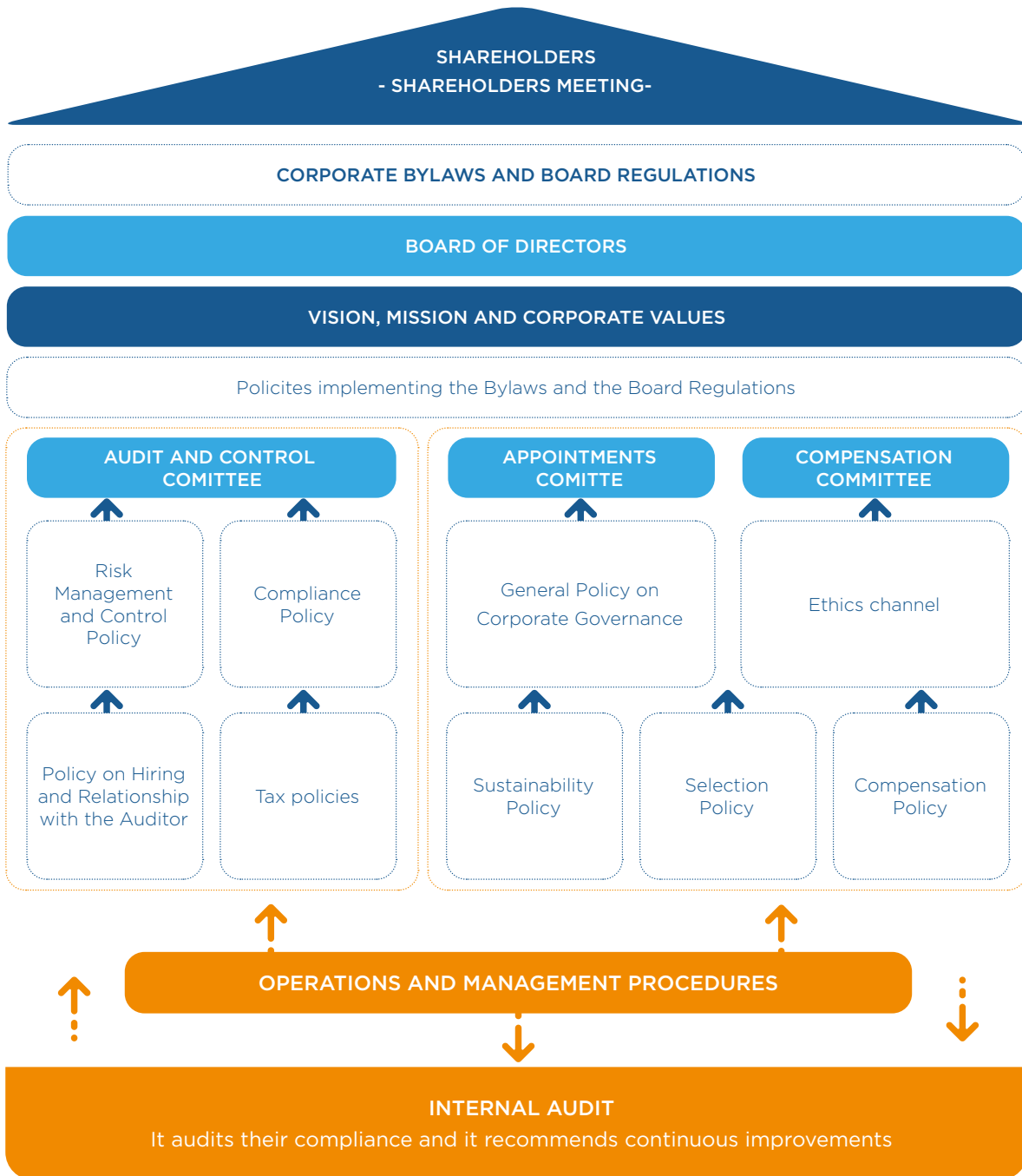
MERLIN has a Corporate Governance System, integrated by the corresponding regulatory framework, comprising the Corporate Vision, Mission and Values, Bylaws, Regulations of the Board of Directors, Corporate Policies and other codes and internal procedures, which develop the principles that govern the actions of the Company and all companies forming part of the MERLIN Group.

The contents of this System reflect MERLIN's commitment to the best practices of good governance, business ethics and social responsibility in all areas of its activity. With this in mind, the Company uses the "Good Governance Code for Listed Companies", updated by the CNMV in June 2020 as reference, as well as the recommendations of good governance generally recognized and accepted by the markets.

In accordance with this commitment, in 2020, the Board of Directors approved a new revised text of the Regulations of the Board of Directors, individually and clearly incorporating the duties that correspond to the Nomination Committee and the Remuneration Committee, and which they have been performing since becoming two separate committees in 2019. Furthermore, in 2020, an analysis was carried out in order to adapt the Regulations and those of its Committees to the new Good Governance Code 2020, as well as the Technical Guide 1/2019 of the CNMV concerning the Nomination and the Remuneration Committees. This analysis was presented to the Board of Directors, and all its amendments and updates being approved in December 2020.

Also, in 2020, the Company also reinforced its Corporate Governance System through the approval and update of a number of its policies. The content of these policies, as with that of the other codes, procedures and internal rules concerning corporate governance, will be subject to review in successive years, with the aim to ensure their suitability within the framework of the Company's Corporate Governance System.

**MERLIN Properties' Corporate Governance system**



In accordance with the Technical Guides of the National Securities Market Commission (CNMV), the Annual Report on the Activities of the Audit and Control Committee, the Nomination Committee and the Remuneration Committee during 2020 is published and available on the corporate website.

[www.merlinproperties.com/en/corporate-governance/annual-reports](http://www.merlinproperties.com/en/corporate-governance/annual-reports)

Board

**Board of Directors**

MERLIN's Board of Directors, formed by a majority of independent directors, focuses on defining, overseeing and monitoring the policies, strategies and general guidelines that must be followed by the Company. In particular, the Board is responsible for the Company's long-term strategy, offering leadership and establishing the principles to follow. The Board is also responsible for the corporate governance of the Company.

**Audit and Control Committee**

This Committee is a permanent internal body of the Board of Directors. It is of an informative and consultative nature, with no executive functions but with the powers to provide information, assess and propose within the scope of its activities. It carries out the functions associated with the internal audit function, reviews the internal control systems and supervises risks, the economic-financial reporting process, the auditing of accounts, supervision of the real estate asset valuation process and compliance, as stipulated in the its regulations.

**Nomination Committee**

This Committee is a permanent internal body of the Board of Directors. It is of an informative and consultative nature, with no executive functions but with the powers to provide information, assess and propose in relation to the selection, appointment, re-election and termination of board members. It is also responsible for the structure, size and composition of the Board of Directors and its delegated committees, as well as the supervision of the Governance System, the Corporate Responsibility System and the compliance with the Company's code of ethics.

**Remuneration Committee**

The Remuneration Committee has similar characteristics to that of the Nomination Committee. What makes it stand apart is that its remit covers the remuneration of the Company's directors and executive team. In particular, this body oversees and recommends remuneration policies to the Board and determines remuneration packages for the Chief Executive Officer and the other executive team members.

Executive team

**Investment Committee**

This Committee comprises the executive team and is responsible for analyzing investments, divestments and closing operations for their presentation to the Board of Directors.

**Chief Executive Officer (CEO)**

The Chief Executive Officer, or CEO, is responsible for implementing the Board's strategy, leading the company in its day-to-day dealings and supervising all those areas that are not reserved to the Board or its delegated committees.

**Executive Committee**

This Committee, comprising multidisciplinary members of the Executive Team, provide support to the Chief Executive Officer in the supervision of MERLIN's operations and performance.

**The Chief Investment Officer (CIO)** plays a key role in the decisions associated with the Company's investments at all levels.

Furthermore, at the end of 2020, MERLIN created a **special advisory Committee** for the executive directors, comprising key executives of the Company that will continue to discharge their duties through this committee, and which also has other external professionals with extensive experience in their professional areas.





### Publication of the Corporate Governance policies on the MERLIN website

As part of its commitment to transparency with its stakeholders, MERLIN has extended the publication of documentation regarding its Corporate Governance Regulations, and has also expanded the number of policies published. MERLIN also presents a summary of all other corporate policies on its website.

### Publication of the Corporate Bylaws and Regulations and other documentation relating to Corporate Governance on the website

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- Corporate Bylaws
- Regulations of Shareholders Meeting
- Regulations of the Board of Directors
- Conduct Code
- Rules of Conduct – Capital Markets
- Regulations of the Audit and Control Committee
- Regulations of the Nomination Committee
- Regulations of the Remuneration Committee

### Publication of Corporate Governance Policies on the website

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- General Corporate Governance Policy
- Corporate Compliance Policy
- Policy on communication and contacts with Shareholders and Investors
- Compensation Policy
- CSR Policy
- Tax Strategy

### Summary of other corporate policies, available on the website

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- Shareholder Remuneration Policy
- Shareholders' Meeting Attendance Fee Policy
- Policy on Transactions with Own Shares
- General Risk Management and Control Policy
- Investment Policy
- Finance and Financial Risks Policy
- Procuring Policy
- Internal Control Policy
- Anti-Money Laundering and Counter-Terrorism Financing Policy
- Anti-Corruption and Fraud Policy
- Policy on Relationship with the Public Authorities
- Data Protection Policy
- Tax Policy
- Policy on Hiring and Relationship with the Auditor
- Policy on Selection, Appointment and Removal of Directors
- Policy on Relations with Stakeholders

After the comprehensive improvement to the Corporate Governance System undertaken in 2019, MERLIN has continued reinforcing the suitability of the system and as well as updating the Directors Remuneration Policy, and it has also implemented changes in other policies.

- It has updated the policy on the selection, nomination and termination of Directors, ensuring that the proposed appointments are based on a prior analysis of the needs of the Board of Directors.
- A new Stakeholder Relations Policy has been created, reinforcing its commitment to transparency and the creation of value in the relationships with stakeholders, maintaining multiple channels of communication through which stakeholder concerns and requirements may be addressed.
- In 2020, MERLIN published an updated Corporate Social Responsibility Policy, aligning its content with the best practices in this area.



The information on the Corporate Governance Regulations, including the Company's Corporate Bylaws, its Codes and Regulations, as well as documentation regarding its Corporate Governance Policies are available on the corporate website, under the section Corporate Governance

[www.merlinproperties.com/en/corporate-governance/corporate-governance-normative](http://www.merlinproperties.com/en/corporate-governance/corporate-governance-normative)

#### Training Plan for the Board, its Committees and the Executive Team

A specific training program was implemented throughout 2020 as part of the Training Plan for the Board of Directors and its different Committees, which included the following training activities:

- Anti-Money Laundering and Criminal Compliance: Several training sessions on this matter have been held. Of particular interest in this regard is the specific training session on Anti-Money Laundering (AML) held for the Board of Directors, which detailed the main new legislative developments in this matter in Spain and Portugal, as well as their main implications for the Group.
- Accounting and financial regulation: together with the Audit and Control Committee, training sessions were held concerning the main new legislative developments at a financial level that affect the Group. MERLIN held a series of sessions with Garrigues to discuss the regulations regarding REITs in Spain, and also with Deloitte concerning accounting and regulatory developments, and lastly, with PwC regarding the non-financial information statement.

In addition to the above, the Training Plan for the Board of Directors and its Committees has been complemented with informative sessions for the Group's Directors which presented the most significant aspects regarding their areas so that the Audit and Control Committee is constantly informed of the business risks faced by the Group. In this regard, several sessions were held focusing on the Logistics and LOOM business lines.

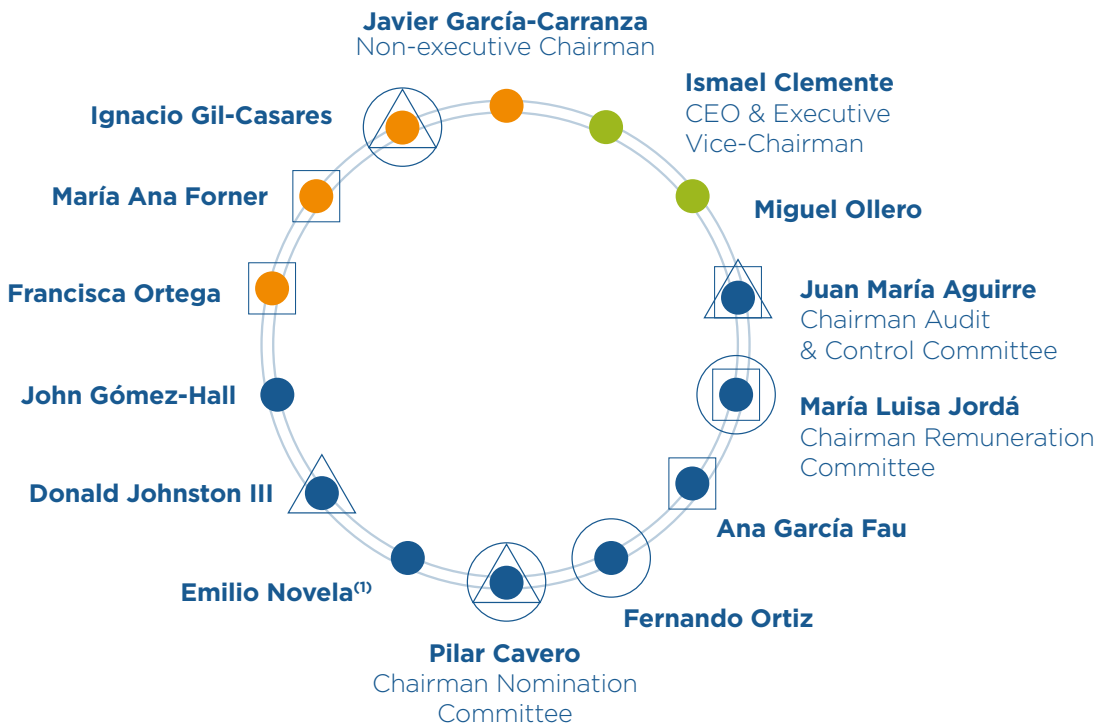
During 2020, specific training activities continued to be carried out at executive team level. During the year, the professionals at this management level with a greater exposure to risks in relation to Anti-Money Laundering received specific training in this area. In order to reinforce its integrated internal control model, MERLIN has continued with its training plan in Internal Control and ICFR for Group personnel with direct responsibilities in the sales process of assets and the preparation of the Group's financial information.

These training activities will continue over the coming years. In 2021, the Board of Directors initiated a Training Plan in coordination with its Committees.

### 5.2.2. Functions of the Board of Directors and its Committees

#### Composition of the Board of Directors and its Committees

At the close of 2020, the Board of Directors comprised 14 members. During the financial year, two new proprietary directors were appointed; Ms María Ana Forner, representing Nortia Capital, and Mr Ignacio Gil-Casares, representing Banco Santander. Also of significance is the the role of Lead Director, to act as a coordinator of the independent directors, with the position being filled by Mr Emilio Novela.



35.7%

Women on the Board of Directors

57.1%

Independent Directors

In 2020, the representation of women on the Board of Directors increased, with a total of 5 female Directors.

**Mónica Martín de Vidales**  
Secretary

**Ildfonso Polo del Mármol**  
Vice-Secretary

- Independent Directors
- Executive Directors
- Proprietary Directors

- Audit & Control Committee
- △ Nomination Committee
- Remuneration Committee

<sup>(1)</sup> Coordinator Director.



MERLIN has a Director Selection Policy, approved by the Board of Directors and applicable through the General Corporate Governance Policy, which ensures that the proposed appointments of Directors of the Company are based on objective criteria that are not subject to any form of bias, as well as a prior analysis of the needs of the Board of Directors.

In this regard, the Nomination Committee follows a completely objective selection criteria for candidates for positions on the Board of Directors, focusing on their professional qualities regardless of their gender, ensuring that the selection procedures of its members favor diversity of gender, experience, age and knowledge, prioritizing that the positions are filled by people who are honorable, suitable and of recognized solvency, skill, experience, qualifications, training and commitment to their role and prioritizing the appropriate balance of the Board of Directors as a whole.

Evidence of the diversity principles applied is that the Company's Board of Directors has a balance of members with regard to training, experience and age and has a number of women which exceeds the target detailed in the Good Governance Code for Listed Companies for 2020 (female directors currently represent 35.71% of the Board of Directors).

The variety of professional profiles of the directors ensures that the decision-making process is enriched and multiple points of view are provided when debating matters within its remit.

At the close of 2020, the average age of the of the Board of Directors was 60, with the oldest director being 86 and the youngest 49.



Further information on the composition of the Board of Directors can be found in the Annual Corporate Governance Report, available on the corporate website

[www.merlinproperties.com/en/corporate-governance/annual-reports](http://www.merlinproperties.com/en/corporate-governance/annual-reports)

and also on the website of the National Securities Market Commission [www.cnmv.com](http://www.cnmv.com)

### Assessment of the Board of Directors

Following the recommendations of the Good Governance Code for Listed Companies, the Company regularly engages the assistance of an external consultant to assess the functioning and composition of the Board of Directors and its Committees.

In 2017, this assessment was carried out by the independent consultant Egon Zehnder. For the financial year 2018 and 2019 it was not deemed necessary to engage an external consultant to reassess the functioning of the Board and its Committees, therefore the Company adopted a self-assessment process.

In 2020, KPMG was engaged as an external assessor. The process followed comprises personal interviews held with each member of the Board of Directors and as assessment through 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 in accordance with the Spanish Corporate Enterprises Act, the Corporate Bylaws and the Regulations of the Board of Directors. This assessment also placed an

emphasis on analyzing the corporate governance requirements of the ESG analysts and in the comparison of the practices followed by other organizations considered as best market practices. Thus, the Company ensures the suitability and adequacy of the functioning of the Board and its Delegated Committees.

The Assessment of the Board of Directors was satisfactory, the average evaluation of the directors is high, expressing its satisfaction with regard to the Board's discharge of its duties. However, although some opportunities for improvement were identified, there were no grounds for applying any material measures. Among the opportunities for improvement, an analysis has been initiated concerning the appropriateness and grounds for creating a Sustainability Committee that is independent to all other committees.

### Activities of the Board of Directors

During the 2020 financial year, MERLIN's Board of Directors met on 16 occasions with an attendance of 97.2%, the Audit and Control Committee met on 14 occasions with an attendance of 98.6%, the Nomination Committee met on 11 occasions with an attendance of 100%, and the Remunerations Committee met on 11 occasions with an attendance of 100%.

#### Board of Directors

- Amendment to the Regulations of the Board of Directors for the purposes of, among other aspects, including the clarifications deriving from the Regulations of the Nomination Committee and of the Remunerations Committee, adapting the regulations to the new recommendations of the Good Corporate Governance of the CNMV and the inclusion of an improvement to the regulation concerning the duties of the non-executive Chairman of the Board of Directors, adapting it to the standard that is detailed in the Code of Corporate Governance of the main companies of the Ibex 35.
- Approval of the half yearly interim financial statements, as well as the preparation of the annual financial statements and the approval of the Annual Corporate Governance Report and the Annual Remuneration Report.
- Appointment of new members to the Board of Directors.
- Approval of the new policies in 2020, in particular, the Remuneration Policy of the Board of Directors for the period 2020-2022 which represents a significant change compared to the previous Policy, adapting it to the best practices and recommendations of good governance.

#### Audit and Control Committee

- Supervision of the process for preparing the financial statements and management report, as well as the financial information reported, including the quarterly information.
- Review of external audit activities.
- Supervision of the external valuation services of real estate assets.
- Assessment of possible related operations, as well as other accounting and fiscal aspects concerning corporate operations.
- Supervision of internal audit activities.
- Supervision of the work carried out regarding the adaptation to the new legislation on Data Protection.
- Update to the Risk Map and supervision of the Risk Management System.
- Identification of the risks in relation to technological matters and cybersecurity faced by the Company.
- Examination of the activities of the different control bodies (ICB and CCB).
- Review of the ICFR, as well as other fiscal policies.
- Promote the improvement of the Corporate Governance System.

### Nomination Committee

- Promote the assessment of the Board, its Committees and its positions.
- Proposal for the appointment and re-election of Directors.
- Preparation of its own regulations, independent to the regulations of the Board of Directors and other committees, following the recommendations set forth in Technical Guide 1/2019 of the CNMV.
- Review the bylaws, regulations and other policies of the Company to adapt them to the new Good Corporate Governance recommendations of the CNMV.
- Approval of the new policies for 2020 (selection and removal of directors, ethics channel, etc.).
- Promotion of a director training plan for 2021.
- Review of the Company' organizational chart and succession plan for key positions.
- Approval of the Committee's Report.

### Remuneration Committee

- Preparation of the Remuneration Policy of the Board of Directors for the period 2020-2022, adapting it to the best practices and recommendations of good governance.
- Analysis of the amount of fixed salaries and variables (STIP) applicable to the executive team, including the executive directors, as well as the proposed distribution of the part of the LTIP the payment of which was generated in accordance with that approved in 2019.
- Approval and report on the decisions to waive the variable remuneration of the executive directors and the executive team, as well as the reduction in the remuneration of the Board.
- Review of the Annual Remuneration Report of the Directors and Corporate Governance.
- Preparation of its own regulations, independent to the regulations of the Board of Directors and other committees, following the recommendations set forth in Technical Guide 1/2019 of the CNMV.
- Approval of the Report on the Committee's Activities.



#### Creation of new communication systems within the Board of Directors.

The Company is seeking to implement new communication systems and methods through which the members of the Board of Directors can carry out their duties in the most efficient manner possible, and maintain at all times the confidentiality of the information of these systems, in accordance with the prevailing laws in Spain.

In 2020, the company launched a Welcome Package aimed at newly incorporated directors to the most senior governance body of the Company.

MERLIN also uses the following IT tool: Diligent Board, which allows it to efficiently and securely organize the work carried out at Board level, allowing the users to easily share the documents to be addressed, make notes, create calendars, initiate debates, and prepare the Minutes Books. The tool also allows the consultation of the policies and procedures in force and the Group's annual reports corresponding to the most recent financial years.



## Remuneration model

The Remuneration of the members of the Company's Board of Directors is based on the following principles:

Transparency  
of information on  
Board directors'  
remuneration.

Coherence with  
MERLIN's long-term  
business strategy,  
objectives, values  
and interests.

Focus on the  
Company's  
profitability and  
sustainability.

Competitiveness  
in relation to market  
standards.

Capacity to attract  
and retain the best  
professionals.

In order to reinforce the application of these principles in its remuneration model, in 2020, MERLIN approved a new Directors' Remuneration Policy which includes the best practices in corporate governance. This policy establishes new criteria that are applicable to the short-term incentive plan (STIP), among these being the redefining of the evaluation of objectives, based on a series of indicators that are both quantitative and qualitative, or the reduction of the maximum limit of the plan for executive directors.

Using this policy as a basis, the Remuneration Committee must establish at the beginning of each financial year the quantitative objectives (share performance, compliance with FFO objectives, dividend, budget, overheads and leverage) and qualitative (assessment of performance, position obtained in the GRESB index or the weighting of external factors). Taking these criteria into account, the Remuneration Committee then presents a report to the Board of Directors, which will ultimately establish the remuneration of its directors.

The new remuneration policy also takes into consideration other provisions, such as establishing clauses to recover incentives (implementing malus and clawback clauses), the calculation of compensation on the grounds of termination of the relationship and the limit on the ownership of shares.





**COVID-19 and remuneration. Adjustment of structural costs as a measure to protect capital**

As part of the measures to protect capital established by the Company, a series of actions have been adopted aimed at reducing structural costs at Director and Executive Team level.

- The Chief Executive Officer (CEO), the Corporate Managing Director and the Executive Team have waived all variable remuneration and the corresponding plan (STIP) for 2020.
- The Board of Directors decided to take a 25% cut in its remuneration.

In addition to preserving the capital, the adoption of this measure also increases the Company's operating profits.



Further information on the Board of Directors remuneration can be found in the Annual Report on Director Remuneration of Listed Companies available at [www.merlinproperties.com](http://www.merlinproperties.com).

**5.3. Ethics and compliance**

In line with the Company's vision and values, MERLIN maintains its commitment to ethics, transparency and value creation for its stakeholders.

**MERLIN Properties vision and values**

“Be the REIT of reference in the Iberian Peninsula for our commitment to long-term value creation and the generation of a sustainable, growing dividend for our shareholders within a context of transparency, ethics and responsibility in business and society”

Ethics and corporate responsibility	Financial performance	Respect for the environment and balanced urban development
Objectivity & Integrity	Respect for Human Rights	Asset protection



### Code of conduct and ethics channel

The Company's Code of Conduct was approved by the Board of Directors in 2015. It reflects MERLIN's commitment to the principles of ethics in business and transparency in all areas, providing a set of principles and guidelines on conduct designed to guarantee ethical and responsible behavior by all the Group's professionals in the course of their activities, particularly in relation to bookkeeping and financial reporting. These principles must govern the relationships of the Company with its stakeholders.

The Code of Conduct forms part of the Welcome Pack for new employees and is formally accepted by each new worker. All professionals receive training in the Code of Conduct on an annual basis.

MERLIN has an ethics channel ([canal.etico@merlinprop.com](mailto:canal.etico@merlinprop.com)) to allow the confidential reporting of any event that infringes the prevailing legislation and the Code of Conduct, as well as irregularities of a financial, accounting nature, or any other.

The channel is available to all the professionals that carry out their duties within the MERLIN companies and is also publicly accessible to any interested third party.

Contracts signed by MERLIN with suppliers and tenants include clauses referring to both MERLIN's compliance policy and its Ethics Channel.

### Regulatory Compliance

Ethical and upright behavior is essential to strict compliance with the prevailing legislation. Since its beginnings as a company, MERLIN has had the bodies, policies and procedures necessary to ensure this integrity at all levels. The Company places special emphasis on compliance with the regulatory requirements that are considered a priority in view of its corporate structure, sector and the nature of the activities carried on.

### Regulatory compliance, a key aspect for MERLIN

After the significant changes made to the internal control model in 2019, MERLIN has continued consolidating all the internal control structures (Crime prevention, AML, ICFR, GDPR and the fight against corruption and fraud).

---

# 2020

**0 complaints**  
were reported  
through the  
ethics channel

<p><b>Crime Prevention</b></p>	<p>In accordance with the Group's Criminal Compliance Policy, the Group has a specific and efficient program for preventing the commission of crimes, having implemented a Crime Prevention Model (CPM).</p> <p>The purpose of this model is firstly to guarantee before third parties and the legal and administrative bodies that the company exercises the legally required due control over its directors, executives, employees and other dependent persons, including the supervision of potential situations of criminal risk that may arise within the scope of the Company's actions and, secondly, reinforce the already existing commitments to fight against fraud and corruption in all its forms.</p> <p>The Criminal Compliance Management System has continued to strengthen itself within the Group, through both the implemented continuous control mechanisms as well as the control and monitoring tasks carried out by the Criminal Compliance Body.</p> <p>To demonstrate the robustness of the crime prevention system, the Company renewed its UNE 19601 certification in 2020, with no noncompliance being detected during the audit process. MERLIN continues to be the only REIT in Spain certified under this standard.</p>
<p><b>Anti-Money Laundering (AML)</b></p>	<p>MERLIN has mechanisms to comply with the requirements established by the anti-money laundering legislation, such as a Prevention Manual, external annual audits, an ICB (Internal Control Body) a representative before the SEPBLAC (the Spanish Commission for the Prevention of Money Laundering and Monetary Offenses), a Customer Acceptance Policy and an Anti-Money Laundering Technical Unit.</p> <p>In the case of Portugal, local legislation includes the leasing of real estate as an activity subject to anti-money laundering measures. MERLIN also has anti-money laundering policies and a manual that takes into account the specific regulatory characteristics of this country. Furthermore, in 2020 it adapted its control and due diligence procedures for the strict compliance of the prevailing legislation.</p>
<p><b>Internal Control over Financial Reporting System (ICFR)</b></p>	<p>In the financial control area (ICFR), MERLIN has an efficient and reliable model which is based on identifying key risks and the selection of relevant processes for financial information, the methodology and procedures of which are documented in the ICFR Manual.</p> <p>MERLIN also has an IT tool which provides support to the ICFR controls as well as other areas. It allows the documentation of the controls through the provision of evidence to be carried out centrally, thus facilitating the supervision and control of the execution and documentation of the controls performed.</p>
<p><b>Personal Data Protection (GDPR)</b></p>	<p>In compliance with the prevailing legislation, MERLIN guarantees the Personal Data Protection of its customers and suppliers, both within their contractual relationships, as well as of third parties that access their files, regardless of whether these are office assets, shopping centers or logistics warehouses.</p> <p>To this end, in recent years the Company has implemented measures such as the preventive control structure to guarantee the correct processing of personal data, as well as the appointment of a DPO (Data Protection Officer) and the approval of the Personal Data Protection Policy by the Board of Directors.</p> <p>MERLIN is currently carrying out an in-depth review of its Data Protection Model, which will reinforce the robustness in the compliance with the principles established in the General Data Protection Regulation (GDPR): lawfulness, fairness, transparency, purpose limitation, data minimization, accuracy and storage limitation.</p>

### Combating corruption and fraud

MERLIN employs a preventive and proactive attitude in combating corruption and bribery in all areas of its business activity, maintaining a principle of zero tolerance towards the commission of unlawful and criminal acts.

To this end, in its Corruption and Fraud Policy, the Company does not allow any of its employees, regardless of their hierarchical or functional level, to become involved in or participate in any operation or business within its corporate activities that may be some form of criminal or fraudulent act of which go against the principles detailed in its Code of Ethics. The Relations with Public Administrations Policy establishes the basic principles that govern the Group and its relationship with the Public Administrations, as well as the rules and criteria concerning the conduct of the Group's employees in these types of relationships.

In addition to the Compliance in the different areas detailed above, the Company has continued to monitor the risks concerning the Occupational Health and Safety (OHS) of its contractors on refurbishment or development projects, even more so this year given the nature of the health crisis caused by COVID-19. In 2020, the Company implemented a reporting system that gathered information on the workplace accidents recorded at their assets, which includes information on the type of accident, the days sick leave caused, and the corrective measures to be adopted.

#### COVID-19 and compliance. Adaptation of the System to the year's situation



MERLIN has adapted its Compliance System to the new health circumstances caused by the COVID-19 pandemic. To do so, the Company has taken into account its potential subsidiary liability concerning the medical safety of its employees, as well as all the users of its assets, whether related to the activity of their tenants or contractors.

As a result, MERLIN has analyzed the possible implications deriving from the risks that have been accentuated by the health crisis caused by the pandemic and evaluated the possible consequences for the Company, particularly in areas of occupational health and safety and personal data protection, and has subsequently implemented the corresponding controls and procedures.

## 5.4. Risk management

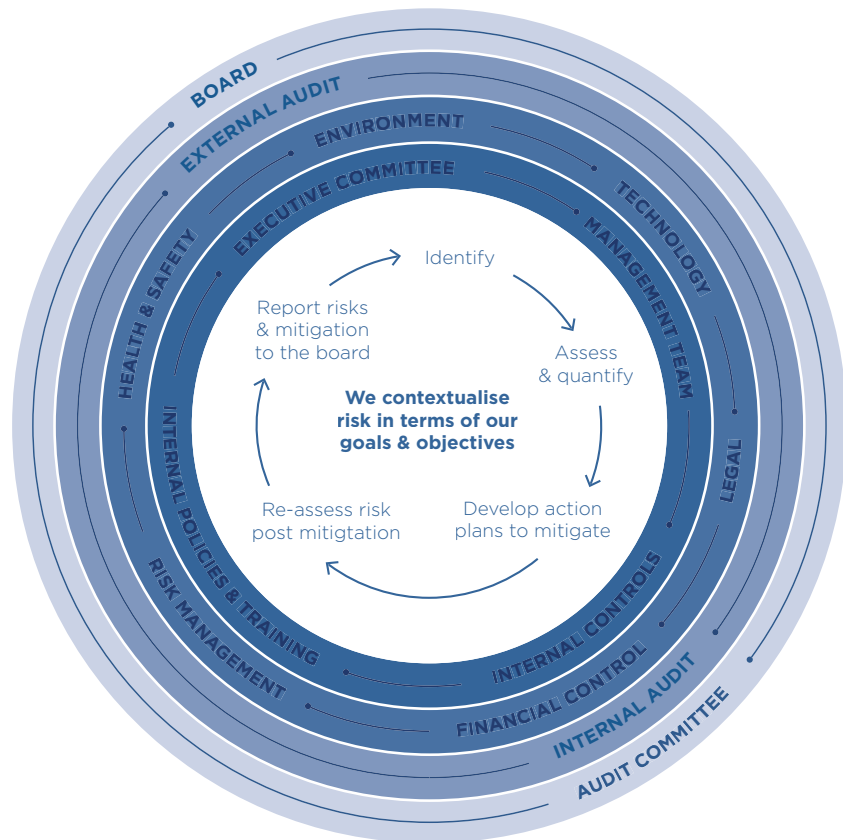
Using the Risk Management Policy as a basis and the Risk Management Model on which it is based, MERLIN identifies and controls the risks deriving from its activity and manages the risks to which the Company, as well as the subsidiaries in which it has a stake, are exposed. This Policy was approved by the Board of Directors in 2015 and is regularly reviewed, being last updated in 2019.

The MERLIN Group Risk Management System, based on the principles, key aspects and methodology established in the COSO ERM 2017 ("Committee of Sponsoring Organizations of the Treadway Commission"), aims to minimize the volatility of results and, therefore, maximize economic value of the Group. This includes both the risk and uncertainty in the decision-making process to provide reasonable safety in obtaining the established strategic objectives, thus providing the shareholders, other stakeholders and the market in general the level of adequate guarantees that ensure the protection of the value generated.



When controlling and managing risks, the Board of Directors has the assistance of the Audit and Control Committee which supervises and reports on the suitability and efficiency of the risk management and control system (including the internal controls) and verifies its suitability and integrity.

**MERLIN's risk management model.**



- 1<sup>st</sup> line of defence.
- 2<sup>nd</sup> line of defence
- 3<sup>rd</sup> line of defence

As part of its remit, this Committee is responsible for supervising the efficiency of the Company's internal control and the risk management systems. It assesses everything associated with non-financial risks, including operational, environmental, technological, legal, social, political and reputational risks.

One of the tasks of the Committee is to supervise the corporate risk management model. By using this model, it can identify the potential events that may affect the organization, manage the risks and provide reasonable security on obtaining objectives.

With the support of the Internal Audit executive team, the Committee carries out this supervision through the application of the risk management methodology, supervising the identification and evaluation of the risks that affect the objectives of each one of the areas. Through the implementation of the plan, it is able to evaluate and conclude on the sufficiency and effectiveness of the controls implemented by the Company and issue any recommendations.

As in previous years, in 2020 a review of the Risk Map was carried out. Most importantly, and bearing in mind the current situation, during the course of this review an analysis was made of the possible consequences of the evolution of the COVID-19 health crisis for each one of the risk components.

During 2020, MERLIN's Risk Map was amended to expressly include a new ESG (Environmental, Social and Governance) Risk category to replace the previous Stakeholders Risks category, to emphasize the importance of this type of risk regarding the management and supervision of the Company in relation to sustainability, social responsibility and governance in accordance with the highest standards of corporate governance.

As a result of this review, a total of 29 key risks have been identified, as detailed below:

- **Business Risks:** These affect the strategic objectives for long-term value creation and the generation of a sustainable and growing dividend. The Group's assets that generally count towards their achievement are usually grouped into the different business segments (office assets, shopping centers, logistics assets and other): asset occupancy level, rent fluctuation, rent concentration, decline in real estate values, political risk, etc.
- **Resources Risks:** These affect the strategic objectives for generating a sustainable and growing dividend as well as the values of transparency, ethics and responsibility. The Group's different internal and external resources (human, technological and financial) that count towards their achievement are mainly: dependence on personnel and remuneration, occupational health and safety, business continuity plan, cybersecurity breaches, technological innovation, the Company's credit rating, short-term debt volume, fulfillment of covenants, etc.
- **ESG Risks (Environmental, Social and Governance):** these affect the strategic objectives of sustainability, leadership and reference (being the benchmark REIT) and also the values of transparency, ethics and responsibility. The different actions and policies of the Group to guarantee the sustainability of its assets, as well as the actions aimed at its different stakeholders (customers, suppliers, society, investors and shareholders and supervisory bodies) count towards their achievement.

The risks have been evaluated within the framework of MERLIN's Risk Management System in terms of impact and probability. This required obtaining a residual risk indicator for the year in course, identifying KPIs and designating a person responsible for reporting, as well as responsible for implementing or developing the mitigation measures identified for each risk.

In 2020, MERLIN continued working on its Risk Management System, developing other specific actions within its framework:

- Updating the Risk Map in accordance with the new COSO-ERM 2017 methodology for presentation to the Board of Directors. During 2020 and due to the special circumstances caused by the COVID-19 pandemic, the Risk Map was updated on three occasions.
- Annual review of the Risk Management and Control Policy, analyzing its compliance, validity and the appropriateness of it being updated.
- During the period of the State of Alarm, both in Spain and in Portugal, the Audit and Control Committee monthly supervised the analysis of the risks derived from the health crisis, as well as the legislative changes and their potential impact on MERLIN.
- Analysis of the economic and real estate context and identification of the early risk indicators. (KRIs).
- Half-yearly monitoring of the main indicators (KPIs) considered to be key, as well as the different actions established for their mitigation.
- Analysis of Monte Carlo and sensitivity simulations of the different risk factors and the impact on the Group's financial statements.
- Regular monitoring of the business' main risks through the appearance of the heads of the business units (Logistics and LOOM) along with their explanation of the business trends and associated risks.
- Analysis of the risks that affect the Company in terms of technological risks and cybersecurity, while supervising the IT department's action plans in this area.
- Review of the tax risks, compliance with the tax policy and compliance with the REIT legislation.

Leading the continuous improvement of the Group's Risks System, over the next few years, it is expected to integrate other non-financial risks of particular relevance for the Company into this system, especially those associated with Climate Change. The purpose of this action is to provide a response to the new requirements concerning risk management and assessment demanded by investors, as well as other Stakeholders.

### **Oversight and internal control**

With regard to internal control, the Internal Audit Management oversees the alignment of MERLIN's activities with the Company's vision and values and provides support to the Audit and Control Committee in its supervisory and information tasks, functionally reporting to this Committee and, from an administrative point of view, the Group's Corporate General Management. The Internal Audit function, as the third line of defense, proactively ensures the proper functioning of the internal control, risk management and governance systems, systematically auditing the first and second line, and assessing the correct execution of their respective management and control responsibilities.

The Remit of the Internal Audit Management is established in MERLIN's Internal Audit Bylaws, approved by the Audit and Control Committee on 11 May 2016, and carries out its work following the International standards for the professional practice of internal auditing and in accordance with the Code of Ethics of the Global Institute of Internal Auditors.

The 2020 Annual Activity Plan approved by the Audit and Control Committee in 2019 prioritized the following activities: support the Audit and Control Committee in all of its responsibilities, ensuring the reliability of the economic and financial information, perform internal audits of all MERLIN's business divisions and review the internal control structures (anti-money laundering, ICFR, Crime Prevention Model and Risk Management).

In line with the above, a series of specific actions took place aimed at overseeing the execution of the control structures of the crime prevention model, personal data protection, anti-money laundering systems and the risk management and control system.

2020 has been troubled by the health crisis caused by COVID. Even with this backdrop, Internal Audit has been able to carry out all the planned activities, as well as additional tasks due to the internal management of COVID, in which Internal Audit played a vital role as facilitator, adviser and of assurance, over the Company's Management and for the governance bodies (adapting its annual plan, initiating its digitalization plan, auditing the areas of risk and analyzing new legislative developments).

In addition to the activities carried out by Internal Audit, in 2020, MERLIN began a digital transformation process of the function, through the mass analysis of data (data analytics). This digital transformation demonstrates the Company's commitment to continuous improvement and the adoption of new solutions that result in the efficiency of the function.

Furthermore, in 2020, all members of the Internal Audit are certified in the Internal Control standard COSO, and the majority of its members are CIA (Certified Internal Auditor), CRMA (Certified in Risk Management Assurance) CFE (Certified Fraud Examiner) certified.

### **COVID-19 and the Internal Audit function. Adaptation of the planning to the pandemic**



In light of the exceptional circumstances of 2020, the Internal Audit function adapted the planning of its tasks, with the approval of the Audit and Control Committee, performing specific monthly audits on the areas of greatest risk: CAPEX and OPEX. Occupational Health and Safety (OHS); payments, collections and discounts, and reporting them on a monthly basis to the Audit and Control Committee regarding the results of these works, during the most 'critical period' for business activity (the months March to June).

After this period, the function returned to the Annual Plan of Activities for 2020 as established, and completed 100% of the works planned by the year-end.

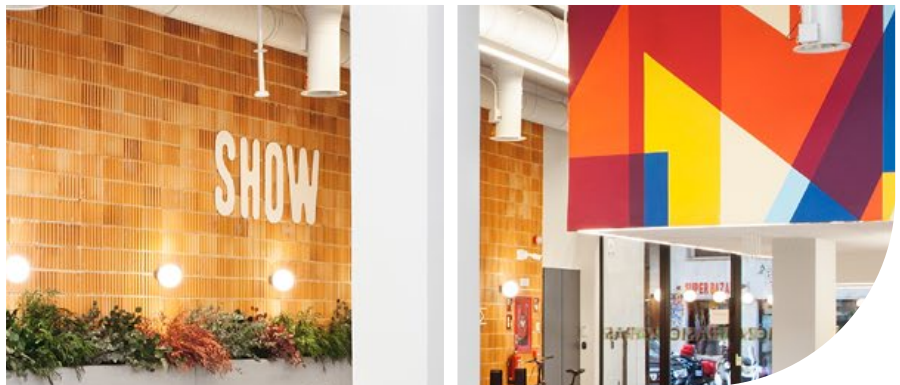
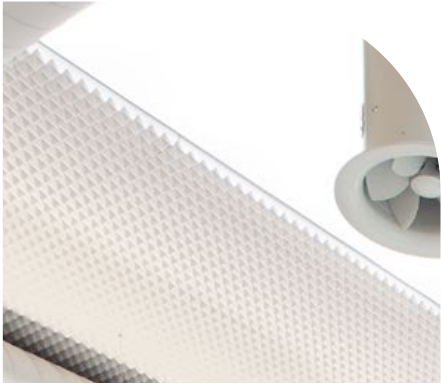




# 06

## Value creation for stakeholders

2020 has shown MERLIN's commitment to a relationship founded on trust, transparency and fluid with its stakeholders. The Company has once again placed reliance on cooperation and working together, thereby assuring an alignment with their expectations and responding to their concerns and needs



MERLIN identifies its main stakeholders as the investors, employees, tenants and end customers and the communities in the surrounding areas of its assets. It also considers regulatory bodies, public administrations, analysts, suppliers and the media among its stakeholders, with which it has an occasional or regular relationship.

In order to ensure a constant and fluent relationship with these stakeholders, MERLIN has defined communication channels of a varying nature, based on the relevance of each one of these stakeholders for the Company.

### Stakeholders and main areas of interest in the Company

Main stakeholders	Relevant aspects in the Company	Communication channels										
		Face-to-face meetings	Conferences, workshops, events and roadshows	Corporate website	Periodic reports and corporate presentations	Satisfaction surveys	Intranet platform	Web apps (apps)	Webpages of MERLIN initiatives	Telephone and email contact	Communication agency	Ethics channel
Investors	<ul style="list-style-type: none"> <li>Long-term dividend.</li> <li>Share value.</li> </ul>	●	●	●	●					●		●
Analysts	<ul style="list-style-type: none"> <li>Relevant information.</li> <li>Company's operations.</li> <li>Share price performance.</li> </ul>	●	●	●	●					●		●
Employees	<ul style="list-style-type: none"> <li>Labor uncertainty and stability.</li> <li>Working conditions.</li> <li>Working hours.</li> <li>Adaptation of working conditions due to COVID-19. (*)</li> </ul>	●	●	●	●					●		●
Tenants and end customers	<ul style="list-style-type: none"> <li>Personalized service.</li> <li>Portfolio flexibility.</li> <li>Services offered at assets.</li> <li>Action plans and measures to combat COVID-19. (*)</li> </ul>	●	●	●		●	●	●	●	●		●
Suppliers	<ul style="list-style-type: none"> <li>Maintenance, development and remodeling of the Company's assets.</li> </ul>	●								●		●
Local communities	<ul style="list-style-type: none"> <li>Economic and social impacts of assets on local communities.</li> </ul>	●	●	●				●	●			●
Regulatory bodies	<ul style="list-style-type: none"> <li>Relevant events of the Company.</li> <li>Compliance with legislation and periodic reporting requirements.</li> </ul>				●				●			●
Public Administration	<ul style="list-style-type: none"> <li>Compliance with legislation governing the Company's assets (permits, licenses...).</li> <li>Public/private collaboration.</li> </ul>	●							●			●
Media	<ul style="list-style-type: none"> <li>Relevant operations and events.</li> </ul>	●	●	●	●				●	●		●

#### Relevant aspects:

(\*) Aspect associated with the pandemic situation of the financial year and dealt with through channels designed for this purpose.

#### Communication channels:

- Channel with activity during the year.
- Channel with activity during the year, adapted to the pandemic.
- Channel suspended due to the pandemic.

## 6.1. Investors

2020 Milestones	Future objectives
Increase in investment capital of Spanish origin.	Improve the credit rating.
Maintenance of the credit rating during the financial year.	Increase the number of minority investors among the shareholders.
Issuance of a seven-year € 500 million bond.	Launch of the Sustainability Plan.
Live streaming of the Annual General Meeting.	
Obtain the EPRA Gold Award for reporting on the Company's sustainability.	
First position in three categories of the Institutional Investors awards, including best Investor Relations team.	
Consolidation of the GRESB Index, scoring 78 points.	
B rating in the CDP index.	

Main indicators for of the year		
	2020	CHANGE 2019-2020
Share price (€)	7.78	-39.2%
Distributions to shareholders (€M)	68.5	-70.5%
Number of analysts covering the Company	23	-11.3%
Average daily volume traded (€ M)	26.2	+13.4%



### MERLIN's distinguishing features in its relationship with investors

MERLIN maintains a dividend policy that guarantees continuous remuneration to its shareholders, reflecting the Company's expectation to generate recurring profits. The Company does not intend to create reserves that cannot be distributed to its Shareholders, unless required by law.

Aspects such as transparency, efficiency and predictability in the performance of the Company are aspects that set MERLIN apart for its investors.

€ 68,5 M

distributed to  
shareholders  
in 2020

#### Sustainable remuneration

The year 2020 has had an effect on the distribution to shareholders. Compared to the initially forecast distribution of € 149.5 million, it was decided not to distribute € 81 million as a preventive measure to preserve capital.

21 new reports,  
presentations and  
"audiocasts" corresponding  
to the year 2020 are  
available on the  
corporate website

#### Transparency

MERLIN publishes extensive financial information and it is updated on a quarterly basis, providing a regular response to the interests of shareholders and investors.

€ 262 M of FFO  
("Funds from Operations")

#### Efficiency

As a result of the optimal management of its assets, MERLIN has reached solid levels of cash generation, which is particularly significant given the context of the financial year.

39.9%  
leverage ratio

#### Solvency

Throughout the year, MERLIN has demonstrated a high degree of solvency, even in an adverse environment, maintaining its loan to value at 39.9%.



## Company's Results

In 2020, MERLIN obtained favorable results within the current complicated scenario, which demonstrates the resistance and solvency of the Company's project. Of particular note in this regard is the performance of the value of assets in NAV terms per share<sup>(1)</sup> (up 0.5% compared to 2019), as well as the like for like<sup>(2)</sup> gross rental income (0.4% higher than 2019), despite the difficult period.

With respect to the cash flow generated during the year, the FFO per share was € 0.56. This ratio is 16.2% lower than in 2019, mainly as a result of the incentives granted to the retail tenants, as well as the sale of non-core assets. In any event, the FFO value per share has exceeded the updated indication communicated to the market (of € 0.53 per share) by € 0.03 after the outbreak of the pandemic.

As a result of the capital protection measures adopted during the year, the Company has maintained a debt level of 39.9%<sup>(3)</sup>, barely registering a change compared to the end of the previous year. This level is deemed moderate, even in the current context, given the significant weight of the Net Leases portfolio, which offers a stable cash flow until 2040.

In addition to the above, the debt initiatives carried out during the year are the issuance of a 7-year bond of 500 million euros for the partial repurchase of the bonds maturing in 2022 and 2023 in the amount of € 258.9 million, and the repayment of two mortgage loans of € 174.9 million. This has allowed to reduce the amount of maturities in 2022 and 2023 while increasing the average maturity of the debt and maintaining the average cost of the debt.

Another significant aspect given the current situation is the reinforcement of the Company's liquidity. Including cash, treasury shares, deferred payments and lines of credit or drawdowns, the company has access to € 1,253 million.

	2020	Change 2020 vs. 2019
Gross rental income <sup>(4)</sup>	503.4	-4.3%
EBITDA <sup>(5)</sup>	365.4	-14.1%
Cash flow from operating activities (CFO)	262.4	-16.2%
Debt (LTV)	39.9%	+0.5 percentage points
Net Asset Value (NAV)	7,364	+0.5%

<sup>(1)</sup> Calculation in terms of NAV: Net Asset Value, obtained according to EPRA indications.

<sup>(2)</sup> Like for like Gross Rental Income calculated before taking into account the incentives of the corporate policy.

<sup>(3)</sup> Calculation in terms of LTV: Loan-to-Value. Includes transfer costs.

<sup>(4)</sup> Gross Rental Income calculated before taking into account incentives of the corporate policy.

<sup>(5)</sup> Excluding non-recurring items (€ 6.2 million) plus the accrued LTIP (€ 18.2m).

### Share price and shareholder dividend

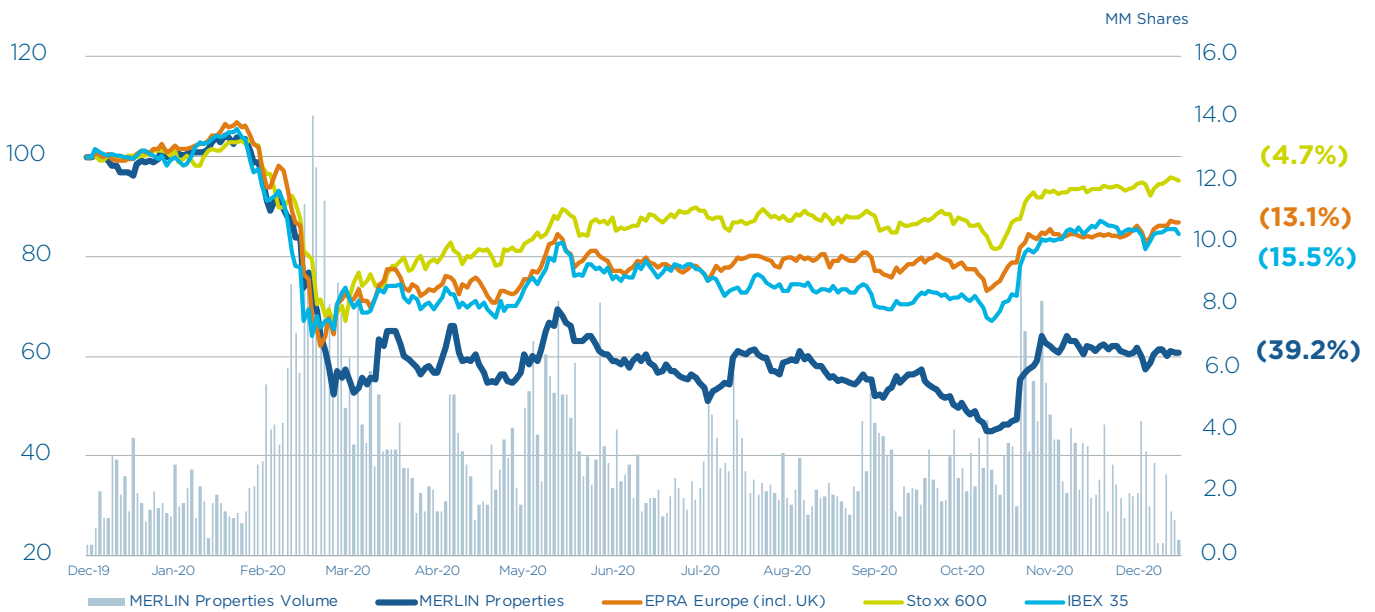
On December 31, 2020, the MERLIN share price stood at €7.78, a fall of 39% compared to the closing price as at December 31 of the previous year. The daily trading volume during period was € 26.2 million, reflecting the liquidity of the share during the year.

However, target share price according to the 23 equity research houses that actively follow MERLIN is an average of € 10.07 per share.

Subsequently, in general terms the equity research houses expect MERLIN to perform positively on the stock exchange, recommending the purchase of the Company’s shares in the majority of their analyses, including during the “post-COVID” period.

### Performance of the MERLIN share price during 2020 and of the benchmark indexes. MERLIN share price performance vs reference indexes.

From 31<sup>st</sup> December 2019 to 31<sup>st</sup> December 2020, Rebased to 100



Source: Bloomberg

With regard to shareholder remuneration and “return” during 2020, the Company distributed a final dividend of € 0.147 per share charged against the profits of 2019 to its shareholders, which, in addition to the dividend on account distributed in October 2019, results in a total distribution of € 0.347, corresponding to 2019 fiscal year.

Taking into account the present exceptional circumstances, and to guarantee the conservation and generation of value for its shareholders both during this year and future years, the Company has modified its dividend policy, adjusting its distribution in 2020. As a result, the Company has suspended the share premium distribution of € 0.174 per share charged against 2019 profits.

### Communication with investors and equity research houses

MERLIN tries to maintain the highest possible interaction with investors and equity research houses, with the hope that this interaction over time will form a trusting relationship based on proactivity and maximum transparency in its communications. The Company maintains a fluid communication with the media which discloses information about its activities.

With this in mind, MERLIN has designed a series of specific relationship channels that are managed by the Investor Relations Department and are detailed on the table below.

Due to the current situation, in 2020, the use of some of these channels has been amended or restricted, which does not mean that once normality returns, MERLIN will no longer continue to make use of them in its relationship with investors, equity research houses and the media.

## Relationship channels with Investors, Equity Research Houses and the Media

<p><b>Direct contact with the Department</b></p>	<p>MERLIN establishes a direct and personalized communication via telephone and email with the heads of the <b>Investor Relations</b> Department.</p> <p>In this manner, the Company may immediately respond to the queries by investors and equity research houses covering the Company.</p>
<p><b>Corporate reports and presentations</b></p>	<p>MERLIN publishes regular documentation about its activities and performance in order to keep its equity research houses and investors up to date, and in general any other stakeholders that require information about its activities.</p> <p>MERLIN complements the publication of the reports concerning the quarterly, half-yearly and annual results with presentations of a more executive and strategic nature, in which the Company presents the main milestones for the period and its future objectives. MERLIN also publishes a series of audiocasts in which the Chief Executive Officer of the Company, Mr Ismael Clemente, covers the most significant aspects of the period subject of the presentation of the results (quarterly, half-yearly and annual).</p> <p>The entirety of this documentation is aimed at ensuring that the equity research houses and investors have sufficient data and arguments for their valuations and investment decisions.</p> <p>In the non-financial area, MERLIN publishes its annual CSR report. It's worth mentioning that this Report, which is voluntary, has obtained the <b>EPRA sBPR Gold Award</b> for the third year running. The Gold classification represents the maximum level of recognition given by this association for the publication of information on sustainability.</p>

## Relationship channels with Investors, Equity Research Houses and the Media

<b>Annual General Meeting (AGM)</b>	<p>In 2020, MERLIN held its Annual General Meeting (AGM), in remote format, via streaming on its website.</p> <p>The possibility of remote voting, already implemented in previous years, was extended to all shareholders, thus guaranteeing the full exercise of this right. The recording of the AGM and the presentation are available on the corporate website.</p>
<b>Participation in sustainability indexes</b>	<p>MERLIN participated in the <b>GRESB</b> index for the third year running. Through the questionnaire, this entity evaluates the performance data in relation to ESG (environmental, social and governance) of companies in the real estate sector.</p> <p>The version for 2020 was particularly challenging due to the greater focus of the questionnaire on environmental performance of the assets in MERLIN's portfolio. MERLIN consolidated its position in the index by obtaining a score of 78 out of 100, 8 points higher than the average of the companies that answered the questionnaire and 7 points higher than its peers.</p> <p>Also in 2020, MERLIN participated for the first time in the <b>CDP</b> (Climate Disclosure Project), highlighting its commitment to the fight against climate change, and obtained a "B" rating.</p>
<b>Conferences and industry events</b>	<p>MERLIN has continued to participate in the most important conferences and events of the sector, both national and international. The vast majority of these events have been held online, due to the current health situation.</p> <p>In 2020, MERLIN participated in a total of 29 industry conferences and events, the majority of which were online, such as the first <b>vConference Rethink</b>, organized by <b>EPRA</b>, in which Ismael Clemente took part. These conferences were attended by 521 investors from 445 companies.</p> <p>Furthermore, at the beginning of 2020, MERLIN participated in round tables discussing environmental, social and governance (ESG) issues, such as the "Good Governance Forum" organized by CEOE, and the Iberian REIT Conference organized by EPRA, where the company had the opportunity to explain and highlight its ESG strategy, and the actions it implemented to achieve its objectives.</p>
<b>Visits to Company assets</b>	<p>MERLIN arranges visits of its assets so that investors and equity research houses can get to know firsthand the key aspects such as the location, occupancy and maintenance of the real estate assets.</p> <p>In 2020, due to the health situation, no visits of this type were arranged. However, the channel continues to be very relevant for the Company so that current and potential investors may learn about its portfolio.</p>
<b>Capital Markets Day</b>	<p>Capital Markets Days are an opportunity for MERLIN to provide its investors with a general overview of its position within the sector, its strategy, value creation through its assets, as well as the most significant financial and operating metrics, and also allow the investors to better know the executive team.</p>
<b>Roadshows</b>	<p>Roadshows provide the Company with the opportunity to present its value proposition and its strategy for the future in different European cities, as well as cities in other continents.</p>

In addition to these communication channels, MERLIN maintains an ongoing interaction with different Spanish media outlets, mainly those of an economic nature or those specializing in the sector, and regularly participates in round tables with expert panels. Through its relationship with the media, MERLIN lays out its vision in matters such as the future of the sector or the new market trends.



## 6.2. Staff

### 2020 Milestones

Adaptation of workspaces to current health conditions.

Rollout of a Coronavirus protocol, with regular testing for COVID-19.

Changing the human resources management information system, unifying employee data in one system.

Launch of the Employee Portal and a Portal app in order to improve employee communication.

Extension of foreign language learning to include all employees.

First informative talk to employees on health insurance.

### Future challenges

Improving the fringe benefits available to employees.

Upgrading the Employee Portal to enhance levels of employee communication and interaction and include an offer and discount programme.

Encouraging employee CSR engagement.

### Main indicators for the year

	DATA 2020 <sup>(1)</sup>	2019-2020 TREND
Number of employees	220	+0.9%
% women employees	44.5%	=
% Employees on indefinite contracts	99.1%	-0.5 percentage points

<sup>(1)</sup> Data at 31 December 2020.



### MERLIN's distinctive aspects in relation to its employees

MERLIN has a team of highly skilled professionals with proven experience in the industry and a growing commitment to the integration of new profiles that bring distinctive insight and added value to the Company's human capital. Thanks to this, the Company is increasingly ready to anticipate trends, face challenges going forward and achieve the highest levels of excellence.

With a highly productive workforce, professionals are solidly committed to the Company's project and are aligned to deliver on its objectives. Similarly, MERLIN is committed to maximising employee development, providing training and other tools that ensure professional are equipped with the necessary independence to make decisions.

27.8

Average years of management team experience

#### Excellence

MERLIN is made up of a team of top-class professionals who are highly-skilled and experienced professionals and deliver distinctive insight. This applies particularly to the management team.

65.0

M€ GAV/employee<sup>(1)</sup>

#### Productivity

MERLIN has established itself as the REIT with the highest GAV ratio per employee in all Europe, which is, moreover, 2.5 times the European average, consistent with its philosophy of growth and efficiency.

3.6%

Voluntary employee turnover

#### Talent retention

MERLIN is committed to the long-term development of its professionals in the Company, making sure that all its employees feel fully identified with its philosophy and goals

35.3%

of employees have opted to receive Company shares as compensation in kind

#### Commitment

MERLIN's professionals are solidly committed to its business project, as is borne out, for example, by the high percentage of employees who have opted to receive a part of their compensation in the form of Company shares.

93.6%

of employees have received training

#### Independence

MERLIN's professionals are noted for their proactivity and responsibility and are equipped with the necessary skillsets and independence to make decisions.

<sup>(1)</sup> Not including LOOM employees.

### A strong and outstanding team

MERLIN Properties' team is made up of a total of 220 employees, broadly divided into two categories, in view of MERLIN's horizontal structure strategy.

- **Management Team.** The management team comprises 11 employees (one woman and 10 men, 5% of the total) under the executive management of the CEO. They have considerable experience in the real estate industry and deep knowledge of the market and are focused on maximising operational efficiency and asset return.
- **Other professionals.** 209 employees (97 women and 112 men). They are made up of a team of professionals who are highly experienced and qualified in the industry and are solidly committed to the Company's project.

### Workforce composition<sup>(1)</sup>

		2020		2019		2018	
		Men	Women	Men	Women	Men	Women
Management Team	<30 years	-	-	-	-	-	-
	30-50 years	3	1	4	1	7	1
	>50 years	7	-	7	-	4	-
Other professionals	<30 years	9	11	11	12	4	4
	30-50 years	69	66	71	64	67	54
	>50 years	34	20	28	20	21	14
<b>TOTAL</b>		<b>220</b>		<b>218</b>		<b>176</b>	

### Current profile of MERLIN Properties' employees<sup>(2)</sup>



- I represent **45%** of the workforce.
- I represent **36%** of recruitments in 2020.
- I am between **30 and 50 years old** (68% of women).
- I have an **indefinite** contract (99%).
- I received 21.1 hours of **training**<sup>(3)</sup> in 2020.
- I work in **Spain** (98% of women).



- I represent **55%** of the workforce.
- I represent **64%** of recruitments in 2020.
- I am between **30 and 50 years old** (59% of women).
- I have an **indefinite** contract (99%).
- I received 17.9 hours of **training**<sup>(3)</sup> in 2020.
- I work in **Spain** (96% of women).

<sup>(1)</sup> Data at 31 December 2020.

<sup>(2)</sup> Data at 31 December 2020, except for average training hours per employee.

<sup>(3)</sup> Average training hours have been calculated taking into account the employee average during 2020. The figure for average training hours in 2020 in total terms (including men and women) stood at 19.3 hours.



### **Diversity and equal opportunities**

As reflected in the Company's Code of Conduct, MERLIN promotes equal opportunity among all its employees, as regards access to employment, training, promotion and working conditions.

This is borne out by the number of women on the payroll. Women make up 45% of all professionals at the end of the year and are present in all professional categories.

MERLIN commits to workforce diversity and continues to strongly advocate the integration of people with different abilities. The Company currently has a total of 5 employees who belong to this group, which represents more than 2% of the workforce as required under current legislation.

All these professionals have indefinite part-time contracts and carry out work which is needed and valued by the Company. They have been part of MERLIN's workforce practically since the outset, reflecting the value they continue to bring and the team's need for their work.

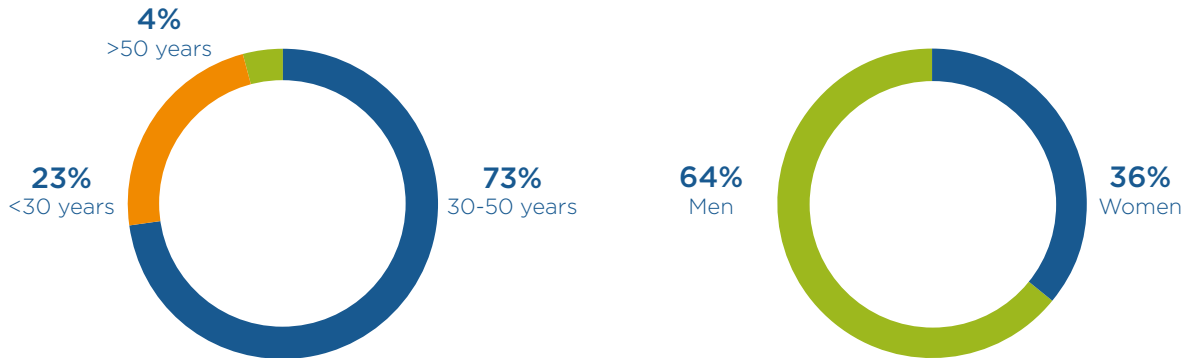
### **Professionals joining the Company**

MERLIN regards its employees as critical to ensuring the success of its business project. Hence, the Company tries to hire the best professionals, who are able to bring added value and increasingly, distinctive insight, propelling it to the forefront of industry trends.

The Company selects new professionals by looking at their knowledge, experience and skills and their alignment with the Company's values and goals.

During 2020, MERLIN hired a total of 22 new employees, representing a new hire rate of 10.0%. Although most of these new employees have industry-leading experience, MERLIN has continued to commit to taking on young talent and hired three indefinite employees aged below 30, two of whom were recent graduates.

### Profile of MERLIN's recruitments in 2020



### Talent retention mechanisms

MERLIN commits to the long-term development of its professionals, ensuring that all its employees can fully identify with its philosophy and objectives. Hence, MERLIN undertakes a series of actions aimed at motivating and rewarding its professionals for their engagement and commitment to its business project. The actions may be grouped into three main areas:

#### 1. Performance-based remuneration

Compensation is a key tool to attract and retain the best talent and so MERLIN bases compensation on employees' performance at work, constantly monitoring each employee's progress.

MERLIN offers supplemental life and accident insurance as well as health insurance for the employee's household. MERLIN also offers employees flexible compensation schemes, which include training, nursery vouchers, travel passes and meal vouchers, and allow employees to benefit from tax relief.

Within this framework, like in 2019, employees were able to buy shares in the Company. This year, 77 employees chose this flexible benefit option, bearing out the commitment of the workforce to MERLIN's business project.

In 2020 all indefinite employees received their variable-pay bonus which accrued in 2019 thanks to their good performance that year. Regarding the Long-Term Incentive Plan (LTIP), it was cancelled in 2020, pending its future definition in 2021.





## 2. Continuing professional development

MERLIN regards the proactiveness of its professionals as key to powering their advancement. The Company's horizontal structure and its workforce dynamism coupled with its different profiles allow professionals to define the pace and direction of their development based on their capabilities and aspirations. All professionals have the opportunity to participate in transversal projects and take on new responsibilities during their time at the Company. Cross-departmental transfers are encouraged and a total of six employees moved to a different post and department within the Group in 2020.

In 2020 MERLIN continued to advocate training as crucial to employees' professional development. Although the current circumstances have made face-to-face training difficult, training hours in 2020 increased markedly compared with 2019 (4,288 hours in 2020 and 2,950 hours in 2019).

Generally speaking and as in previous years, activities continued to focus on three main action areas: language, in-house and personalised learning.

- Language training: MERLIN extended its language learning offering to all employees and also included the option of doing courses in Portuguese, given its growing relevance to the Group's workforce. In 2020, 99 employees received training in this area.
- In-house training: MERLIN continued to offer this type of courses in 2020, which are taught by MERLIN's own employees, supported by external experts where necessary. As an example, noteworthy is the training received by employees in SAP, Business Intelligence tools (PowerBi) and user experience for LOOM spaces.
- Personalised learning: During 2020 MERLIN also offered employees the opportunity to receive external training and personalised learning courses based on their professional needs in a given area.

Additionally, in light of the circumstances, in 2020 the training programme included a 3 hour on-line course on COVID-19, which has been completed by 172 employees.

Similarly, as in previous years, all new joiners received training in Occupational Risk Prevention.



**4,288 h** of training in 2020

### 3. A direct relationship with the employees

Thanks to the Company's horizontal organisational structure, there is a direct relationship between employees and specifically, between those having different levels of responsibility. Nonetheless, the Company's growth in the past few years has also made it necessary to initiate certain activities and communication processes such as the following:

- In 2020 the fifth Asset Management meeting took place in Madrid, attended by 85 employees, including members of the management team and Asset Managers with different portfolios and from corporate departments. These meetings aim to build a common culture among the different teams and gain first-hand knowledge of the assets and the activities performed at those assets and analyse possible portfolio synergies. The health situation in 2020 meant that the annual meeting, which is attended by all employees, could not be held although MERLIN expects to go back to holding it in 2021, if circumstances allow.
- In 2020 the Employee Portal was launched and currently contains information on each employee (personal data, training, knowledge and skillsets, photographs etc), which is particularly important in the case of employees working at locations other than corporate headquarters. The portal also enables different formalities such as payroll management or holiday requests to be unified in one system. MERLIN expects to continue working on it in the next few years, developing a powerful and efficient employee management tool.
- Similarly, in 2020 MERLIN continued to strengthen its usual communication channels with its staff. The employees receive communications by email on a regular basis, including daily press summaries, and are subscribed to an online newspaper. These initiatives allow its professionals to regularly keep up to date with the most relevant news stories affecting the Company and the industry. Additionally, as a new initiative this year, a talk was given by the insurance company, explaining the advantages of the health insurance available to employees. As part of this initiative, employees also receive an email on healthy living at least once a month.

MERLIN has also rolled out other initiatives that strengthen its relationship with employees. As an example, MERLIN continued to offer temporary employment opportunities to employees' sons and daughters who are of legal age, allowing them to work at the Group's assets.

## COVID-19 and employees. Adapting working conditions to the current situation



Because of the pandemic, the Company has started up a number of extraordinary actions to ensure its employees safety.

### 1. Organization of the work during the “State of Emergency”

The health situation triggered by the start of the pandemic in Spain led to the roll-out of remote working for all MERLIN employees during the first period of the State of Emergency (March to June 2020).

In light of these circumstances and in order to ensure that all employees were able to work from home, MERLIN distributed more than 100 new laptops to its employees. It is also worth noting that employees received surface laptops, which are lighter than a standard laptop and are therefore easier to carry.

Following employees’ return to the office and given the exceptional situation, MERLIN increased flexibility in terms of working hours and offered their employees the option to work from home if family circumstances so require.

### 2. Adapting workstations to the new situation

Within the context of the “new normal”, MERLIN has implemented the necessary measures to ensure that its professionals work in a safe workstation setup.

As an example, it has installed partitions to separate workstations, intensified office cleaning and purchased products such as hydroalcoholic gels and face masks which have been made available to those employees who need them.

### 3. COVID-19 detection testing of all employees

Since returning to the workplace, MERLIN has offered its employees the possibility of being regularly tested for COVID-19 (PCR, antigen and serological tests) free of charge. Tests are performed on a weekly basis at the Madrid headquarters and monthly at other locations, depending on the concentration of employees at each site.

Employees’ direct family members can also arrange to have a PCR test at the same price as that agreed by the Company.

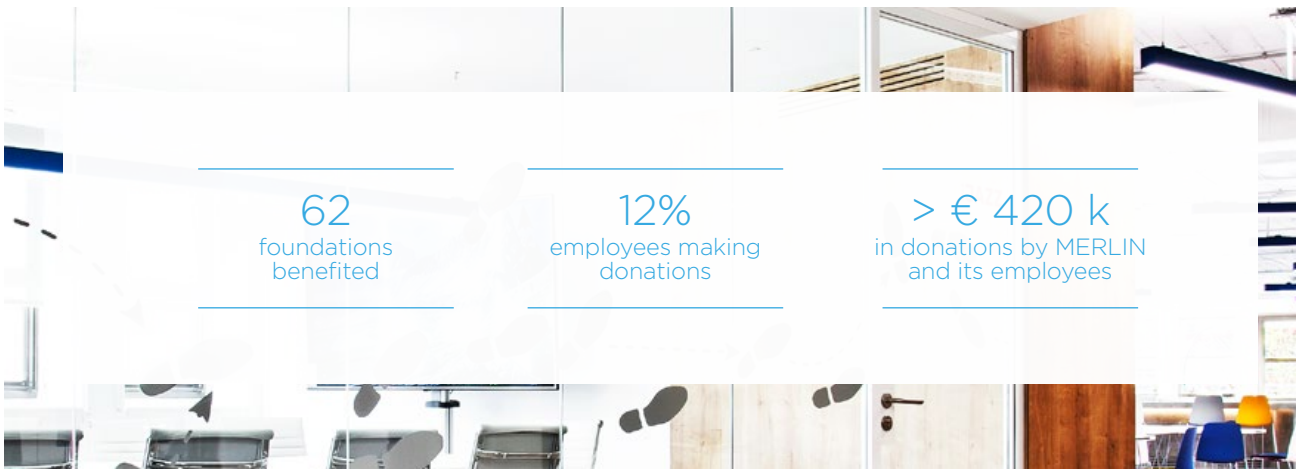
## Company’s engagement with the community

MERLIN’s professionals value being part of an organisation that is committed to its social environment. This is evidenced by the programmes rolled out by the Company to power the development of the communities in which it is present and in which its employees actively engage.

### Continuation of the CSR Plan

As part of its CSR Plan, MERLIN contributes 0.1% of gross income for the year to social programs or projects. The Company's CSR Plan allows two types of contributions. In the first place, the Company becomes involved with foundations through direct contributions. In second place, the Company also engages by doubling the contributions to social projects or programmes made by employees, executives or directors, which may be financial or in the form of volunteering.

Considering both types of contributions, the Company has donated a total of 248,000 euros in direct contributions and 176,000 euros in collaboration with 26 employees and 3 of its Directors. These contributions together have supported 62 foundations.



### Voluntary training by MERLIN Professionals

Despite the COVID-19 situation, and for the fourth year running, a total of 16 employees taught courses on the University degree "Planning Intensification and Property Management" at the School of Quantity Surveying at the Universidad Politecnica de Madrid. In addition, a talk was given by the CEO of the Company, Ismael Clemente. In total, MERLIN professionals dedicated about 92 hours.

MERLIN has donated the course fees received to the two best students on the degree course in the form of college grants, with a total amount of € 3,000.

92  
hours



### COVID-19 and employee engagement with the community

In addition to the above initiatives, noteworthy is the financial contribution made by MERLIN's employees to buy robots to be deployed for mass COVID-19 testing.

Apart from the contributions made by the Company, MERLIN's employees contributed a total of € 334,000 in this respect.

### 6.3. Tenants and end customers

2020 Milestones	Future challenges
Implementation of the commercial policy aimed at retail tenants.	Increase services at MERLIN Hub Madrid Norte.
AENOR COVID-19 certification at 52 office assets and 13 shopping center assets.	Commencement of partnership with Too Good to Go at shopping centers, with the participation of tenants.
Opening of MERLIN Hub Madrid Norte and launch of MERLIN Hub app.	Development of MERLIN Events.
Expansion of range of LOOM Services.	
Improvements to intranet for shopping center tenants.	
AIS certification obtained at 54 shopping center and offices assets.	

Main indicators for of the year		
	2020	CHANGE 2019-2020
Multi-tenant office satisfaction <sup>(1)</sup>	2.91 out of 4	-0.06 points
Asset occupancy	94.2%	-0.6 percentage points
Assets with accessibility certification	54	+25 assets

<sup>(1)</sup> Calculated in terms of the Average Quality Index (AQI) obtained from the questionnaires in multi-tenant offices.



### MERLIN's distinguishing features in its relationship with tenants

MERLIN's relationship with its tenants is based on ensuring their maximum level of satisfaction. To do this, it works alongside them to adopt solutions that respond to specific needs, while establishing constant communication channels. Furthermore, the Company also considers the accessibility of its assets as another essential aspect of its value proposition.

All these aspects reinforce MERLIN's position as a leading diversified REIT among its tenants, as well as among the users of its assets.

2.91/4  
Overall score in  
multi-tenant office  
satisfaction surveys

#### Working together

MERLIN is committed to the active involvement of the occupants of its assets to optimize their performance and make use of their services and functionalities, thus seeking the maximum satisfaction of its tenants.

100%  
of assets have  
relationship channels  
with tenants

#### Constant communication

MERLIN gathers essential information through the different relationship channels with tenants and users to identify their needs, resolve any incidents and evaluate their experience at its assets.

90%  
of logistics assets  
adapted to e-commerce

#### Innovative solutions at its assets

MERLIN offers its tenants and users innovative solutions and adopts the latest trends at its assets, such as FlexSpace at offices, pop-up stores in retail and last mile solutions in logistics.

54 activos  
AIS certified assets  
(shopping centers and  
offices) and 4 with the  
highest rating

#### Commitment to accessibility

MERLIN backs up its commitment to ensuring maximum accessibility of its assets by obtaining the AIS certifications.

## Understanding the needs and expectations of tenants and end customers

The success of MERLIN's business is due to offering the highest quality experience at its spaces to the tenants and end customers. With this in mind, MERLIN has established different channels of communication aimed at maintaining a more fluid relationship with them, to understand their opinion regarding the management of the assets and to identify their needs and expectations.

To do this, MERLIN sends satisfaction surveys to the tenants in its multi-tenant offices. In these surveys, tenants evaluate specific aspects such as the condition of the common areas, information and assistance in the event of possible incidents, how bills are collected and managed, or how well they are attended by personnel, as well as other more general aspects such as the overall satisfaction with the service. In 2020, these surveys were sent out to 370 tenants<sup>(1)</sup>. Considering all the questions posed, the overall quality index (OQI) is 2.91 out of 4. Furthermore, a total of 18 complaints and 44 observations have been recorded through this survey, all of which have been answered.

With regard to the shopping center portfolio, MERLIN has continued with the relationship programs already implemented over recent years to improve its relationship with tenants and visitors. Firstly, there is **We are MERLIN**, through which tenants receive advice to improve their position both in their own shopping centers and in the online world, thus helping them to become better known among their customers. Secondly, there is the **Excellentia 1.0** project, through which MERLIN carries out an analysis of the visitor's interaction with the shopping center in order to identify areas to improve their experience.

Over the next few years, MERLIN foresees launching new programs that improve the relationship with the tenants and users of its shopping centers. Along this line, a big data project will be set into motion, through which tenants will be able to better understand the key parameters of their customers, greatly aiding them in directing their commercial proposition. With regard to interaction with the end customer, the Company will continue working on improving the features and functionalities of the apps of its shopping centers, already operational in eight of the assets in this portfolio.

Turning to the logistics assets portfolio, MERLIN has implemented a Facility Management service that is integrated throughout all its logistics assets, in order to ensure the highest possible standards of service and quality established by the Company.

This service allows a monitoring and assessment service to be provided to the tenants with regard to asset maintenance, legal or technical aspects, addressing preventive or corrective issues. Furthermore, as a result of this initiative a collaboration framework will be set up with tenants through an SLA (Service Level Agreement), which, by way of example, will allow response times to be adjusted to the importance of the incident reported by the tenant. For the purposes of bidirectional communication, tenants may share information in real time through the collaborative IT platform.

<sup>(1)</sup> The figure also includes the tenants of the multi-tenant asset, Madrid - Coslada Complex.

## Shopping center intranet.

### A drive to increase interaction with the tenant.

In 2020, MERLIN implemented a new version of its intranet for tenant relations at 14 shopping centers. The functionalities of this new intranet allow tenants to centralize their processes in a single online channel, optimizing the resources dedicated to the execution of these processes in an efficient, interactive and paper free manner.

Moreover, the Intranet allows the tenant to maintain the direct, fluid and two-way communication with the shopping center's asset management team, allowing them to configure and monitor their conversations and requests, attach and share documentation, or create broadcast groups.

The tool also includes a documentation repository with all the relevant information on the asset, a section dedicated to creating promotions for publication on the shopping center app and website, as well as a section on promotions exclusively for the employees of the operators who work at MERLIN shopping centers.

MERLIN hopes that this new relationship channel will promote the loyalty of its tenants, by addressing their needs and demands and contribute to creating maximum value in the performance of their activities.



### COVID 19 and tenants: MERLIN side-by-side with the tenants most affected by the health crisis

The pandemic has particularly affected the tenants of shopping centers (especially those that carry on activities of a “non-essential” nature), as well as some tenants of offices dedicated to commercial activities. It is for this reason that the Company has designed a series of specific actions to provide support.

#### 1. Corporate policy for tenant rent relief

With the aim of preserving the value creation in the short, medium and long-term with its retail tenants, during 2020, MERLIN implemented a corporate policy structured into two phases, in line with the type of restrictions established since the start of the pandemic.

- Phase I: aimed at those tenants affected by the forced closure established in the regulations of the State of Alarm. This phase, which extended from March 15 until the reopening of all the establishments that carry on non-essential activities, the rent relief was 100%, and the tenants continued to pay property expenses.



- Phase II: aimed at those tenants affected by some form of suspension from opening or, in general, a significant restriction on operations. During this phase, which extended from the reopening of non-essential activities of the centers until the end of the year, the rent relief was partial, progressing from 60% in July to 10% in December. The tenants extended their contracts until 2022, and continued paying property expenses.

In terms of gross rental income, more than 85% of the eligible universe adhered to the Phase I measures and more than 90% of the eligible universe did so during Phase II. As a result, the proportion of bills accrued that have been collected or are linked to the corporate policy with regard to the total is 97.6% for shopping centers and 99.8% for offices.

Similarly, MERLIN has presented its third phase of the plan which will cover the first half of 2021. It establishes an average rent relief of 25%, as well as full relief applicable to the periods of forced closure that may arise during this period of the year.

## 2. Solutions to ensure activity continuity

In addition to the corporate policy implemented during the year, MERLIN has always concerned itself with the continuity of its tenant's activities.

In this panorama, the MERLIN shopping centers remained open during the State of Alarm, thus guaranteeing access to those establishments that carried on an activity classified as "essential".

Furthermore, the Company has helped tenants with specific initiatives in line with their needs, such as increasing the areas occupied by the terraces of restaurant businesses at shopping centers. In the specific case of the Arenas shopping center in Barcelona, MERLIN reached an agreement with the start-up Revolt to use this asset as an urban hub from which to distribute packages to the local population using a zero-emissions vehicles. In this manner, the tenants of this asset have an additional channel with which to be able to reach the end customer, even during periods of forced closure of their activity.

## Integration of new trends in assets and their management

MERLIN is committed to continue developing new services within the framework for changing the paradigm of the sector. Under this new perspective, it does not limit itself to being only an owner or manager of assets, but rather a comprehensive manager of needs, understanding that the leased area is an opportunity to provide services that go beyond the traditional concept of real estate.

With this in mind, in 2020, MERLIN continued with the implementation of innovative proposals that cover the different needs of its tenants.

In this regard, MERLIN is committed to enriching the user experience at its **office assets**, by introducing hospitality concepts to improve the quality of life of the building's customers. This objective gave rise to the implementation of Mayordomo Smart Points, a smart locker system through which users may receive packages in a convenient and interactive manner, as well as carry out

other activities such as leaving items of clothing to be cleaned by the dry-cleaning services. In total, 19 office assets already had these Mayordomo points at the year-end.

In this digital environment, MERLIN is focusing on improving the connectivity of its buildings. In 2020, MERLIN certified its first office assets with the Wired Score seal of approval, an online connectivity standard which guarantees the maximum upload and download speed of data in all office areas, including common and exterior zones. Thus, MERLIN became the first real estate company to obtain the Wired Score certification in Spain.

## LOOM. The new way to use office spaces: the flexible model.

After its acquisition in 2019, LOOM has continued to consolidate itself throughout the year as one of the leading actors in flexible working spaces in Spain, through the expansion of the chain of spaces, the expansion of its range of services and the launch of its own app.

With regard to the new catalog of services, LOOM has launched a series of Ultra-Flex solutions, becoming pioneers in the market offering these types of services. These Ultra-Flex solutions are aimed at its extensive base of companies: from large corporations to SMEs and start-ups. For example, with "LOOM Passport", companies can acquire "banks" of hours to distribute among its workforce, depending on the FlexWorking requirements. Other initiatives, such as "LOOM Meetings" and "LOOM Sede líquida" offer tailor-made solutions specially designed for companies of a much smaller size.

LOOM also hopes to expand its client base by incorporating professionals and freelancers into its spaces. As a result, it has launched "LOOM Go": an economically priced service that allows the client to work in the common areas of the spaces.

Furthermore, LOOM has launched a new app, available for each of the eight LOOM spaces in Madrid and Barcelona. In addition to including functionalities such as reserving rooms or consulting detailed information on spaces, the app encourages the creation of a community among its users (Loomers), facilitating access to information on the latest developments at LOOM, (for example, through the BLOOM blog) and allowing immediate registration for events.





With regard its **shopping centers**, MERLIN has continued with its commitment to Omnichannel options by expanding the Click&Collect points. At the year-end, this portfolio had a total of 27 points of this type. MERLIN has also launched the KeepEyeOnBall tool, within its Proptech Challenge initiative. This tool is capable of generating a virtual 360° view of the assets, allowing tenants to visit the assets without having to step foot in them and how the assets will be refurbished in the future, after the work is completed.

## FILLIT.

### A solution adapted to the needs of small retailers.

Fillit, a start-up created in Ireland which allows the common areas of commercial areas to be reserved quickly and easily online, has commenced its activities in Spain alongside MERLIN, through the launch of a pilot project in X-Madrid.

In partnership with this start-up, MERLIN provides a catalog of common spaces and pop-ups, thus complementing its range of current spaces in this asset. The rental options offered are completely flexible as spaces can be rented for one day or up to three months. This initiative also includes the option to pay by credit card, a novelty in the Real Estate sector.

In this manner, MERLIN is seeking to attract new customers of a smaller size (SMEs and the self-employed), who will benefit significantly from this initiative as it will increase their range of sales channels and they will gain visibility among their target public. This experience may serve these customers as a step prior to signing a conventional lease.

At the end of the pilot project, the Company hopes to extend this new range of spaces to the other assets in its shopping center portfolio.



Turning to **logistics**, MERLIN continues working to incorporate the latest technologies into the e-commerce area, responding to the growing need of tenants for their logistics systems to be able to coordinate both their conventional distribution channels as well as the online business channel.

In this vein, MERLIN has developed the central logistics warehouse for Media Markt in Spain. The project consisted in the refurbishment and expansion of the already existing facilities in the Pinto district which have been transformed into a logistics warehouse of around 60,000 sqm. Due to its design, in addition to forming the central logistics hub for its online platform, this new warehouse will also allow this customer to improve distribution to its physical stores. Of particular significance is its strategic location in the South of Madrid, between the A-4 and the A-42, and its very good transport links.

### Health and well-being of asset users

In 2020, MERLIN continued working to optimize the health and well-being of its assets' users. In this regard, MERLIN completed its plan to install defibrillators at its multi-tenant office assets, so that in 2020 all these assets became "cardio-protected". The company has also continued evaluating its assets in terms of ensuring the highest possible thermal, visual, acoustic and interior air quality comfort of its users.



### COVID-19 and tenants: adaptation of health and safety measures at its assets

As part of its commitment to guarantee best possible levels of health of its assets' users, since the very beginning of the pandemic MERLIN has taken actions to adopt the best practices available to combat the coronavirus. Subsequently, the Company has become the first REIT to obtain the AENOR Certification of Protocols against COVID-19. In total, 52 multi-tenant office assets and 13 shopping center assets have obtained the certification, which is renewed quarterly throughout the year.

For its portfolio of multi-tenant office and shopping center assets, from the very beginning MERLIN adopted various measures such as intensified cleaning activities, the adequate control of the ambient air renewal conditions, the installation of specific signage and protection screens, the provision of hydro-alcoholic gels in areas and the control of the occupancy levels of the elevators.

Taking into account the specific aspects of the shopping centers, specific measures have been implemented in this category in critical areas which are particularly sensitive to the propagation of the coronavirus, these include air filtering devices in elevators and restrooms, or ultraviolet ray systems to disinfect the mechanical escalator handrails.

Furthermore, in the particular case of LOOM, its users have been provided "Practical guidelines for returning to LOOM", customized to each space. These guidelines detail the measures adopted at the spaces and provide detailed instructions for the users to ensure the highest levels of safety.

All the measures adopted at these assets are explained in detail in a series of “COVID Protocols” (one of a generic nature and one specific to each portfolio) which have been reviewed and validated by AENOR as part of the audit process. The protocols are continuously updated, as the circumstances of their application change during the year.

Lastly, taking into account the particular characteristics of the private spaces in the shopping centers, the tenants of these centers have received the “Prevention and Action Plan to combat COVID-19”. This plan lays out a specific action protocol in the event of possible positive cases among employees, which includes the temporary closure and disinfection of the space.

### Commitment to accessibility

MERLIN believes it is essential that all users and visitors of their assets can fully enjoy the services provided, regardless of their abilities. Therefore, since 2016, the Company has been increasing the number of assets (offices and shopping centers) certified under the accessibility indicator system (AIS).

In relation to the shopping centers in the portfolio, MERLIN has obtained two new AIS certifications at X-Madrid and Almada. With these certifications, a total of 13 assets in the shopping centers portfolio are certified under this standard. Furthermore, the shopping centers that are already AIS certified continue improving their facilities in terms of accessibility; this also represents a continuous improvement of the ratings obtained within the framework of this certification. The Marineda , Arturo Soria, Arenas and Vilamarina shopping centers have the maximum rating granted by AIS (five stars).

Turning to the offices assets, MERLIN has continued to increase the number of certified assets, to reach a total of 41 assets at the year-end (25 more than in 2019).

With a view to the coming years, MERLIN has a plan in place that anticipates the certification and evaluation of accessibility of around 80% of the shopping centers and offices portfolios.

## Porto Pi, an excellent example of the implementation of accessibility measures.

The Porto Pi shopping center is an excellent example of MERLIN's commitment to user accessibility, due to its high technical complexity, associated with the vertical nature of this asset.

To improve accessibility from the outside, it has remodeled the surrounding ramp that connects the public sidewalk of one of the avenues adjacent to the shopping center to the first floor. It has also remodeled all the access doors to the center, replacing the existing ones for automatic sliding doors.

In terms of accessibility between the floors within the shopping center, new elevators have been installed at different locations to resolve the vertical communication between the ground floor and the fourth floor.

Other additional measures that improve accessibility include the installation of an information point with two heights and the remodeling of six restrooms, all with adapted unisex cubicles.

Having completed the refurbishment, the asset will renew its AIS certification to obtain a rating in line with the inclusion of these new measures.

<sup>(1)</sup> The Marineda Shopping Center has a provisional AIS rating of 5 stars.

## MERLIN Hub: an example of the integration of MERLIN's cornerstones in relation to its tenants

MERLIN Hub Madrid Norte offers a wide range of services that improve the day-to-day of each one of the users of its 33 office assets in the NBA (New Business Area) of the A-1. With this important initiative, MERLIN responds to the expectations of its tenants and end customers by including new trends within the real estate sector, promoting health and well-being of users and also

achieving adequate levels of accessibility.

The services offered revolve around five cornerstones: mobility, innovation and technology, flexibility, sustainability and creating community. All the services are centralized and organized on the new MERLIN Hub App.

### Mobility. Providing transport to the workplace

Thanks to the Sustainability and Mobility Office (SMO), all the companies forming part of the MERLIN Hub have a specialized **Transport to Work Plan**. Using the measures established in these plans as a starting point, the SMO has started up a series of mobility initiatives, thus improving the efficiency and sustainability of the users' commute to and from the workplace.

In this regard, in 2020, three **shuttle routes** were created that connect the transport hubs of the North of Madrid with the MERLIN Hub offices. Any user of the community may access this service by downloading a QR code accessible through the MERLIN Hub app. Since the initiative began, around 49,000 passengers have used this solution.

### Innovation and technology. The highest quality work experience

MERLIN wants the user's experience of its assets throughout their working day to be the best possible. To this end, MERLIN has a management and **hospitality** team at the MERLIN Hub assets.

Furthermore, MERLIN has provided its assets with the latest functionalities in terms of technology and innovation. In line with this, MERLIN Hub has obtained the **Wired Score** certification, a standard that guarantees the maximum quality of the Internet connection at all office assets, including outdoor areas.





### Flexibility. LOOM working areas proposal

The MERLIN Hub spaces also adapt to the new trends with regard to FlexSpace. In this manner, at **LOOM Torre Chamartín**, MERLIN Hub users have access to flexible LOOM spaces to cover peaks in demand, occasional meetings or any other need requiring a non-permanent space.

### Sustainability. MERLIN Hub's major commitment

Sustainability forms the fundamental cornerstone of MERLIN Hub Madrid Norte. In addition to several environmental certifications, MERLIN Hub has several solar panel installations on its assets.

At MERLIN Hub, sustainability also means other aspects such as universal accessibility to buildings. In this area, 12 of its assets are AIS certified.

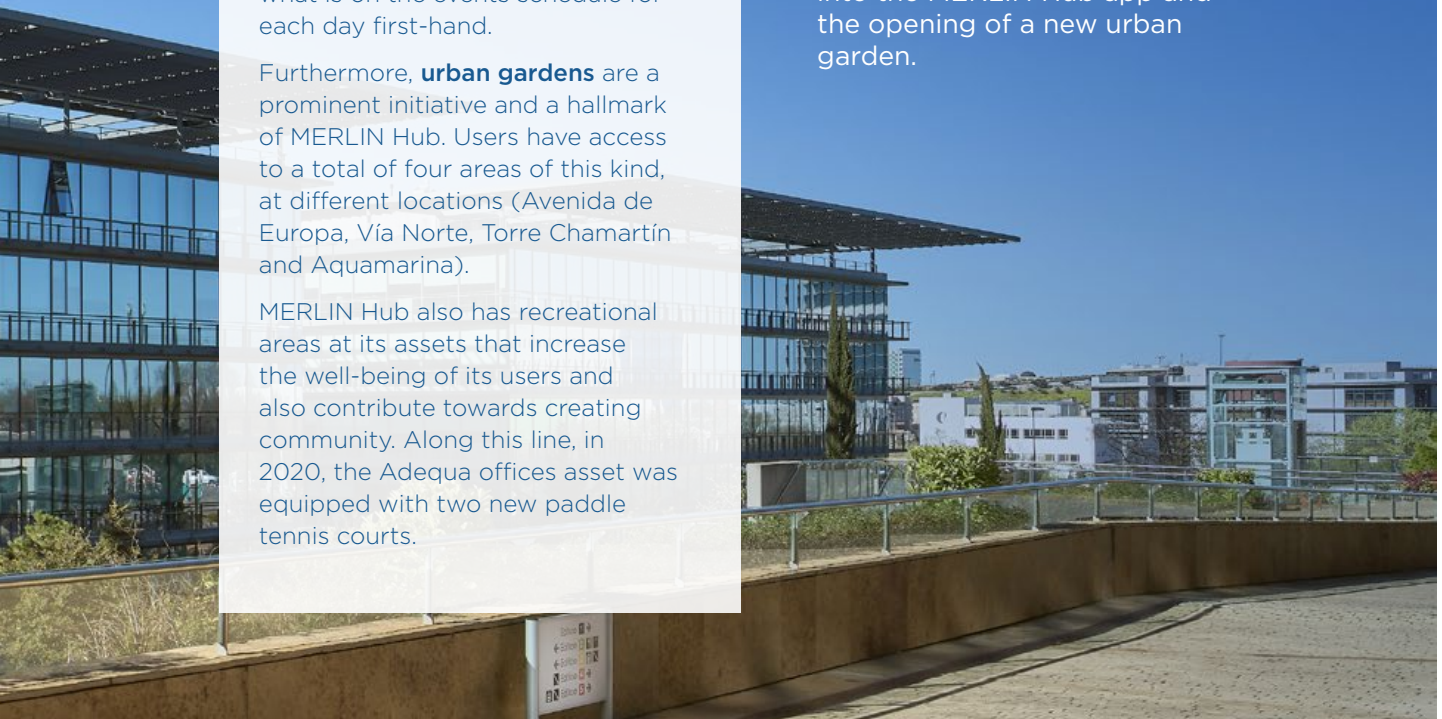
### Creating community. Dynamic and active users

With the aim of connecting to all its members, MERLIN Hub has launched a varied **catalog of activities**, including classes, workshops, competitions and activities to raise social awareness. Through the MERLIN Hub app, users can know what is on the events schedule for each day first-hand.

Furthermore, **urban gardens** are a prominent initiative and a hallmark of MERLIN Hub. Users have access to a total of four areas of this kind, at different locations (Avenida de Europa, Vía Norte, Torre Chamartín and Aquamarina).

MERLIN Hub also has recreational areas at its assets that increase the well-being of its users and also contribute towards creating community. Along this line, in 2020, the Adequa offices asset was equipped with two new paddle tennis courts.

MERLIN Hub will continue with its development over the coming years, advancing in the different strategic cornerstones of each initiative. In this regard, over the coming years it is expected to carry out several actions such as the installation of bicycle and electric scooter parking areas, the integration of a MaaS platform (mobility as a service) into the MERLIN Hub app and the opening of a new urban garden.





### The business' response to this management strategy

The trust and the loyalty of the tenants with MERLIN during 2020 is reflected in the occupancy figures, the Weighted Average Unexpired Lease Term (Wault) and retention rate which, both overall and for each type of asset, are generally similar to those of 2019. Specifically, the overall occupancy rate at the year-end was 94.2%, only 6 decimal points down on the occupancy rate at the year-end 2019, and the Weighted Average Unexpired Lease Term (Wault) for 2020 is 5.4 years. Below follows the occupancy and Wault data by portfolio.

	Offices	Shopping centers	Logistics	Net Leases
Occupancy (%)	91.1%	93.7%	97.5%	100%
Wault	3.0	2.4	3.4	17.4

As a result of its decided customer focus, the innovation of its range of services and the versatility and flexibility of the solutions offered in its portfolios, MERLIN is capable of offering a solution to all those tenants with office, shopping center or logistics needs, providing an “all in one” service. At present, around 483,538 sqm of office assets, shopping centers and logistics assets are occupied by multi-portfolio tenants<sup>(1)</sup>. This is proof of the benefits of the diversification of the MERLIN Properties business model.

An excellent success case in this regard: in 2020, MERLIN delivered a “turnkey” warehouse of nearly 100,000 sqm to the Carrefour Group, which will become its national hub for low rotation products. This warehouse will distribute orders to other warehouses, its more than 1,200 stores and its online service centers. In 2020, MERLIN also added value to this customer and its portfolio of shopping centers by refurbishing the shopping center assets: Saler and Porto Pi, which are jointly owned by the Carrefour Group and MERLIN.

<sup>(1)</sup> The figure does not include the assets at Barcelona Zal Port, in which MERLIN has a minority stake.

## 6.4. Local communities

2020 Milestones	Future challenges
<p>Implementation of social action initiatives due to the pandemic caused by COVID-19 for communities in the local area of the shopping centers.</p>	<p>Execution and completion of the remodeling of Plaza Ruiz Picasso.</p>
<p>Donation of 8 robots to carry out mass testing for COVID-19.</p>	<p>Improved accessibility to Torre Chamartín from the A-1 and M-11 highways.</p>
<p>Launch of Renazca, with the aim of renovating the Azca area of Madrid for residents and visitors.</p>	<p>Execution of the bus lane project along Avenida de Burgos, in the area of MERLIN Hub Madrid Norte.</p>
<p>Opening of two new urban gardens at MERLIN Hub Madrid Norte.</p>	

Main indicators for of the year		
	2020	CHANGE 2019-2020
Economic value distributed (€M)	382.0	-36.0%
Purchases from suppliers (€M)	96.2	-6.1%
Average supplier payment period (days)	31	-8.8%
Social or environmental complaints from communities (No.)	0	=

### MERLIN's distinguishing features in its relationship with local communities

MERLIN establishes solid and long-lasting relationships with the local communities close to its assets, establishing different channels of communication that are transparent and bidirectional. Through these channels, MERLIN identifies their needs and expectations, promotes initiatives and collaboration programs, offsets any potential negative impact deriving from its activities, thus encouraging the creation of shared value.

Likewise, MERLIN continues cooperating with local agents to enhance the value of the public areas in the surrounding areas of its assets. In this manner, MERLIN reinforces the value contributed by the activity carried on in these assets, generating new opportunities for growth and renovation at both a social and economic level in the communities in their surrounding areas.

More than  
24,000 downloads  
of the user relationship  
apps at shopping centers.

#### Dialogue and transparency

MERLIN establishes a fluid and continuous relationship with the communities associated to its assets, constantly developing channels that maximize this relationship.

€ 96,2 M  
in purchases  
from suppliers.

#### Management of impacts and value creation

Based on its decided commitment to the creation of shared value, MERLIN works towards maximizing the positive impacts deriving from its activities and minimizing the negative.

€ 1.4 M  
destined to remodeling  
areas for public use  
in 2020.

#### Quality spaces

By allocating its own resources to regenerate common spaces in the surrounding area of its assets, MERLIN encourages the development and renovation of the communities close to its assets.

### Contribution to local development

MERLIN is dedicated to the development of the economy of the communities in which it operates and promotes the creation of jobs, thanks to the demand for the products and services generated by its assets.

Furthermore, through its assets, the Company contributes with a variety of initiatives and activities that result in local development.



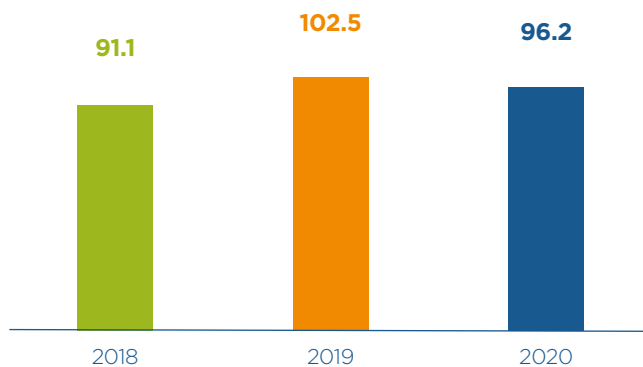
## 1. Driving economic development

One of the areas in which MERLIN most contributes to generating positive impacts on its surrounding area is within the framework of its relationship with suppliers and the acquisition of products and services.

MERLIN prioritizes purchasing from local suppliers that meet the social and environmental standards established by the Company. In the particular instance of the development and remodeling of its assets, in accordance with the sustainable construction certifications in which the Company is certified, MERLIN sources raw materials locally and works with local contractors, providing an additional benefit to the area's economy.

Globally speaking, in 2020, the payments to suppliers for products and services totaled €96.2 million, with an average payment period to suppliers of 31 days, in line with the law on measures to combat late payment in commercial transactions (Law 15/2010, of July 5).

Annual expenditure on purchases and contracting associated with MERLIN assets (€M)



## 2. Promoting local employment

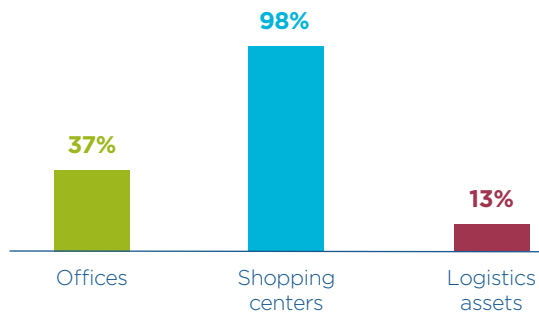
As a result of its activity, the assets are a direct source of generating economic opportunities and jobs. The contribution to local employment is not only through the direct recruitment of personnel, but also through the companies that carry out their activities in its assets, such as the case of engaging management and maintenance services. Furthermore, the assets also contribute to the generation of secondary activities and services in the surrounding area, such as restaurant businesses or shops.

In particular, with regard to its shopping center portfolio, MERLIN has maintained all its centers operational throughout the whole year, including during the state of alarm, thus contributing to preserving local jobs in spite of the economic situation of the year.

### 3. Creating value through its assets

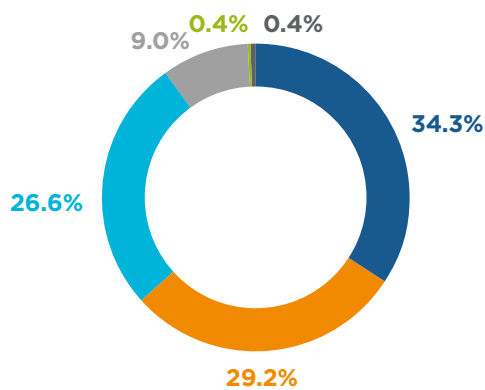
MERLIN also creates value for society through its own assets by supporting a variety of initiatives and activities that benefit the development of the communities in the surrounding area in multiple aspects. In 2020, the Company carried out programs of this nature in 38% of its portfolio<sup>(1)</sup>.

Percentage of centers where development programs, impact analyses and participation in the local community have been implemented



The initiatives are organized into six areas: Improvement of spaces for public use, recovery of the local area, training activities, social action, promotion of culture and local development and awareness-raising activities.

Distribution of local development programs by type



- Awareness-raising activities
- Training activities
- Social action
- Promotion of culture and local development
- Improvement of spaces for public use
- Recovery of the local area

<sup>(1)</sup> Including office assets, shopping centers and logistics assets, excluding Barcelona-ZAL Port and WIP assets.





## Creation of value through MERLIN assets

### Improvement of spaces for public use

MERLIN considers the remodeling of public spaces as a central aspect of value creation, both for adjoining assets and their users as well as for the local communities.

As part of the refurbishment process currently taking place at the Porto Pi shopping center in Palma de Mallorca, MERLIN has signed an agreement with the city council to remodel the square next to the shopping center, thus adapting the public-owned outside areas to the new reality of this asset.

### Recovery of the local area

Through its repositioning and refurbishment processes, such as Renazca or MERLIN Hub, the Company acts as a driver for the revaluation of the surrounding area of its assets.

With regard to MERLIN Hub Madrid Norte, in 2020, the team responsible for the works signed the public works contracts for connecting Torre Chamartín with the nearby highways. This action will improve the flow of traffic and the access to the area where the asset is located.

Furthermore, in the coming years, MERLIN envisages the creation of a bus lane along Avenida de Burgos, which will facilitate the connection with the office assets of MERLIN Hub Madrid Norte, thus improving the level of traffic in the area.

### Training activities

By adapting itself to the circumstances of the year, MERLIN has continued to host workshops, conferences and other events linked to training at its assets.

Along this line, LOOM has held a total of 45 in person activities (the majority prior to the pandemic) and 37 online sessions. These training activities, open to the public, have mainly been aimed at encouraging the personal and professional growth of the participants. There have also been informative sessions in various areas, mainly associated to the business world and entrepreneurship.

### Social action

Through its assets, MERLIN continues working to improve the conditions of vulnerable individuals and groups who are at risk of exclusion.

The Company has continued with its cooperation with the Fundación Juan XXIII Roncalli for the maintenance of urban gardens, also assisting in the design and installation of two new gardens at Aquamarina and Torre Chamartín. As a result, the Foundation has continued to promote the social and labor inclusion of its staff with an intellectual disability throughout the year.

### Promotion of culture and local development

MERLIN has continued promoting a variety of local cultural and development activities at its assets. For example, the Marineda shopping center hosted the Mulheres na ciencia exhibition. The purpose of this initiative is to create visibility and raise awareness in society of the contributions that women have made to science and technology.

### Awareness-raising activities

MERLIN's assets also organize sensitization and awareness raising activities about topics of great social importance. For example, at Saler, in collaboration with the Asociación Familiares Alzhéimer Valencia (FAFV) [Relatives of Alzheimer's Patients in Valencia Association], participated in Alzheimer's Day with the "Un pòsit por el Alzhéimer" [A Post-it for Alzheimer's]. The initiative, which went viral in the social networks, also included an exhibition of photographs in this shopping center.

Over the coming years, MERLIN will continue working on developing initiatives that encourage the generation of shared value with the communities. Among these future actions is the drive behind the urban development of the Azca area, a key business area in the city of Madrid and where MERLIN has significant office assets.

Along this line, the Company, together with another company in the real estate sector also with a presence in this area of the capital, have formed the company **Renazca**. This new company has signed a public-private collaboration protocol with the Madrid City Council, which has resulted in the launch of a call for proposals in which international leading architect firms will participate.

With a view to disseminating the purpose and the main objectives of the project, Renazca has launched the website: [renazca.org](http://renazca.org). Under the section Inspira Azca, the community and the surrounding area can participate by contributing suggestions, making this initiative a collaborative process, where the opinion of all agents is considered.



#### COVID19 and the local communities: social action adapted to the current context

In response to the economic and social situation caused by the pandemic, MERLIN has encouraged different initiatives aimed at alleviating, insofar as is possible, the negative effects that this is having on society, especially on the more vulnerable groups.

##### 1. The Company's contribution to society

MERLIN, with the collaboration of its employees and executives, has participated in acquiring 8 robots in order to carry out mass Covid-19 testing. These are devices capable of processing up to 2,400 PCR tests a day. One of the main features is that these robots are installed with open software, which can be adapted to any protocol and can be reprogrammed to carry out antibody tests.

The initiative, promoted by five professionals from the health, research, technology and public affairs sectors has had the support of other financing bodies such as Santander, Línea Directa or Endesa, as well as the participation of several leading companies, all providing specific solutions from their area of expertise for the start-up of the robots. Similarly, the Ministries of Finance, Interior, Foreign Affairs and Science and Innovation have actively cooperated in order to facilitate the management of the project.

The robots were installed initially at the following health centers: Hospital Universitario La Paz in Madrid, Hospital Universitario Vall d'Hebron and Hospital Clínic in Barcelona, as well as at the Instituto de Salud Carlos III. Afterward, these devices were also installed at the following health centers: Hospital la Fe in Valencia, Hospital Universitario Cruces (Baracaldo, Vizcaya), Hospital Universitario in Badajoz and Hospital San Pedro de Alcántara (Cáceres). The overall financial contribution by MERLIN, its employees and Directors was around € 668,000: € 334,000 were donated by the Company and a further € 334,000 was raised by employees and Directors.



## 2. Contribution to the communities in the surrounding area of the assets

MERLIN has executed a variety of initiatives at its assets, which have taken into account the exceptional circumstances faced by the communities in the surrounding areas of the assets due to the pandemic.

Within this context, MERLIN's shopping centers have donated around 65 tons of foodstuffs and essential products for families in need in the surrounding areas of its assets, through associations with a local presence such as Banco de Alimentos [Food banks], Cruz Roja [the Red Cross] and Cáritas [Caritas Internationalis]. Some of the products have been acquired by MERLIN from tenants running restaurant businesses, thus helping them to economically tackle the closure of their premises.

Furthermore, through collaboration with various associations, MERLIN has donated school kits to around 1,500 children from vulnerable families to help them continue with their academic activities online. These kits include tablets, computers, school material and gift vouchers for establishments at the shopping centers. Also, to encourage the physical activity of under 16s, X-Madrid awarded 28 grants to attend week-long summer camps, organized by the Company at the facilities of the center.

Likewise, to look after the health of people belonging to risk groups due to COVID-19, the Saler shopping center launched the #Yolohagoporti [#idoitforyou] initiative, through which they organized the home delivery of foodstuffs and essential products for these groups at risk with the help of local volunteers.

As well as the above initiatives, during the state of alarm the shopping centers published a variety of family entertainment content on its free access social networks, thus promoting the #quedateencasa [#stayathome] movement during the most critical period of the pandemic.

Actions to support local communities also took place at the office and logistics assets. Through the offices portfolio, MERLIN collaborated with the Banco de Alimentos to donate part of the production of its Urban Gardens to 200 families at risk of exclusion. Furthermore, in relation to its logistics portfolio, MERLIN dedicated part of its space at Sevilla ZAL (2,098 sqm) to the storage of healthcare material and masks during a period of three months.



# 07

## Sustainability in the portfolio



In 2020, MERLIN remained committed to sustainability as a distinguishing element of its assets, a key element to maximizing its performance. In this vein, the Company has continued to gradually advance in all the plans that had commenced in previous years to include sustainability as a cross-cutting factor among all its assets.



## 2020 Milestones

Acquisition of renewable electric energy in 93% of its multi-tenant offices.

Production start-up of the pilot project for the generation of photovoltaic energy at the Mecol I logistics asset.

Expansion of the ISO 50001 Integrated Energy Management System at 31 new assets.

Installation of 148 new electric vehicle recharge points.

LEED and BREEAM certification at 81% of assets (in GAV, not including net leases).

Certification of 14 new office properties in accordance with the AEO model.

## Future challenges

Acquisition of 100% renewable energy at all MERLIN multi-tenant assets.

Development of the first phase of the Project Sun photovoltaic energy generation project: at a total of 24 assets.

Implementation of several sustainable mobility initiatives at MERLIN Hub Madrid Norte assets.

Expansion of the electric vehicle recharge point network to the entire office assets portfolio.

Certification of 99% of assets (in GAV, not including net leases) with LEED and BREEAM certificates.

AEO certification for up to 37 office assets.

## Main indicators for the year

	Data in Like for Like terms <sup>(1)</sup>		Data in absolute terms	
	Data 2020	Change 2019-2020	Data 2020	Change 2019-2020
Energy consumption in GJ	277,900	(18.0%)	388,595	(19.3%)
Greenhouse gas emissions (tCO <sub>2</sub> eq)	14,295	(21.7%)	19,600	(25.0%)
Water collection (m <sup>3</sup> )	358,767	(39.9%)	495,673	(40.3%)
Waste (ton)	1,492	(26.5%)	4,996	(31.2%)
% of the portfolio (in GAV) LEED, BREEAM certified <sup>(2)</sup>	-( <sup>3</sup> )	-( <sup>3</sup> )	81%	+6 percentage points

<sup>(1)</sup> The term Like for like groups assets that have been in operation in the MERLIN portfolio over the last three years (from 1 January 2018 to 31 December 2020) without any relevant changes.

<sup>(2)</sup> Taking into account only those assets from the offices, shopping centers and logistics portfolios in operation, as well as the following WIP assets: Castellana 85, Plaza Pablo Ruiz Picasso, Arturo Soria 343, A2-Azuqueca II and A2-Cabanillas Park I G. Excluding the Barcelona ZAL Port assets, the assets from the Net Leases portfolio, non-core assets, and the remaining WIP assets.

<sup>(3)</sup> Given the characteristics of this indicator, it is only reported on in absolute terms.



## 7.1. MERLIN Properties' sustainability strategy

MERLIN considers sustainability (in its three ESG aspects: environment, social and governance) as a key aspect of the Company's strategy. Taking into account its activity as a diversified Company and a leader in the Iberian Peninsula, it defines four strategic cornerstones on which its sustainability strategy is based:

- **Sustainable assets:** to guarantee the maximum levels of sustainability during the operation of its assets, MERLIN promotes the implementation of energy saving measures (ESMs) at its assets and the installation of photovoltaic panels to generate renewable energy (for self-consumption or to be fed into the grid). The Company further hopes to provide 100% renewable electrical energy to all its assets.
- **Sustainable construction:** the comprehensive refurbishments carried out at MERLIN assets within the framework of its value creation plans integrate sustainability is a key aspect, especially with regard to energy consumption.
- **Sustainable mobility:** through specific initiatives in its main asset categories, MERLIN aims to promote a modern urban mobility model that is low in emissions and encourages the use of electric vehicles and zero emission mobility alternatives.
- **Scoring:** MERLIN has a high proportion of certified assets with regard to sustainable construction (LEED and BREEAM), Environmental Management Systems (ISO 14001 and 50001), and has obtained other certifications of particular relevance in the sector (AIS, AEO). It has also demonstrated its extensive efforts in ESG thanks to the high scores obtained in quality seals such as GRESB and CDP, and EPRA's recognition of its CSR report.





### Sustainable assets

- **Energy efficiency measures:** systems installed across our portfolio to promote energy efficiency.
- **Photovoltaic project:** pioneer in photovoltaic self-consumption installations.



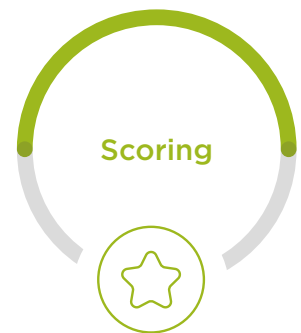
### Sustainable construction

- CAPEX devoted to **energy efficiency** in value creation plans.
- **The most ambitious projects to reshape Madrid:**
  1. **DCN**
  2. **Renazca**



### Sustainable mobility

- **MERLIN HUB:** a fully developed cluster of mobility to tenants located within a specific zone.
- **Last Mile Logistics:** launch of an internal pilot program and deployment to the entire portfolio, all with emission-free vehicles.
- **EV Chargers:** intensive installation of electric chargers across our portfolio.



### Scoring

- **Certifications** Outstanding achievement: more than 2.5 million sqm certified.
- **Quality seals:** Strong track record in quality seals over time.

With regard to this sustainability strategy, the Company is implementing an initiative to reach the target of **“net zero emissions”**. For MERLIN, this objective does not only mean reducing GHG emissions directly attributable to the Company, but also promoting the reduction of GHG emissions by its tenants and users. MERLIN therefore, undertakes with its tenants to ensure the maximum levels of sustainability and efficiency of the assets they occupy.

It should also be noted that in 2020 MERLIN had already reached the first milestone in this regard, by obtaining GHG emission levels equal to zero for electricity in scope 2 (calculated using a market-based method).

## 7.2. Implementation of sustainability actions within the life cycle of MERLIN Properties assets

MERLIN is dedicated to the integration of sustainability in all phases of the asset, thus encouraging the creation of value and uniqueness of its asset categories. To do so, it requires the participation of all actors involved in the functioning of its assets throughout their life-cycle.

MERLIN also regularly monitors the efficiency measures put into action, the renewable energy acquired during the year, as well as the certifications obtained by its assets with regard to the environment and accessibility during the year. These actions also allow the monitoring of the KPIs associated to the sustainable loan that the Company signed in 2019 and which it has continued in 2020, as well as for the following years.

### 1. Acquisition of land and new buildings

MERLIN evaluates the sustainability aspects in its new land or real estate investments, taking into consideration criteria such as legal compliance and sanctions, construction characteristics and sustainable mobility.

Particularly with regard to mobility, due to its location, the company prioritizes those office assets and shopping centers that have connections to different forms of urban and inter-urban public transport.

### 2. Comprehensive development or refurbishment

Even in the design of the developments and refurbishments, MERLIN includes sustainability criteria that reinforce the increased value generated by the projects right from the design, reducing and mitigating the negative impacts derived from the execution of the works, establishing sustainability criteria to be completed by the contractors and overseeing the developments and refurbishments for the certification of its assets based on sustainable construction plans.

### 3. Remodeling

When remodeling its assets, MERLIN installs efficient equipment and systems for the consumption of resources and, as with the comprehensive refurbishment works, seeks to certify its assets under the sustainable construction standards.

The collaboration of MERLIN with its tenants and suppliers is a key aspect in improving the management of its assets

To ensure the effective integration of sustainability into its assets throughout their life cycle and throughout the value chain, MERLIN now includes a clause aimed at establishing a line of joint collaboration in relation to sustainability in its new contracts signed with suppliers and tenants. With the aim of encouraging this collaboration, the Company also provides a Good Practices Manual.

In addition, and taking its commitment to sustainability one step further, in 2020, MERLIN began working on a new approach with its suppliers to jointly develop new solutions that would reinforce the levels of environmental performance of its assets.

#### 4. Management of properties in operation

When operating its assets, MERLIN develops a variety of measures to actively monitor and manage consumption, it collaborates with tenants and operators, reduces negative impacts regarding the assets sustainability, evaluates its providers based on sustainability criteria and certifies its assets under recognized systems that allow performance to be measured with regard to sustainability.

##### Procedures for managing properties

With regard the optimum management and control of the environmental aspects, MERLIN MERLIN has a certified Environmental Management System based on the ISO 14001 standard. At the year-end, the Company had a total of 85 assets included in this management system (77 office assets, 6 shopping centers and 2 logistics assets), totaling an area of 1,144,590 sqm, 36% of the strategic portfolios in terms of area. Over the coming years MERLIN will work towards including all of its assets over which it has operational control (multi-tenant assets) under this system.

As part of the Company's commitment to ensure the maximum performance of its assets with regard to energy consumption, MERLIN is committed to certifying these under the ISO 50001 standard. The number of assets certified includes a total of 64 (58 office assets, 5 shopping centers and 1 logistics asset), 31 more than in 2019, totaling an area of 793,462 sqm, which represents 25% of the total area of the indicated portfolios .

In addition to the implementation of these management systems, and in light of the exceptional situation of the financial year, MERLIN has obtained the AENOR Certification of Protocols against COVID-19 at a total of 52 office assets and 13 shopping centers. In this manner, MERLIN manages its assets ensuring the highest levels of sustainability, preserving the environment and maximizing the health and safety levels of the occupants of the assets.

##### Actions carried out on assets

Given that MERLIN is currently focused on maximizing the performance of its assets during the operational phase, it is in this phase of the life-cycle that the Company is promoting the highest number of measures with regard to sustainability, the most significant of which are:

- To reduce the impact of the CO<sub>2</sub> emissions produced by its buildings, MERLIN is continuing with the installation of photovoltaic panels on its new assets. In 2020, the Madrid Mecó I pilot project commenced with a capacity to generate 0.60 MWp. The installation is capable of providing electricity for self-consumption as well as to feed any excess electricity into the grid.

MERLIN has launched an ambitious initiative for the coming years (**Project Sun**) which aims to position the Company as the largest promoter of self-generated energy in its sector, through the installation of photovoltaic panels on the assets of its strategic portfolios (office assets, logistics assets and shopping centers). During the first phase, the Company envisages an investment of €26.1 million

<sup>(1)</sup> Appendix I of this report includes a list of all ISO 14001 and 50001 certified assets

to install these panels on a total of 24 assets, reaching an installed power of 37.1 MWp (megawatt peak). In this manner, the Company will be able to better mitigate the GHG emissions generated by the activity of its own assets.

- MERLIN carries out **circular economy** actions with a view to minimizing and reducing the impacts regarding waste generation. For example, air conditioning devices that are replaced on assets (heat pumps and VRV machines) are used as a source of spare parts for other buildings. As a result of this action, the components of these devices that have not reached the end of their useful lives have a second use in the owned assets, thus reducing the amount of waste generated by the replacement of units.
- Throughout 2020, MERLIN has likewise continued with the installation of electric vehicle **recharging points**. At the year-end, MERLIN's assets had a total of 649 points of this type, 148 more than the previous year. The recharging points are distributed among the offices portfolio (393 points), logistics assets (154 points) and shopping centers (102 points).
- MERLIN has continued expanding the certification of its assets under recognized systems that allow its performance to be measured. In this vein, in 2020, the **Marineda City** shopping center became AENOR **"Zero Waste"** certified. This certification, the first of its kind obtained by one of the Company's assets, highlights the exceptional level of management of the different waste fractions at this shopping center. In particular, approximately 99.9% of the waste generated has been recycled or assessed.

### Castellana 85: providing value through sustainability during all phases of the life cycle of an asset

Castellana 85 is an example of the integration of sustainability into the life cycle of an asset, right from the moment of its acquisition. The asset is located in the heart of the Azca district, the best-connected business area in the city, very close to several subway and train stations, and adjacent to the Paseo de la Castellana, the main thoroughfare of the capital, thus encouraging sustainable mobility among its users.

In 2020, Castellana 85 began a comprehensive refurbishment. Improving its degree of sustainability, and in particular its energy efficiency, has been a key factor in the selection of the best systems that will be installed in the asset when the refurbishment is completed.





With the aim of reducing its energy consumption on air conditioning, the building will have an “active façade”, comprising a double chamber with ventilation through which air from the interior circulates and once distributed and recovered, is dispersed outside. This solution provides a natural regulation of the temperature inside the building, both in winter and in summer. The Building will also have a hybrid aerothermal VRV system, more energy efficient compared to any other type of system thanks to using refrigerants in the distribution of hot and cold and also thanks to its modular character, which offers the option to use only a part of the units, thus adapting it to the air conditioning requirements at any time.

With regard to the asset’s lighting, the implementation of a PoE (Power over Ethernet) system has been designed. Using this system, the lighting communicates directly with the building’s communications network, which facilitates the monitoring and management of energy consumption, as well as the integration of other parameters related to air conditioning systems, occupancy or Facility Management tasks.

On the other hand, the asset is equipped with a series of water consumption savings measures such as, the installation of low consumption faucets and double discharge

cisterns. The refurbishment process has integrated circular economy aspects thanks to the cooperation of contractor **Construcia**, a pioneer in the use of sustainable construction materials.

With a view to improving the management of the lighting requirements of its occupants during the operational phase of the asset, Castellana 85 will include innovative IT systems such as the control software by Envision Manager, aimed at optimizing the building’s lighting consumption, or the **Signify** mobile app, through which the user can create customized working environments that anticipate, respond to and adapt to specific needs. In this manner, the technology used while the asset is operational will allow the highest levels of comfort to be reached, guaranteeing the maximum energy efficiency of the asset.

It is estimated that the efficiency measures implemented in the Castellana 85 asset will contribute to the following annual savings in energy and water consumption<sup>1)</sup>:

- A reduction of 2,500 MWh per year, the approximate equivalent in annual CO<sub>2</sub> emissions of **280 vehicles**.
- A reduction of around 1.5 million liters per year, which is approximately equivalent to half an **Olympic swimming pool**.



<sup>1)</sup> Calculation carried out in relation to its “reference building”, as established in the LEED certification standard.

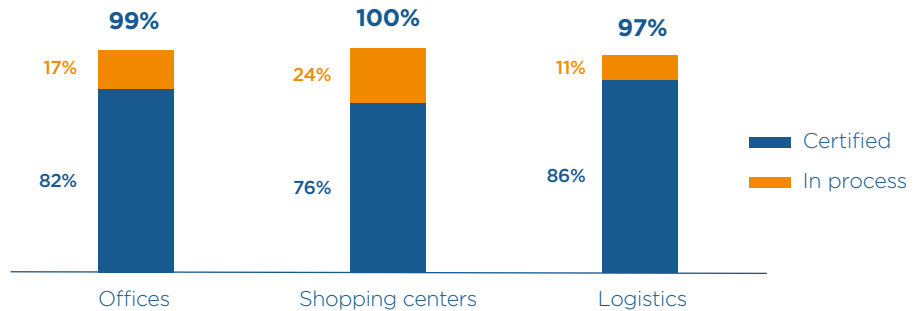
### Certifications obtained by MERLIN assets

In addition to maximizing the environmental performance of assets, the **sustainable construction certifications** represent an important lever for value generation, responding to the growing interest of tenants to have spaces that comply with the highest standards in sustainability. Obtaining these certifications requires providing assets with the most advanced measures in terms of efficiency and technology, which in turn is a benefit for all users.

Furthermore, obtaining sustainable construction certifications is one of the main indicators of the sustainable loan signed by MERLIN in 2019.

The company continues with its certification plan which began in 2016, and the aim is to certify 99% of its office assets, 100% of its shopping centers and 97% of its logistics assets, in GAV terms over the coming years. As at the close of 2020, it had already showed a significant amount of progress. MERLIN is a leader in this area and will continue to reaffirm its position over the coming financial years.

At the close of the year, 81% of the Company's core assets had been certified with one of the two benchmark standards in sustainable construction: LEED and BREEAM, distributed as follows:

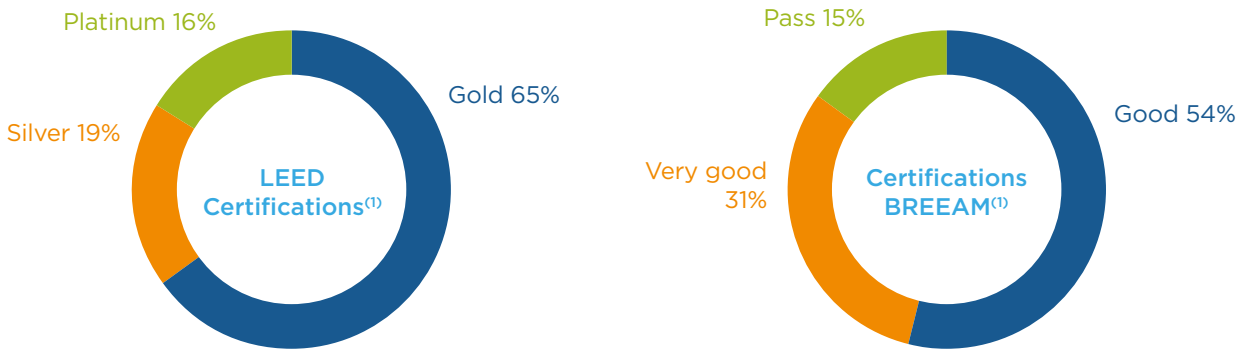


In 2020, MERLIN obtained a total of 43 LEED or BREAM certifications.



With these new certifications, the current status of the portfolio relating to sustainable construction certification is as follows:

<sup>(1)</sup> Calculation carried out in relation to its "reference building", as established in the LEED certification standard.  
<sup>(2)</sup> In terms of GAV (Gross Asset Value), only taking into account the assets of the offices, shopping centers and logistics portfolios in operation (including Avenida de Burgos 210), as well as the following WIP assets: Castellana 85, Plaza Pablo Ruiz Picasso, Arturo Soria 343, A2-Azuqueca II and A2-Cabanillas Park I G. Excluding the Barcelona ZAL Port assets, the assets from the Net Leases portfolio, non-core assets, and the remaining WIP assets.



In 2020, MERLIN invested a total amount of € 824,000 in sustainable certification<sup>(2)</sup>.

### 2020 success stories

#### A2 - Azuqueca II logistics asset

The A2 - Azuqueca II logistics asset became the second logistics warehouse in the world to receive the LEED Platinum certification according to its rating system: BD+C (Building Design + Construction), v4. This asset is located on the logistics axis of the A-2 in the suburbs of Madrid, and it will be delivered in 2021, within the framework of the Best II value creation Plan.

In relation to the organization of the asset's construction works, the LEED certification has highlighted the good management of the

waste generated. More than 75% of the waste generated by the works has been reused or recycled.

The asset also stands out for its energy optimization measures, the installation of photovoltaic panels on its roof and the highly energy efficient LED systems. As a result of all these measures, it is estimated that this asset will require 55% less energy from the grid compared to a standard warehouse.

This asset is currently in the process of becoming LEED certified according to the latest version, v4.1.



<sup>(1)</sup> In terms of area, taking into account only those assets from the offices, shopping centers and logistics portfolios, as well as the WIP assets: Castellana 85, Plaza Pablo Ruiz Picasso, Arturo Soria 343, A2-Azuqueca II and A2-Cabanillas Park I G. Excluding the Barcelona ZAL Port assets, the assets from the Net Leases portfolio, non-core assets, and the remaining WIP assets.

<sup>(2)</sup> Includes investments aimed at obtaining LEED, BREEAM and WELL certification. There has been a 46% fall compared to the previous year in this amount, due to the adjustment of the CAPEX and OPEX levels, taking into account the circumstances of the 2020 financial year.



### Saler Shopping Center

The Saler shopping center, located in the city of Valencia, became BREAM In Use certified with a rating of “Very Good” in Part 1. This asset, which is currently being refurbished, managed to improve on its previous rating of “Good” to reach the maximum rating granted under this scheme in 2020. Therefore, there are a total of four shopping centers that are BREAM In Use certified with a rating of “Very Good”.

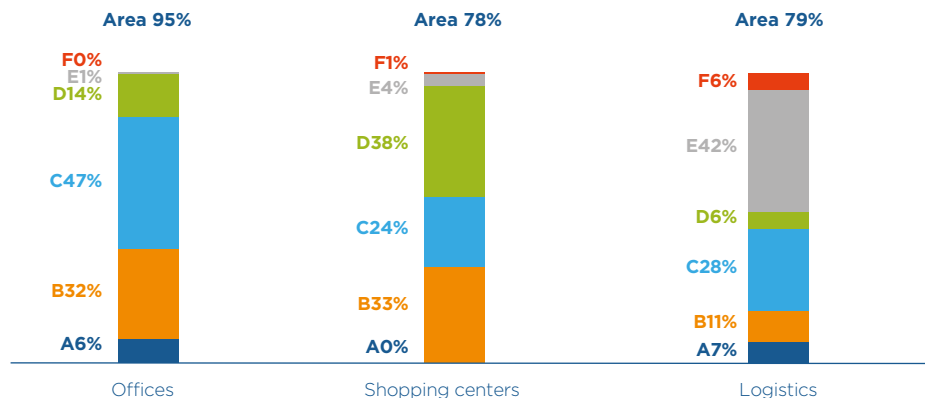
This certification highlights the measures adopted with regard to waste management aimed at minimizing the waste generated and obtaining the highest possible reuse and recycling ratios, and it has very positively valued the drive towards sustainable mobility, thanks to the electric vehicle recharge points installed at the asset.



With regard to **energy ratings**, MERLIN continues to make progress in obtaining this type of rating for its buildings, in accordance with Royal Decree 235/2013. In 2020, the assets with this rating represented 85% of all the assets within the Company's strategic portfolios (office assets, shopping centers and logistics assets). According to MERLIN's forecasts, all the assets of these portfolios will have an energy rating within the next three years.

In any event, beyond the regulatory compliance, MERLIN believes that energy ratings provide extremely useful information on the energy performance of its assets depending on the different components (air conditioning systems, lighting and sanitary hot water), which serve as a basis for implementing future efficiency measures in some of these aspects.

### Energy rating of MERLIN assets (% of area)<sup>(1)</sup>



<sup>(1)</sup> In terms of area, taking into account only those assets from the offices, shopping centers and logistics portfolios, as well as the WIP assets: Castellana 85, Plaza Pablo Ruiz Picasso, Arturo Soria 343, A2-Azuqueca II and A2-Cabanillas Park I G. Excluding the Barcelona ZAL Port assets, the assets from the Net Leases portfolio, non-core assets, and the remaining WIP assets.

Furthermore, in 2020, MERLIN continued expanding the number of assets certified under the **AEO standard**, for the technical classification of office buildings. This certification, awarded by the Spanish Offices Association (AEO in Spanish) provides a real estate rating based on the evaluation of parameters of a technical nature, such as the architectural characteristics, installations, qualities and proper maintenance of the building.

In 2020, 19 new office assets obtained this certification. Of these assets, the offices Juan Esplandiú 11-13, Sant Cugat I and II and Trianón were awarded a B rating. Therefore, at the close of the year, a total of 24 assets had been certified under this system.

In addition to the previously mentioned certifications, MERLIN has continued to increase the number of **AIS certified** assets, with a total of 41 office assets and 13 shopping centers being certified.

## 7.3. Environmental performance of MERLIN Properties' portfolio

### 7.3.1 Introduction

In line with the best market practices with regard to sustainability, MERLIN follows the EPRA (European Public Real estate Association) Guidelines established in its document: Sustainability Best Practice Recommendations on Reporting (sBPR), in its third and most recent version published in 2017. In this manner, the Company is able to systematically and consistently evaluate the environmental performance of its assets over time, also ensuring that the results obtained are comparable to those reported by other companies in the sector.

The EPRA sBPR Guidelines use the most recent guidelines established by the GRI (Global Reporting Initiative) in its GRI Standards as a starting point. GRI standards are the most important sustainability reporting standard in the world, however, as they are aimed at a wide range of companies, they are generic and broad in nature, which in certain cases do not sufficiently cover the specific characteristics of the Real Estate sector. Subsequently, the EPRA sBPR Guidelines provides very specific reporting criteria which detail the requirements established by the GRI Standards.

In any event, the environmental information provided in this section responds to both the EPRA sBPR Guidelines and the GRI Standards. Following the recommendations of these Guidelines, in section "7.5 Report on Environmental Performance, according to the tables contained in the EPRA sBPR Guidelines (Sustainability Best Practice Recommendations)" a series of tables is included which provide a detailed breakdown of the portfolio's environmental performance.

The information in this section is also verified by an external auditor in accordance with the criteria established by the GRI Standards (for further information see the table "GRI Table of Contents" in chapter 8.3 of this Report).



### 7.3.2 Key concepts

Following the recommendations of the EPRA sBPR Guidelines, for the calculation of the information on MERLIN's environmental performance only those assets in operation during the reporting period of the Report are considered as the reported **scope**.

Given their strategic importance among all the assets of the Company, information is included on the environmental performance of the office assets, shopping centers and logistics assets portfolios (in this order, according to the area in scope for each asset category), but does not include assets with a minority interest<sup>(1)</sup> in the calculation. On an individual basis, it also includes information on the environmental performance of the corporate office, as well as the properties leased by the Company which correspond to LOOM spaces.

Using the EPRA sBPR Guidelines as a basis, MERLIN addresses a series of environmental indicators or KPIs (integrated into the EPRA Sustainability Performance Measures). These KPIs include information relating to energy consumption, GHGs or Green House Gases, water withdrawal and the generation of waste. The complete definition of these KPIs is detailed in section 8.4. "EPRA sBPR table of contents" of this Report.

These KPIs are divided into two types: **KPIs in total or absolute terms** and **KPIs in Like for Like terms**. The absolute KPIs are calculated in total terms for the asset portfolio, while the Like for Like KPIs are calculated taking into account only those assets that have been operational continuously for the last three years.

Some of the KPIs are provided in terms of the **intensity** of the energy consumption, GHG emissions and water consumption. These KPIs are calculated as a ratio or quotient between the absolute value or Like for Like value of the consumption or GHG emissions and the area for which the consumption or GHG emissions are reported.

Additional information will be provided throughout this section on the **coverage** of each KPI. Coverage is defined as the proportion of assets on which there is information available in order to calculate each KPI, and this is expressed in this Report both in terms of number of assets and area of the assets.

In order to better manage performance in terms of energy consumption efficiency, water withdrawal and the carbon footprint of its assets, MERLIN divides the data of these KPIs according to the type of property to which they refer:

- Data on assets over which the Company exercises operational control. Multi-tenant assets are treated at a general level, whereby the Company continuously evaluates their environmental impact in order to take the necessary measures with regard to the monitoring and reduction of environmental impacts.
- Data on assets over which the Company does not exercise operational control. In the case of these single-tenant assets, MERLIN is the account holder of the energy and water supply contracts and collates these data in order to record the environmental performance of these assets. However, the task of managing consumption falls upon the lessee of the asset.

<sup>(1)</sup> The scope excludes the Barcelona ZAL Port assets, as these represent a minority interest.

- Data on the performance of the Company's corporate offices and LOOM spaces leased by the Company (only information on energy consumption and GHG emissions is available).

Each one of the sections relating to energy consumption, GHG emissions and water withdrawal below are structured according to each one of the above points.

In the case of the KPIs relating to the amount of waste generated, MERLIN collects this waste from the assets included in its ISO 14001 certified Corporate Environmental Management System (EMS) (except in those cases in which this management is assumed by the condominium owners association), and also from other assets not included within the EMS. Therefore, MERLIN reports these KPIs in overall terms for the assets for which it is responsible for waste management.

In general terms, the KPIs reported are calculated based on the bills issued by the energy and water suppliers and waste collection services provider, as well as the receipts for the refrigerant gas recharges. No estimates have been used for any of the data. Furthermore, in the cases of assets that are incorporated as condominium owners association, the coefficient of ownership is applied to the energy and water consumption. In these cases, the area considered in the calculations represents the proportional part of the coefficient of ownership of MERLIN in the asset.

### 7.3.3 Energy consumption

The information detailed below relates to the calculation of the consumption of electricity, fuel (natural gas and diesel) and the District Heating & Cooling recorded at assets under operational control, at assets not under operational control, at the headquarters of MERLIN in Madrid and the LOOM spaces in Huertas and Salamanca. The coverage of this information is detailed below in the report.

#### Consumption of energy at assets over which MERLIN exercises operational control

With regard to all the assets under management (multi-tenant), the Company has information on energy consumption in Like for Like terms for 75 office assets, 11 shopping centers, and 2 logistics warehouses, and in absolute terms for 89 office assets, 13 shopping centers and 26 logistics warehouses. Below follows a table indicating the area coverage of the information on energy consumption.

Coverage in energy – assets under operational control

	Like for Like portfolio		Absolute portfolio
	Reported area	Reported area	% coverage (area) <sup>(2)</sup>
Offices	674,158 sqm	866,087 sqm	71%
Shopping centers	330,136 sqm	444,932 sqm	84%
Logistics warehouses	33,860 sqm	186,999 sqm	14%
<b>Total</b>	<b>1,038,154 sqm</b>	<b>1,498,018 sqm</b>	<b>48%</b>

<sup>(1)</sup> Appendix I contains the list of assets included in the report for this type of environmental performance information.

<sup>(2)</sup> Coverage calculated over all assets in operation of the three portfolios: offices, shopping centers and logistics warehouses (excluding Barcelona Zal Port).

For these operational assets, MERLIN exercises operational control and is able to control and evaluate their energy consumption levels.

By country, the covered area in absolute terms for energy consumption is 1,435,053 sqm in Spain and 62,965 sqm in Portugal. The Like for Like portfolio comprises assets that are all located in Spain.

With regard to the energy consumption data of the assets, the source information depends on the type of assets, as well as the energy source. In the case of electricity, the following cases are identified:

- Assets in which MERLIN has total control of the electricity used throughout the building, including that used in common areas and in leased (or private) areas. In these cases, the area corresponding to the asset is used when calculating the coverage.
- Assets in which MERLIN has control of the electricity used for the lighting of the common areas, as well as the electricity used for the air conditioning systems of the whole asset. In these cases, the area corresponding to the asset is also used.
- Assets in which MERLIN only has control of the electricity consumed in the common areas. In these cases, the area corresponding to the common areas is used when calculating the coverage.

In the case of fuel and District Heating & Cooling, information is available on energy consumption for the asset as a whole.

With regard to the performance data, both in terms of the Like for Like portfolio and the absolute portfolio, the largest proportion of energy consumption corresponds to electricity from the grid and a much smaller proportion to the consumption of fuel (diesel or natural gas) for some of the offices and shopping centers within the reported coverage. To a lesser extent, it also includes the consumption of District Heating & Cooling at two office assets in Barcelona: Torre Glòries and P.E. Poble Nou 22@, connected to the Districlima network, with consumption data available for 2019 and 2020.

In 2020, the energy consumption of the Like for Like assets (all located in Spain), where MERLIN exercises operational control, was 277,900 GJ, with 63.7% consumed by the offices portfolio, 35.6% by the shopping centers and the remainder (0.7%) by the logistics assets. Broken down by energy source, 221,187 GJ came from electricity (79.7% of the total), 47,879 GJ from natural gas (17.2%), 7,342 GJ from Diesel oil type C (2.6%) and 1,492 GJ from District Heating & Cooling (0.5%).

As a result of the pandemic caused by COVID-19, there was a fall in energy consumption in 2020 of 18% compared to 2019. Although all the assets in operation remained open and accessible to tenants during the whole period, the decrease in footfall at the assets led to a significant decrease in these consumption figures. Another factor to consider with regard to this reduction is the continuation in 2020 of the implementation of energy savings measures (ESMs) at the assets. Furthermore, it is worth noting that this reduction was less pronounced as a result of the implementation of measures to increase the use of outdoor air in the air conditioning systems, in line with the protocols against COVID-19 framework

approved by MERLIN at its offices portfolio and shopping centers.

In the case of the Like for Like offices portfolio, the consumption for this group of assets was 176,927 GJ, 13.0% lower than 2019. This energy consumption is distributed as follows: electricity (74.1%), natural gas (21.0%), diesel oil type C (4.1%) and District Heating & Cooling (0.8%).

In the Like for Like shopping centers portfolio, the consumption was 98,966 GJ, 26.7% down year on year. The energy consumption for this portfolio is distributed as follows: electricity (89.1%) and natural gas (the remaining 10.9%).

In the Like for Like logistics assets portfolio, energy consumption in 2020 was 2,007 GJ, (all electricity consumption), compared to 519 GJ in 2019. This increase is due to the different accounting method for energy consumption at the Valencia-Almussafes asset between 2019 and 2020, where the energy consumption data for 2020 corresponds to the whole asset, but the data for 2019 corresponds only to the common areas.

Furthermore, the energy consumption in absolute terms in 2020 for the assets where MERLIN exercises operational control was 388,595 GJ, with 63.7% corresponding to the offices portfolio, 31.4% to the shopping centers and 4.9% to logistics. Broken down by energy source, 310,313 GJ came from electricity (79.8% of the total), 62,946 GJ from natural gas (16.2%), 7,994 GJ from District Heating & Cooling (2.1%) and 7,342 GJ from diesel oil type C (1.9%). Broken down by country, the energy consumption of the assets in Spain in 2020, in absolute terms, was 371,797 GJ (95.5% of the total), whereas the consumption in Portugal in 2020 was 17,305 GJ (4.5% of the total).

The decrease in energy consumption compared to 2019 in absolute terms was 19.3%, mainly due to the pandemic caused by COVID-19; the sale of non-core assets, which were included in the scope of 2019 and which have not been considered in the scope of 2020; and also due to the energy saving measures (ESMs) implemented by the company. The falls in consumption have been similar in the case of electricity and fuel; whereas District Heating & Cooling consumption increased 58.1% as a result in the increase in consumption at Torre Glòries, an asset that concluded its refurbishment process in 2019.

Turning to the offices portfolio, energy consumption in absolute terms in 2020 was 247,214 GJ. Electricity consumption represented 75.3% of the total, natural gas consumption 18.5%, District Heating & Cooling 3.2% and diesel oil type C 3.0%. Compared to 2019, energy consumption decreased 21.0%. In addition to the factors previously explained, the decrease in sales of the Juno portfolio in November 2019 also had an impact.

For the shopping centers portfolio, energy consumption in absolute terms in 2020 was 122,171 GJ. The consumption of electricity represented 86.0% of all consumption, with natural gas making up the remaining 14.0%. There was a decrease of 22.2% in consumption for this portfolio. In addition to the previously mentioned factors, this reduction is also due to the contribution in February of Thader, La Fira and Nassica to Silicius Socimi, since these assets are not considered within the scope in the report for 2020.

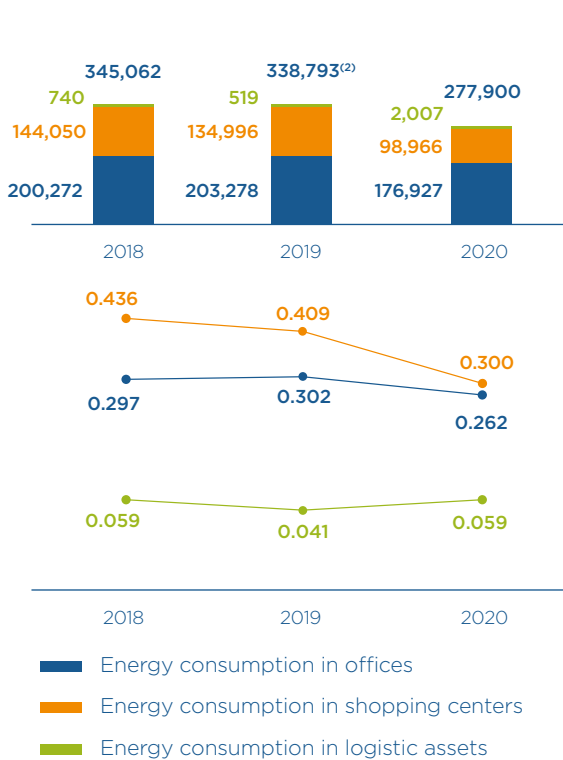
For the logistics assets portfolio, energy consumption in absolute terms in 2020 was

19,210 GJ (only electricity consumption). Energy consumption in 2020 was 63.6% higher compared to 2019, mainly as a result of the inclusion of new assets within the scope of the report for this portfolio.

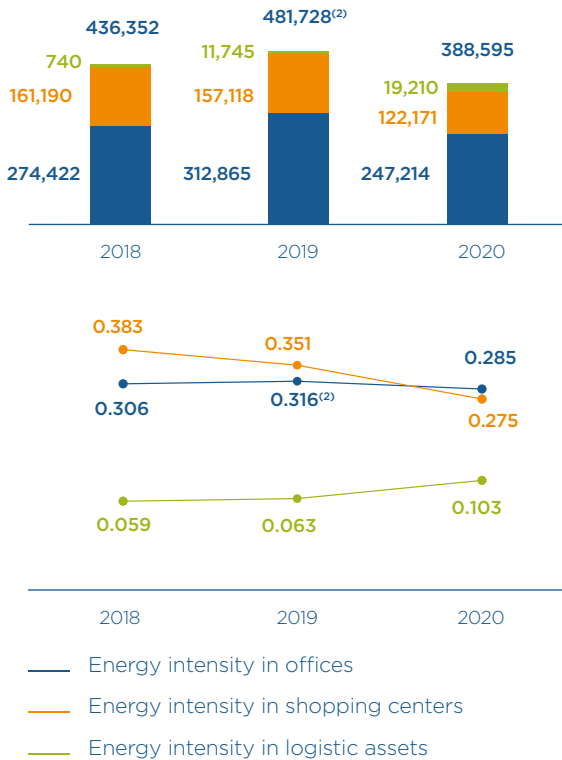
Lastly, with regard to energy intensity, in the Like for Like portfolio this was 0.268 GJ/sqm, 18.0% lower than in 2019, and for the absolute portfolio it was 0.259 GJ/sqm, down 17.1% compared to 2019.

### KPIs - ENERGY CONSUMPTION OF MERLIN ASSETS UNDER OPERATIONAL CONTROL<sup>1</sup>

**Like for Like energy consumption (GJ) and Like for Like energy intensity (GJ/sqm) by asset category**



**Absolute energy consumption (GJ) and absolute energy intensity (GJ/sqm) by asset category**



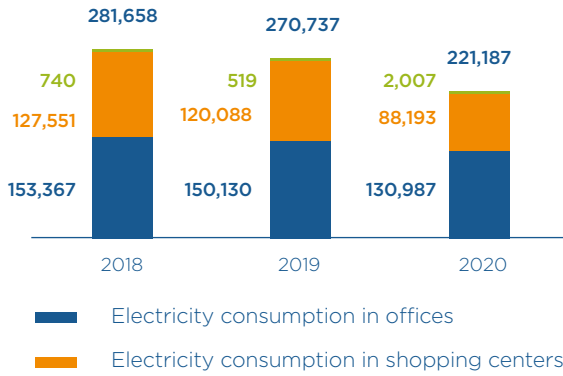
<sup>(1)</sup> The total area of the assets has been considered in the calculation of the intensity, except in those cases in which MERLIN only has control over the management of the consumption in the common areas, in which case, only the area of these common areas is considered

<sup>(2)</sup> The data for absolute energy consumption for 2019 was recalculated to include the consumption of District Heating & Cooling corresponding to this year for the office assets: Torre Glòries and Lluís 283 (Poble Nou 22@). No information on consumption of this type is available for 2018.

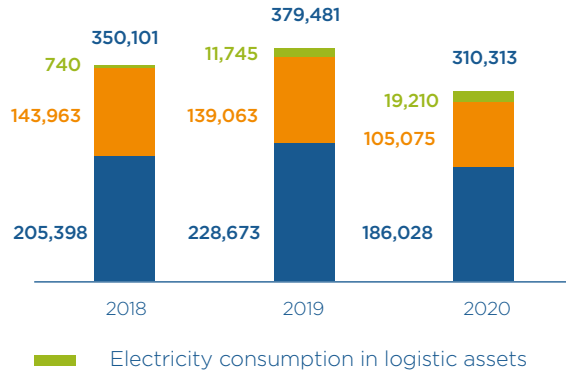




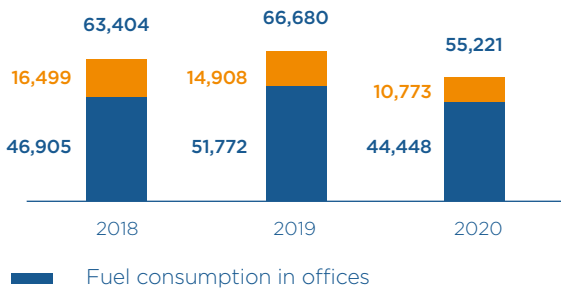
Like for Like electricity consumption (GJ) by asset category



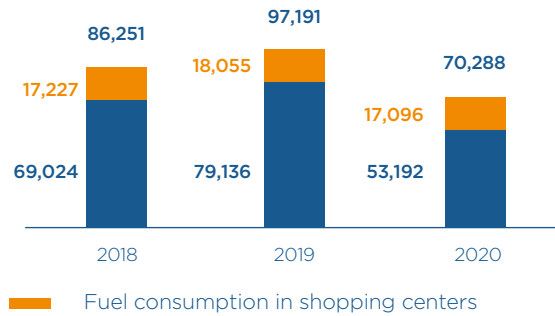
Absolute electricity consumption (GJ) by asset category



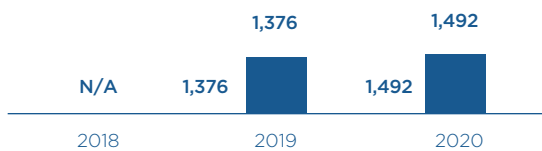
Like for Like fuel consumption (GJ) by asset category



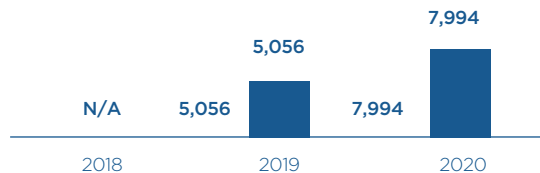
Absolute fuel consumption (GJ) by asset category



Like for Like District Heating & Cooling consumption (GJ) by asset category



Absolute District Heating consumption (GJ) by asset category



District Heating & Cooling consumption in offices

In 2020, MERLIN remained committed to renewable energy, continuing with the generation of photovoltaic solar energy at its assets and increasing the number of assets that are supplied with renewable energy with a guarantee of origin.

Therefore, with respect to the production of renewable energy for assets under operational control, a total of 1,946 GJ were generated in 2020, distributed between the Coslada-Complex and Vía Norte assets. For the first of these assets (Coslada-Complex) a total of 1,814 GJ were generated for self-consumption in the private areas. In the case of Vía Norte, the photovoltaic installation of this asset generated a total of 132 GJ of electricity, which was fed into the grid. Over the next few years, thanks to the Project Sun initiative, the Company will increase the number of photovoltaic energy generation installations on assets under its operational control.

Likewise, MERLIN has continued increasing the proportion of electricity of renewable origin which it acquires from green energy distributors, where this is within its operational control. To do this, the Company has signed contracts with Endesa, Iberdrola and EDP guaranteeing the supply of renewable energy by these distributors in 2020<sup>(1)</sup>. Therefore, the consumption of electricity of renewable origin from electricity distributors was 271,055 GJ, representing 87.3% of the internal electricity energy consumption.

The remaining electricity consumption (39,258 GJ, 12.7% of the total electricity consumption) corresponds to electricity consumption from conventional electricity distributors. However, this electricity consumption is fully supported by Renewable Energy Certificates (REC), acquired by the Company within the framework of its LEED and BREEAM certificates. Thanks to this mechanism for purchasing green energy, in 2020, the Company acquired a total of 60,541 GJ, for approximately € 28.730. So, taking into account this amount of renewable energy, 100% of the electric energy consumed by the Company is renewable energy.

Furthermore, with regard to the other energy sources used at the assets, the energy corresponding to the District Heating & Cooling system (Districlima) is part renewable and part nonrenewable. Based on the information provided by Districlima, it is calculated that in the consumption of District Heating & Cooling, 6,736 GJ is of renewable origin and 1,259 GJ is non-renewable consumption<sup>(2)</sup>. The energy consumption from fuel is nonrenewable, because the fuels used are fossil fuels (natural gas and diesel).

### **Consumption of energy at assets over which MERLIN does not exercise operational control**

With regard to the assets over which the Company does not exercise operational control (single tenant), the Company has information on energy consumption in Like for Like terms for 3 office assets, and in absolute terms for 5 office assets and 4 logistics warehouses<sup>(3)</sup> (all located in Spain). Below follows a table indicating the area coverage of the information on energy consumption.

<sup>(1)</sup> In the case of electricity supplied by Iberdrola in Spain, the energy supplied as of the second quarter of 2020 by the distributor is calculated as renewable energy.

<sup>(2)</sup> Energy of a renewable and nonrenewable origin estimated based on the emission factor provided by Districlima, taking into account a loss percentage of 10% to the grid and efficiency of the back-up natural gas boiler of 90%.

<sup>(3)</sup> Appendix I contains the list of assets included in the report for this type of environmental performance information.

## Coverage in energy - assets not under operational control

	Like for Like portfolio		Absolute portfolio
	Reported area	Reported area	% coverage (area) <sup>(1)</sup>
Offices	15,510 sqm	24,629 sqm	2%
Shopping centers	0 sqm	0 sqm	0%
Logistics warehouses	0 sqm	170,865 sqm	13%
<b>Total</b>	<b>15,510 sqm</b>	<b>195,494 sqm</b>	<b>6%</b>

In absolute terms, the energy consumption registered in 2020 for this group of assets was 10,862 GJ, divided among office assets (55.6% of the consumption) and logistics assets (the remaining 44.4%). The consumption of electricity represented 9,126 GJ (84.0% of the total), whereas the consumption for natural gas was the remaining 1,736 GJ (16.0% of the total). This level of consumption is a decrease of 16.9% compared to 2019.

For the offices portfolio, in 2020, 6,036 GJ (0.233 GJ/sqm in terms of energy intensity) were recorded, distributed in percentage terms as follows: 71.2% electricity and 28.8% natural gas. However, the energy consumption of the logistics assets (all electricity consumption) was 4,826 GJ (0.028 GJ/sqm in terms of energy intensity).

In terms of the Like for Like portfolio (in this case comprising two office assets), the consumption was 5,238 GJ, of which 3,669 GJ were electricity and 1,569 GJ were natural gas. This level of Like for Like consumption is 23.2% lower compared to 2019.

#### Electricity consumption at the MERLIN Corporate Headquarters and LOOM spaces

MERLIN has headquarters in Madrid, Barcelona and Lisbon, which make up around 65%, 6% and 3% of the Group's total workforce, respectively. Below follows the energy consumption of the Corporate Headquarters in Madrid, which has a total area of 1,855 sqm. The electricity consumption of this property in 2020 was 663 GJ, which equates to an energy intensity of 0.357 GJ/sqm and represents a reduction of 8.4% compared to 2019, with there being no fuel consumption for this property.

Furthermore, due to the integration of LOOM in 2019, the Company has three buildings, of which it is the lessee, that exclusively host FlexSpace areas as part of the LOOM activity (Fábrica de Tapices, Huertas and Salamanca). Of these three properties, the Company only has control of the electricity consumption at Huertas and Salamanca, which have a total area of 3,119 sqm (1,188 sqm at Huertas and 1,931 sqm at Salamanca).

The electricity consumption recorded in 2020 for these properties was 1,363 GJ, 359 GJ at Huertas and 1,004 GJ at Salamanca, which also translates into an energy

<sup>(1)</sup> Coverage calculated over all assets in operation of the three portfolios: offices, shopping centers and logistics warehouses (excluding Barcelona Zal Port).

intensity of 0,437 GJ/sqm. These data for 2020 are higher than those reported for 2019 (584 GJ in total), given that the data for 2019 includes consumption only for part of that year (from the month of July 2019 in the case of LOOM Huertas and April in the case of LOOM Salamanca). There was no fuel consumption at these spaces.

### 7.3.4 Greenhouse gas emissions (GHG)

The information detailed below relates to the calculation of the greenhouse gas emissions (GHG) associated to the consumption of electricity, fuel (natural gas and diesel), the District Heating & Cooling and the refrigerant gas recharges for the cooling systems recorded at assets under operational control, assets not under operational control, the headquarters of MERLIN in Madrid and the LOOM spaces in Huertas and Salamanca.

The coverage of this information coincides with that indicated in the previous section “7.3.3 Energy consumption”.

#### GHG emissions at assets over which MERLIN exercises operational control

Firstly, by using a location-based<sup>(1)</sup> calculation approach as reference and considering the Like for Like portfolio, the total GHG emissions for Scope 1 and 2 was 14,295 tCO<sub>2</sub>eq, 21.7% less than 2019. Also in absolute terms, the direct emissions (Scope 1), which includes emissions deriving from the consumption of diesel and natural gas at the assets, as well as the refrigerant gas recharges, totaled 5,406 tCO<sub>2</sub>eq, while the indirect emissions (Scope 2) associated to the generation of the electricity consumed at the assets, as well as the consumption of Direct Heating & Cooling, totaled 8,889 tCO<sub>2</sub>eq.

By portfolio, the emissions for Scope 1 and 2 of the Like for Like office assets were 3,851 tCO<sub>2</sub>eq and 5,287 tCO<sub>2</sub>eq respectively, for the Like for Like shopping centers, 1,551 tCO<sub>2</sub>eq and 3,522 tCO<sub>2</sub>eq, and for the Like for Like logistics assets, 4 tCO<sub>2</sub>eq and 80 tCO<sub>2</sub>eq.

Furthermore, also using a location-based approach, the total GHG emissions of Scope 1 and 2 in absolute terms were 19,600 tCO<sub>2</sub>eq, 25.0% less compared to the previous year. Broken down by scope, 6,414 tCO<sub>2</sub>eq correspond to Scope 1 emissions (consumption of fuel and the coal and gas recharges), while the remaining 13,186 tCO<sub>2</sub>eq correspond to Scope 2 emissions (consumption of electricity and District Heating & Cooling). By asset type, the emissions for Scope 1 and 2 for the office assets (in absolute terms) were 4,511 tCO<sub>2</sub>eq and 8,223 tCO<sub>2</sub>eq respectively, for the shopping centers, 1,899 tCO<sub>2</sub>eq and 4,196 tCO<sub>2</sub>eq, and for the Like for Like logistics assets, 4 tCO<sub>2</sub>eq and 767 tCO<sub>2</sub>eq.

Furthermore, broken down by country, the GHG emissions in absolute terms for Scope 1 and 2 in Spain were 18,375 tCO<sub>2</sub>eq (6,376 tCO<sub>2</sub>eq for Scope 1 and 11,999

<sup>(1)</sup> Scope 1 emissions are calculated taking into account the factors recommended by the Ministry for the Ecological Transition (MITECO). In a similar vein, the Scope 2 location-based emissions corresponding to electricity consumption are calculated taking into account the emission factor of the electricity mix for Spain and Portugal. The emission factor of the electricity mix is a ratio that represents the CO<sub>2</sub> emission intensity associated with the generation of the electricity consumed. Therefore, it is a significant indicator for low carbon energy sources for all the electricity production of the country. Scope 2 location-based emissions corresponding to the consumption of District Heating were obtained from the emission factors are provided by Districlima, and the emissions corresponding to the consumption of District Cooling were obtained taking into account the emission factor of the Spanish electricity mix and a loss percentage of 10% to the grid.

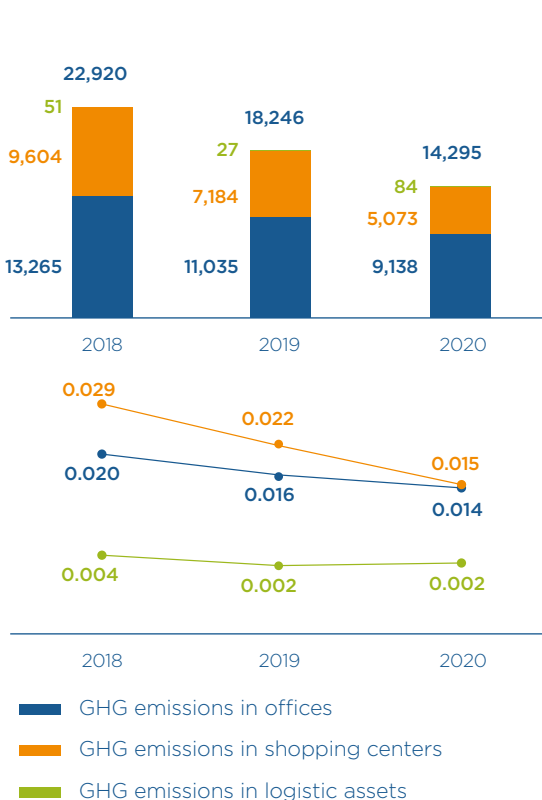
tCO<sub>2</sub>eq for Scope 2), while the GHG emissions for Scope 1 and 2 in Portugal were 1,226 tCO<sub>2</sub>eq (38 tCO<sub>2</sub>eq for Scope 1 and 1,187 tCO<sub>2</sub>eq for Scope 2).

In relation to the GHG emissions intensity, the amount in Like for Like terms was 0.014 kgCO<sub>2</sub>eq/sqm (21.7% down on 2019), and the value in absolute terms was 0.013 kgCO<sub>2</sub>eq/sqm (22.9% lower compared to 2019).

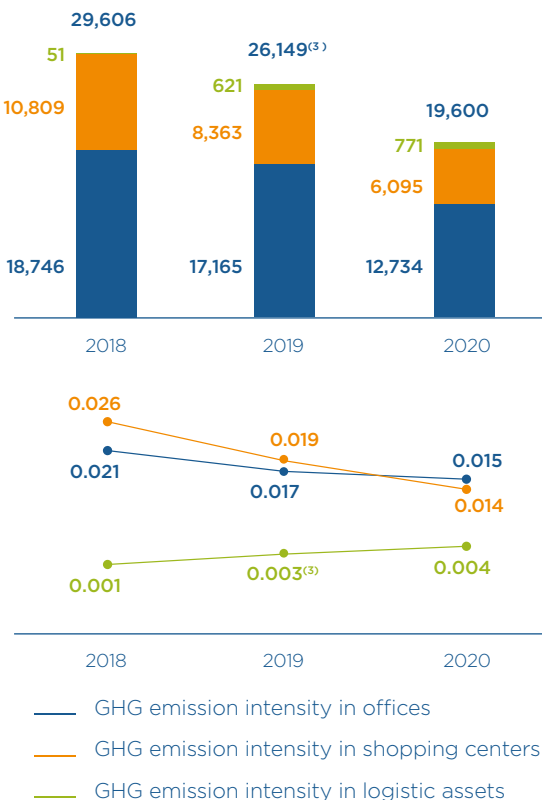
The decrease in total location-based GHG emissions for Scope 1 and Scope 2 for both the Like for Like portfolio and overall portfolio (absolute GHG emissions) is mainly the result of the reduction in footfall levels of the office assets and shopping centers due to the COVID-19 pandemic, the reduction of the emission factor of the Spanish electricity mix in 2020 compared to 2019 within the energy transition process, and the integration of renewable energies in the country, and also the energy savings measures (ESMs) implemented by the Company. An increase in Scope 1 emissions was also recorded as a result of the inclusion of information on refrigerant gas recharges at the assets in 2020, which had not been accounted for in previous years.

## KPIS - GREENHOUSE GAS EMISSIONS (GHGs) AT MERLIN ASSETS UNDER OPERATIONAL CONTROL<sup>(1)</sup>

**Like for Like GHG emissions (t CO<sub>2</sub>eq) and Like for Like GHG intensity<sup>(2)</sup> of GHG emissions (t CO<sub>2</sub>eq/sqm) by asset category**



**Absolute GHG emissions (t CO<sub>2</sub>eq) and absolute GHG intensity<sup>(2)</sup> of GHG emissions (t CO<sub>2</sub>eq/sqm) by asset category**



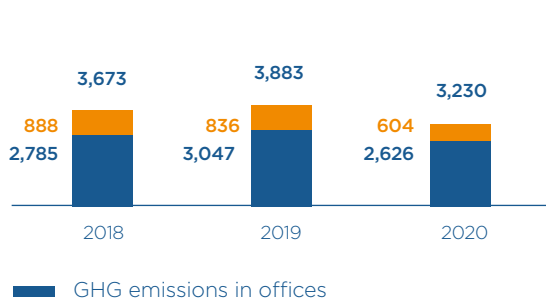
<sup>(1)</sup> The Scope 1 and 2 GHG emissions reported below correspond to assets over which MERLIN exercises operational control.

<sup>(2)</sup> The total area of the assets has been considered in the calculation of the intensity, except in those cases in which MERLIN only has control over the management of the consumption in the common areas, in which case, only the area of these common areas is considered.

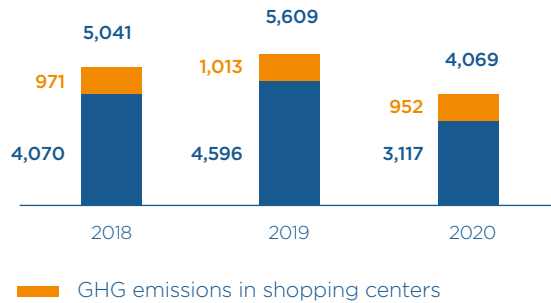
<sup>(3)</sup> The data for absolute GHG emissions for 2019 was recalculated to include the emissions deriving from consumption of District Heating & Cooling corresponding to this year for the office assets: Torre Glòries and Lluï 283 (Poble Nou 22@). No information on consumption of this type is available for 2018.



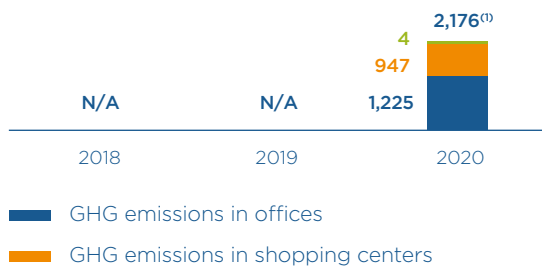
**Like for Like GHG Scope 1 emissions (fuel consumption) by asset category (t CO<sub>2</sub>eq)**



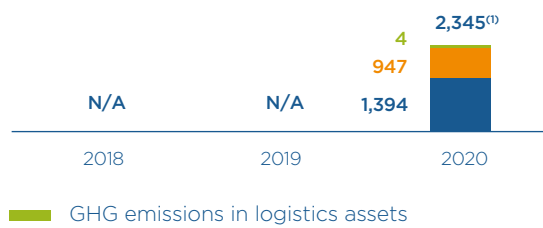
**Absolute GHG Scope 1 emissions (fuel consumption) by asset category (t CO<sub>2</sub>eq)**



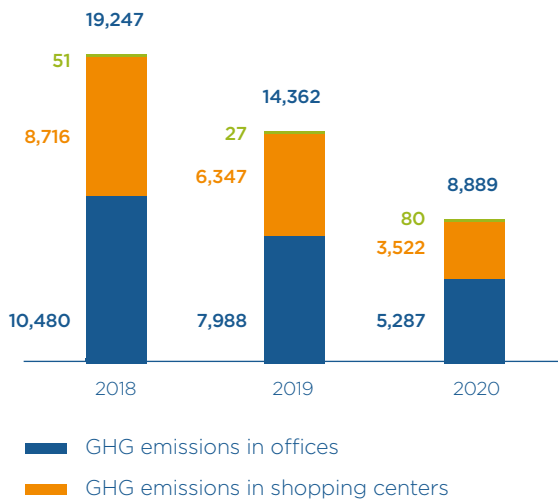
**Like for Like GHG Scope 1 emissions (refrigerant gases) by asset category (t CO<sub>2</sub>eq)**



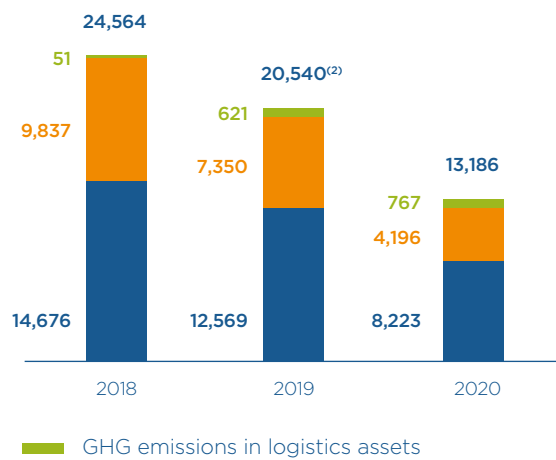
**Absolute GHG Scope 1 emissions (refrigerant gases) by asset category (t CO<sub>2</sub>eq)**



**Like for Like GHG Scope 2 emissions by asset category (t CO<sub>2</sub>eq)**



**Absolute GHG Scope 2 emissions by asset category (t CO<sub>2</sub>eq)**



<sup>(1)</sup> The data on GHG emissions in 2020 includes information the refrigerant gas recharges that have occurred at the assets during the year. This information is not available for 2018 and 2019.

<sup>(2)</sup> The data for absolute GHG emissions for 2019 in Scope 2 was recalculated to include the emissions deriving from consumption of District Heating & Cooling corresponding to this year for the office assets: Torre Glòries and Lull 283 (Poble Nou 22@). No information on consumption of this type is available for 2018.

Furthermore, taking into consideration a market-based approach for the calculation, Scope 2 GHG emissions for 2020 deriving from electricity consumption, both in Like for Like and absolute terms, were zero. This level of zero emissions has been achieved due to the electric energy of renewable origin acquired by the Company from its electricity distributors and which it consumes at its assets, as well as the renewable energy certificates (REC) acquired by the Company within the framework of its LEED and BREEAM certifications.

Also, within the context of its LEED and BREEAM certifications, MERLIN also contributes to the preservation and recovery of the forests, through the association REFORESTA, to reverse their degradation and mitigate the effects of climate change. In 2020, the company collaborated financially with reforestation initiatives by making donations in the amount of € 8,855.

With regard to accounting for all the GHG emissions associated to energy consumption, and also the Scope 1 and 2 GHG emissions indicated above, MERLIN also calculates its Scope 3 emissions in category 3. This category calculates the GHG emissions from the fuel consumed by the Company which are produced upstream (prior to combustion), as well as the GHG emissions associated to the losses of electricity due to its transport and distribution and the upstream GHG emissions of the fuel used in the generation of electricity. Taking into account the above concepts, an amount of GHG emissions is obtained for this category totaling 2,130 tCO<sub>2</sub>eq in terms of the absolute portfolio, and 1,518 tCO<sub>2</sub>eq in terms of the Like for Like portfolio.

#### **GHG emissions at assets over which MERLIN does not exercise operational control**

MERLIN calculates its Scope 3 within category 13: "Downstream leased assets", the emissions of the assets of which it is the owner, but for which it does not carry out any activities of operational control. These emissions are calculated using the data on electricity and fuel consumption for these types of assets and the refrigerant gas recharges, and using the same emission factors as those used in the calculation of the Scope 1 and 2 emissions, as indicated in the previous section.

In this manner, in absolute terms, the Scope 3 emissions in this category were 478 tCO<sub>2</sub>eq. By asset category, emissions of 285 tCO<sub>2</sub>eq are obtained for office assets (representing an emissions intensity of 0.012 tCO<sub>2</sub>eq/sqm) and 193 tCO<sub>2</sub>eq for logistics assets (representing an emissions intensity of 0.001 tCO<sub>2</sub>eq/sqm). Compared to 2019, the omissions in this category have fallen 32.1%.

For the Like for Like portfolio (comprising 2 office properties), the Scope 3 emissions in 2020 were 235 tCO<sub>2</sub>eq, representing a fall in GHG emissions of 36.0% compared to 2019.

### GHG emissions associated to electricity consumption of the head offices of MERLIN Properties and LOOM spaces

MERLIN also calculates the category 8 of Scope 3: “Upstream leased assets” accounting for the GHG emissions of those assets of which it is the lessee. This category includes GHG emissions associated with the electricity consumption of the head offices of the Company in Madrid (corporate headquarters), as well as the GHG emissions of the LOOM Huertas and LOOM Salamanca spaces. Overall, the GHG emissions in 2020 in this category were 80 tCO<sub>2</sub>eq (0,016 t CO<sub>2</sub>eq/sqm), divided among the corporate headquarters (26 tCO<sub>2</sub>eq, 0.014 t CO<sub>2</sub>eq/sqm) and the LOOM spaces (54 tCO<sub>2</sub>eq, 0.017 t CO<sub>2</sub>eq/sqm).

The GHG emissions corresponding to 2020 are higher than those reported in 2019 (69 tCO<sub>2</sub>eq in total), given that there was only information available on energy consumption for the LOOM spaces from only some months of 2019.

#### 7.3.5. Water withdrawal

##### Water withdrawal at assets over which MERLIN exercises operational control

With regard to all the assets under management (multi-tenant), the Company has information on water withdrawal in Like for Like terms for 69 office assets, 11 shopping centers, and 1 logistics warehouse, and in absolute terms for 89 office assets, 13 shopping centers and 23 logistics warehouses<sup>(1)</sup>. Below follows a table indicating the area coverage of the information on water withdrawal.

Coverage in water – assets under operational control

	Like for Like portfolio	Absolute portfolio	
	Total area	Total area	% coverage (area) <sup>(2)</sup>
Offices	668,938 sqm	848,610 sqm	69%
Shopping centers	241,242 sqm	288,347 sqm	55%
Logistics warehouses	7,247 sqm	186,983 sqm	14%
<b>Total</b>	<b>917,427 sqm</b>	<b>1,323,939 sqm</b>	<b>43%</b>

By country, the covered area in the absolute portfolio for water withdrawal is 1,260,974 sqm in Spain and 62,965 sqm in Portugal. The Like for Like portfolio comprises assets that are all located in Spain.

With regard to the source information available to the Company, the data corresponding to the offices assets and shopping centers corresponds to the water withdrawal for the whole asset. Furthermore, in some cases, the data on the logistics assets only corresponds to the common areas and to the asset as a whole in others.

<sup>(1)</sup> Appendix I contains the list of assets included in the report for this type of environmental performance information.

<sup>(2)</sup> Coverage calculated over all assets in operation of the three portfolios: offices, shopping centers and logistics warehouses (excluding Barcelona Zal Port).

In relation to the performance data, in Like for Like terms, the volume of water withdrawn in 2020 at assets where MERLIN exercises operational control was 358,767 m<sup>3</sup>, distributed among the consumptions in the offices portfolio (50.8%), shopping centers (48.1%) and logistics assets (1.1%) and represents a decrease of 39.9% compared to 2019, mainly due to the decrease in footfall for the offices and shopping centers portfolios as a result of the COVID-19 pandemic.

In relation to the Like for Like offices portfolio, water withdrawal in 2020 was 182,172 m<sup>3</sup>, 37.1% lower than 2019. Water withdrawal in the Like for Like shopping center portfolio was 172,502 m<sup>3</sup>, 43.1% lower than 2019. Furthermore, the water withdrawal in the Like for Like logistics assets portfolio was 4,093 m<sup>3</sup>, up 2.9% compared to 2019.

In absolute terms, the water withdrawal volume at assets where MERLIN exercises operational control was 495,673 m<sup>3</sup> in 2020, divided between the consumption of the offices portfolio (48.7%) shopping centers (45.2%) and logistics (6.1%). The volume of water withdrawn in absolute terms fell by 40.3% compared to 2019. By country, the volume of water withdrawn in Spain was 484,028 m<sup>3</sup> (97.7% of the total) and in Portugal, 11,645 m<sup>3</sup> (2.3% of the total).

With regard to the offices portfolio, water withdrawal in 2020 in absolute terms was 241,057 m<sup>3</sup>, 45.0% less than in 2019. Water withdrawal from the mains supply at shopping centers was 224,209 m<sup>3</sup>, 36.4% lower than 2019. Consumption from the mains supply for logistics assets in 2020 was 30,407 m<sup>3</sup>, 21.8% less than 2019. The reason for this decrease is that the A4-Getafe (Gavilanes) asset ceased to form part of the water consumption scope.

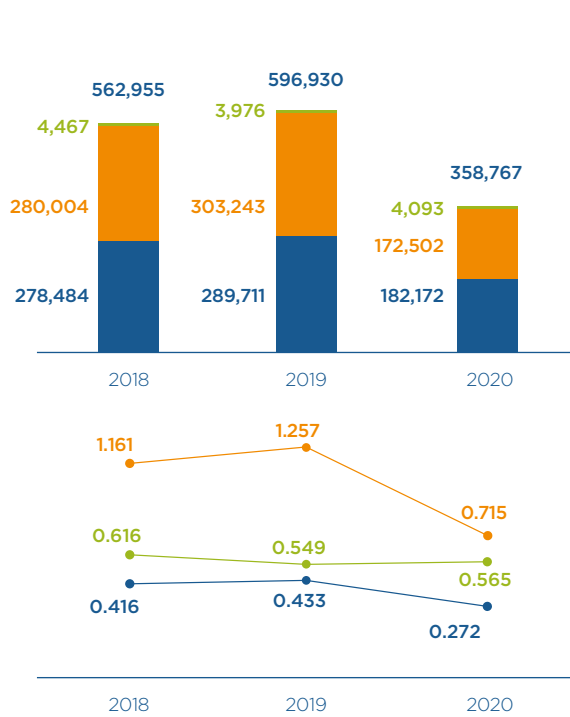
Practically all the water withdrawn at the assets is supplied by the municipal water supply, representing a total volume in absolute terms of 482,573 m<sup>3</sup> (97.4% of the total water withdrawn). In the particular case of the Marineda shopping center, located in La Coruña, part of the water withdrawn comes from a rainwater reservoir. According to the rainfall for 2020 in this area and the reservoir collection area<sup>(1)</sup>, the volume of water withdrawn and used by this asset is estimated at around 13,100 m<sup>3</sup> (2.6% of the total water withdrawn).

Lastly, with regard to water use intensity, in the Like for Like portfolio this was 0.391 m<sup>3</sup>/sqm, 39.9% lower than in 2019, and in the absolute portfolio, this was 0.374 m<sup>3</sup>/sqm, 31.6% lower compared to 2019.

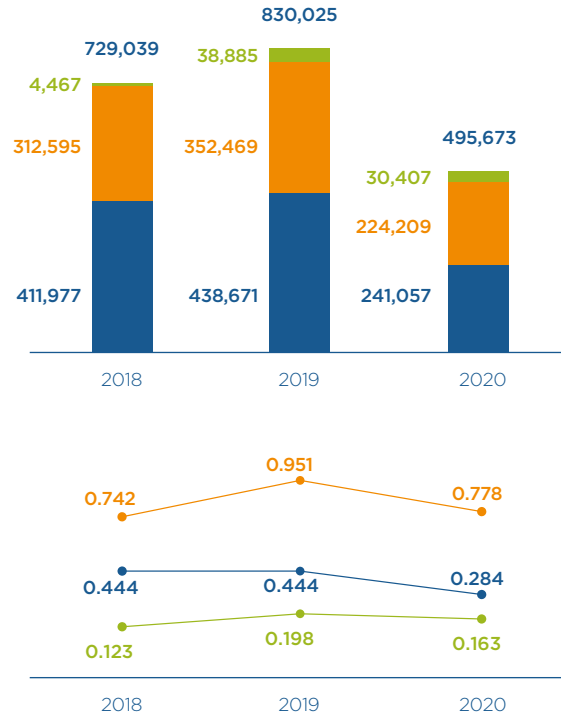
<sup>(1)</sup> The estimation considers the annual rainfall recorded in La Coruña for 2020, according to the data provided by Meteogalicia, and considering a collection area of around 16,000 m<sup>2</sup>. This also includes a loss percentage of 10%.

**KPIs - WATER WITHDRAWAL OF MERLIN ASSETS UNDER OPERATIONAL CONTROL<sup>(1)</sup>**

**Like for Like water withdrawal (m<sup>3</sup>) and Like for Like water withdrawal intensity (m<sup>3</sup>/sqm)<sup>(2)</sup> by asset category**



**Absolute water withdrawal (m<sup>3</sup>) and absolute water withdrawal intensity (m<sup>3</sup>/sqm)<sup>(2)</sup> by asset category**



Water withdrawal in offices

Water withdrawal in shopping centers

Water withdrawal in logistic assets

Water intensity in offices

Water intensity in shopping centers

Water intensity in logistic assets

**Water withdrawal at assets over which MERLIN does not exercise operational control**

With regard to the assets over which the Company does not exercise operational control (single tenant), the Company has information on water withdrawal in Like for Like terms for 3 office assets, and in absolute terms for 7 office assets<sup>(2)</sup> (all located in Spain). Below follows a table indicating the area coverage of the information on water withdrawal.

Coverage in water – assets not under operational control

	Like for Like portfolio		Absolute portfolio	
	Total area	Total area	Total area	% coverage (area) <sup>(3)</sup>
Offices	15,510 sqm	51,703 sqm		4%
Shopping centers	0 sqm	0 sqm		0%
Logistics warehouses	0 sqm	0 sqm		0%
<b>Total</b>	<b>15,510 sqm</b>	<b>51,703 sqm</b>		<b>2%</b>

<sup>(1)</sup> The total area of the assets has been considered in the calculation of the intensity, except in those cases in which MERLIN only has control over the management of the consumption in the common areas, in which case, only the area of these common areas is considered.

<sup>(2)</sup> Appendix I contains the list of assets included in the report for this type of environmental performance information.

<sup>(3)</sup> Coverage calculated over all assets in operation of the three portfolios: offices, shopping centers and logistics warehouses (excluding Barcelona Zal Port).



In absolute terms, for assets where the company does not exercise operational control, the water withdrawal from the mains supply of 19,645 m<sup>3</sup> (0.380 m<sup>3</sup>/sqm, in terms of water use intensity) was recorded in 2020. All withdrawal was attributable to the assets in the offices portfolio. Withdrawal in 2020 was 40.4% lower than in 2019, mainly due to the fall in the number of people visiting these single-tenant type assets, after the start of the COVID-19 pandemic.

In Like for Like terms of the portfolio (which specifically includes 2 office assets) the consumption in 2020 was 2,753 m<sup>3</sup>, 57.6% less than in 2019.

### 7.3.6. Waste management

Within the framework of the ISO 14001 Environmental Management System, MERLIN has a systematic approach to handling the waste of its portfolio, segregating the different types of waste at source into hazardous and nonhazardous. Given the activity carried on by the company, the hazardous waste generated by the assets is very low in terms of weight, compared to the nonhazardous waste.

In relation to waste management, the Company has information in Like for Like terms on 34 office assets, 2 shopping centers and 1 logistics warehouse, and in absolute terms, for 85 office assets, 11 shopping centers and 1 logistics warehouse<sup>(1)</sup> (all located in Spain). Below follows a table indicating the area coverage of the information on waste management.

Coverage in waste management

	Like for Like portfolio	Absolute portfolio	
	Total area	Total area	% coverage (area) <sup>(2)</sup>
Offices	317,846 sqm	825,022 sqm	67%
Shopping centers	37,974 sqm	356,073 sqm	67%
Logistics warehouses	36,234 sqm	36,234 sqm	3%
<b>Total</b>	<b>392,054 sqm</b>	<b>1,217,329 sqm</b>	<b>39%</b>

The data relating to waste generation in the Like for Like portfolio for 2020 was equal to 1,492 tons, with 49.4% originating from the shopping center's portfolio and 48.5% from the logistics warehouses and, to a lesser degree, 2.1% from the offices portfolio. The decrease of 26.5% compared to 2019 is mainly due to reduced activity levels in the shopping center's portfolio.

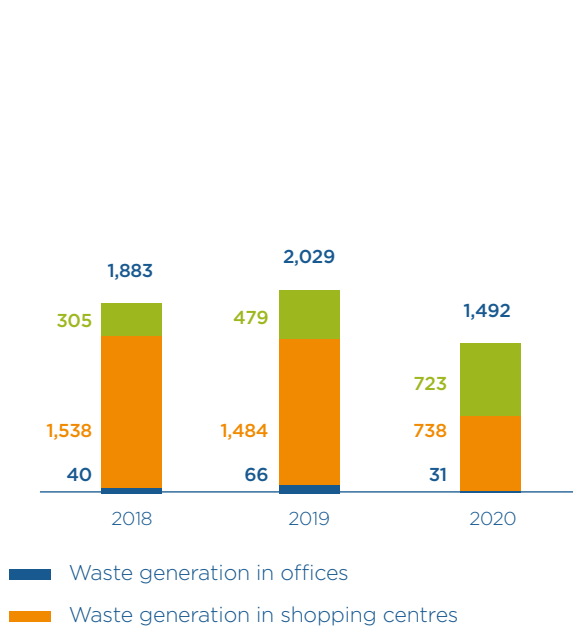
In absolute terms for waste generation, in 2020, this totaled 4,996 tons, mainly corresponding to the shopping centers (83.5%), the logistics warehouses (14.5%) and offices (2.0%). There has been a 31.2% reduction in absolute terms in the generation of waste compared to 2019, mainly as a result of the decrease registered in the data of the shopping centers, as well as the removal from the scope of the assets transferred to Silicius in 2020, which registered data in 2019 (Thader and La Fira).

<sup>(1)</sup> Appendix I contains the list of assets included in the report for this type of environmental performance information.

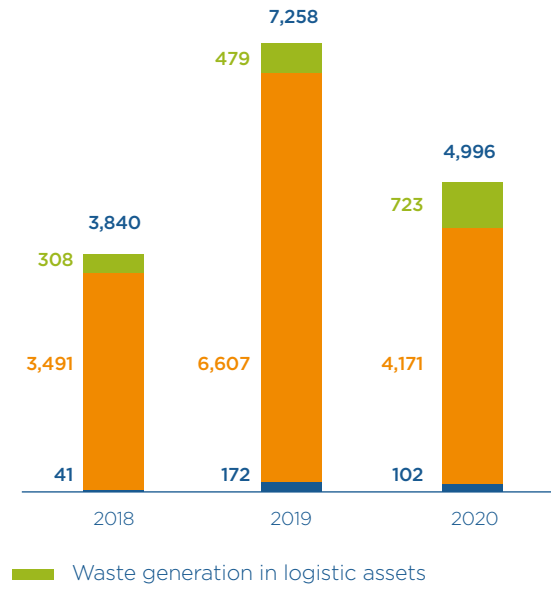
<sup>(2)</sup> Coverage calculated over all assets in operation of the three portfolios: offices, shopping centers and logistics warehouses (excluding Barcelona Zal Port).

### KPIs - WASTE GENERATED IN THE ASSETS AND MANAGED BY MERLIN

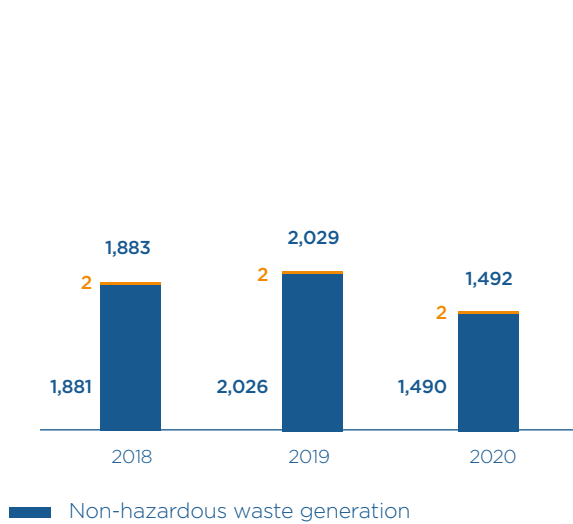
Like for Like waste generation by asset category (tonnes generated)



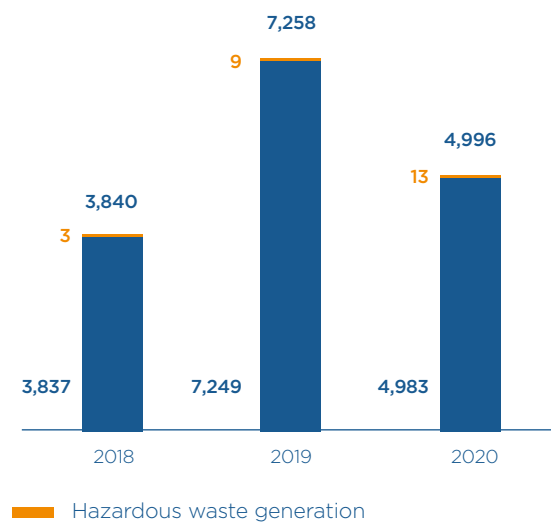
Absolute waste generation by asset category (tonnes generated)



Like for Like waste generation by type (tonnes generated)



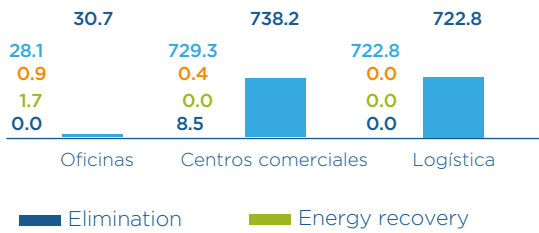
Absolute waste generation by type (tonnes generated)



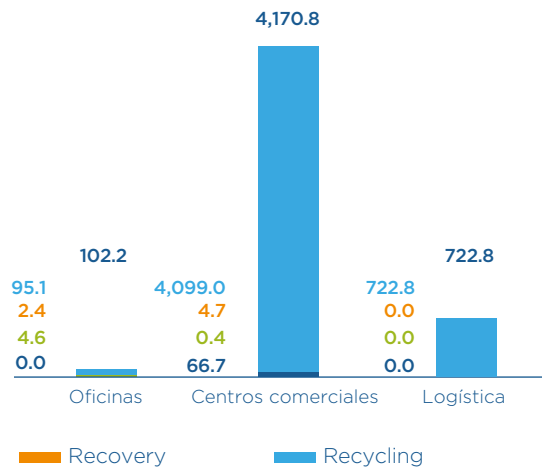


Furthermore, MERLIN has information on the final destination of 55% of the waste generated at the assets detailed. The company anticipates for the coming years to continue with its continuous improvement approach regarding the identification and management of waste, further hoping to maximize the amount of waste destined to recovery and recycling and in the future reach an objective of zero waste being taken to landfills.

Like for Like total weight of waste by disposal route (tonnes generated)



Absolute total weight of waste by disposal route (tonnes generated)



In the waste management area, with the aim of contributing to reducing food waste at shopping centers, the Company plans to carry out a pilot project soon in conjunction with the platform Too Good to Go.



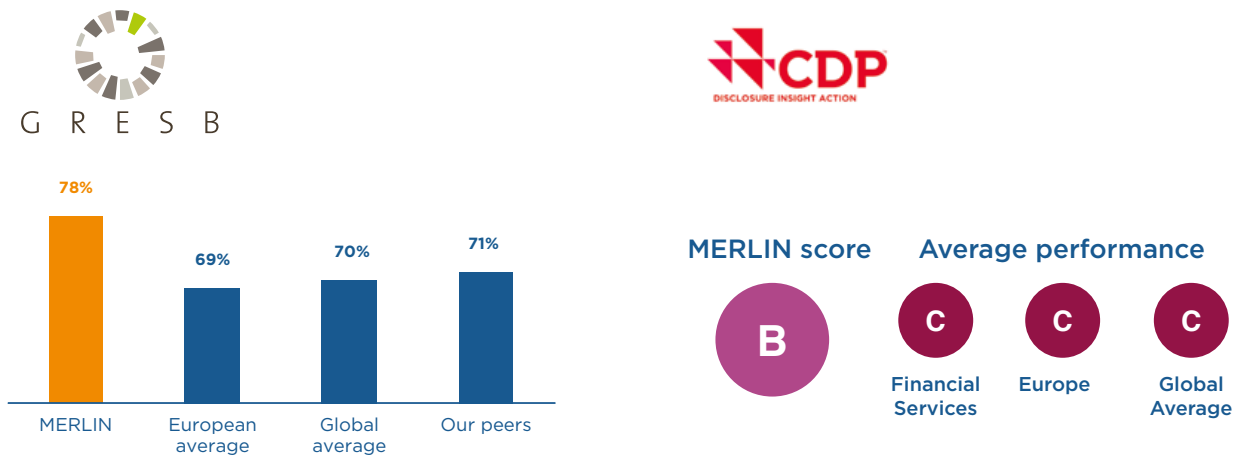
## 7.4. Sustainability ratings

In 2020, MERLIN's efforts in the area of sustainability were rewarded by several exceptional scores by the ESG ratings: GRESB and CDP. In both cases, the score obtained provides investors with a benchmark against which to compare MERLIN's level of ESG performance with other companies in the sector and with the universe of companies forming part of these indexes.

On one hand, MERLIN has participated in the **GRESB** questionnaire for the third year running, which is specifically aimed at companies from the REITs sector. Using this questionnaire as a basis, GRESB provides a score that allows ESG performance to be evaluated and compared with other companies.

MERLIN obtained an overall score of 78 points out of 100 in the questionnaire. This score is 9 points higher compared to the average of European REITs and 8 points higher compared to the average of global REITs. Compared to its peers (companies classified as comparable to the Company), MERLIN obtained a score that is 7 points higher than the average of its peer group, or comparable companies.

On the other hand, this is the first year that MERLIN has participated in the **CDP** questionnaire. This questionnaire assesses the degree of commitment of companies from different sectors in the fight against climate change. The CDP rating obtained in 2020 by MERLIN is a "B", higher than the global average, the European average and the average of the peer group assigned by CDP (Financial Services).



Also, of particular note in ESG Reporting, **EPRA** awarded the MERLIN CSR Report the Gold Award for the third year running, rewarding the level of alignment of the Report with its reporting recommendations.

MERLIN will continue to reaffirm its position in the most widely recognized ESG indexes. In this same vein, the Company has adapted the CSR Report to Bloomberg's **ESG Disclosure Score** reporting additional information which responds to the indicators defined by Bloomberg in this index. Similarly, the Company has set an objective for the coming years to participate in **S&P's DJSI/CSA** questionnaire.



## **7.5. Report on environmental performance according to the tables of EPRA's sBPR Guidelines (Sustainability Best Practice Recommendations)**

Following the instructions of the sBPR (Sustainability Best Practice Recommendations), below follows a series of tables which report the environmental KPIs for MERLIN's assets, as established by EPRA in these Guidelines (EPRA Sustainability Performance Measures). The tables reflect the environmental performance in the following areas: Energy consumption, greenhouse gas emissions (GHG), water withdrawal and waste generation, as well as the percentage of properties with environmental certification.

In the case of information on energy consumption, GHG emissions and water withdrawal, the information on the performance of the assets is separated into assets under operational control (multi-tenant) and assets not under operational control (single-tenant). Furthermore, in the case of energy consumption and GHG emissions, the information is reported separately regarding the Corporate Headquarters of Madrid and the LOOM spaces in Huertas and Salamanca.

Also following the recommendations set forth in the above-mentioned guidelines, in the cases in which the company acquired services consumed in the tenants' space (assets under operational control, in the cases of energy consumption, GHG emissions and water withdrawal), it has performed the pertinent calculations to disaggregate this consumption, as reflected in the tables of data that are detailed on the following pages. In any event, the data corresponding to services contracted by the tenants is not taken into account in these tables.

### **Energy**

The total energy consumption detailed in this report includes electricity consumption from renewable and nonrenewable energy sources, the consumption of District Heating & Cooling and fuel consumption: diesel and natural gas at the office assets and natural gas at the shopping centers.

For further information on energy performance, turn to pages 99 to 106.

This report includes four tables where this information relating to the consumption at the MERLIN portfolio assets (properties under and not under operational control), the corporate offices of MERLIN Properties and the properties leased by LOOM can be viewed.

The energy consumption at the corporate headquarters does not include the consumption of fuel, therefore the consumption on the respective table is only for electricity from the grid.

### Energy consumption of the MERLIN Properties portfolios (under operational control)<sup>(1)</sup>

EPRA code	Indicator and units	Total MERLIN					
		Absolute		Like for Like		Evol.	
		2019	2020	2019	2020		
Elect-Abs. Elect-LfL	Electricidad (kWh)	Electricity consumption					
		Common areas	27,305,110	21,424,226	20,734,382	16,492,315	-20%
		Tenant space	78,105,952	64,773,920	54,470,272	44,948,623	-17%
		Proportion of electricity from renewable sources (%) <sup>(2)</sup>	21%	87%	21%	82%	-
	Total electricity consumption	105,411,062	86,198,146	75,204,654	61,440,937	-18%	
DH&C-Abs. DH&C-LfL	District Heating & Cooling (kWh)	District Heating & Cooling consumption					
		Common areas	168,527	266,482	45,875	49,738	8%
		Tenant space	1,235,865	1,954,205	336,417	364,749	8%
		(DH&C) proceofnte of fuentes renovables (%)	99%	61%	99%	61%	-
	Total DH&C consumption	1,404,392	2,220,687	382,292	414,487	8%	
Fuels-Abs. Fuels-LfL	Combustible (kWh)	Fuel consumption					
		Common areas	3,239,693	2,342,934	2,222,645	1,840,704	-17%
		Tenant space	23,757,751	17,181,513	16,299,398	13,498,500	-17%
		Proportion of fuel from renewable sources (%)	0%	0%	0%	0%	-
	Total fuel consumption	26,997,444	19,524,446	18,522,043	15,339,204	-17%	
Energy-Int	Energy intensity (kwh/m <sup>2</sup> )	86.9	72.1	90.7	74.4	-18%	
	Coverage (based on number of assets)	156 of 158	128 of 129	88 of 88	88 of 88		
	% of data estimated	0%	0%	0%	0%	-	

### Energy consumption of the MERLIN Properties portfolios (not under operational control)

EPRA code	Indicator and units	Total MERLIN					
		Absolute		Like for Like		Evol.	
		2019	2020	2019	2020		
Elect-Abs. Elect-LfL	Electricity (kWh)	Total electricity consumption	3,051,549	2,534,920	1,322,787	1,019,046	-23%
		Proportion of electricity from renewable sources (%)	4%	96%	8%	100%	-
DH&C-Abs. DH&C-LfL	District Heating & Cooling (kWh)	Total district Heating & Cooling (DH&C) consumption	0	0	0	0	-
		Proportion of DH&C from renewable sources (%)	0%	0%	0%	0%	-
Fuels-Abs. Fuels-LfL	Fuel (kWh)	Total fuel consumption	579,578	482,366	572,625	435,957	-
		Proportion of fuel from renewable sources (%)	0%	0%	0%	0%	-
Energy-Int	Energy intensity (kWh/m <sup>2</sup> )	43.6	15.4	122.2	93.8	-23%	
	Coverage (based on number of assets)	11 of 99	9 of 54	3 of 3	3 of 3		
	% of data estimated	0%	0%	0%	0%	-	

<sup>(1)</sup> This energy report includes the electricity and fuel consumption that MERLIN has acquired as owner. MERLIN does not have information relating to the consumption contracted directly by the tenant. The allocation of fuel consumption between common areas and tenant spaces has been redefined with respect to the 2019 CSR Report, in order to more accurately reflect this distribution of consumption.

<sup>(2)</sup> This proportion includes the amount of renewable electricity acquired from the grid. It does not include renewable electricity generated by the company which is fed to the grid.

<sup>(3)</sup> The increase in Like for Like energy consumption in logistics assets is due to the fact that energy consumption data for 2020 corresponds to the whole asset, but the data for 2019 corresponds only to the common areas.





Offices					Shopping centres					Logistics assets				
Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
2019	2020	2019	2020	Evol.	2019	2020	2019	2020	Evol.	2019	2020	2019	2020	Evol.
17,922,279	14,297,660	13,160,587	10,849,650	-18%	8,483,721	6,454,967	7,429,566	5,517,099	-26%	899,110	671,599	144,229	125,566	-13%
45,597,907	37,376,820	28,542,102	25,535,579	-11%	30,144,787	22,732,526	25,928,170	18,981,055	-27%	2,363,258	4,664,574	0	431,988	-
35%	92%	38%	85%	-	0%	77%	0%	77%	-	0%	100%	0%	100%	-
63,520,186	51,674,480	41,702,689	36,385,228	-13%	38,628,508	29,187,493	33,357,736	24,498,155	-27%	3,262,368	5,336,173	144,229	557,554	287% <sup>(3)</sup>
168,527	266,482	45,875	49,738	8%	0	0	0	0	-	0	0	0	0	-
1,235,865	1,954,205	336,417	364,749	8%	0	0	0	0	-	0	0	0	0	-
99%	61%	99%	61%	-	-	-	-	-	-	-	-	-	-	-
1,404,392	2,220,687	382,292	414,487	-	0	0	0	0	-	0	0	0	0	-
2,637,873	1,773,069	1,725,725	1,481,616	-14%	601,821	569,864	496,920	359,088	-28%	0	0	0	0	-
19,344,399	13,002,507	12,655,316	10,865,187	-14%	4,413,351	4,179,005	3,644,081	2,633,313	-28%	0	0	0	0	-
0%	0%	0%	0%	-	0%	0%	0%	0%	-	-	-	-	-	-
21,982,272	14,775,577	14,381,041	12,346,803	-14%	5,015,172	4,748,870	4,141,001	2,992,401	-28%	0	0	0	0	-
87.8	79.3	83.8	72.9	-13%	97.5	76.4	113.6	83.3	-27%	32.1	28.5	11.5	16.5	44% <sup>(3)</sup>
121 of 121	89 of 89	75 of 75	75 of 75		15 of 17	13 of 14	11 of 11	11 of 11		20 of 20	26 of 26	2 of 2	2 of 2	
0%	0%	0%	0%	-	0%	0%	0%	0%	-	0%	0%	0%	0%	-

Offices					Shopping centres					Logistics assets				
Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
2019	2020	2019	2020	Evol.	2019	2020	2019	2020	Evol.	2019	2020	2019	2020	Evol.
1,383,818	1,194,252	1,322,787	1,019,046	-23%	0	0	0	0	-	1,667,731	1,340,668	0	0	-
9%	100%	8%	100%	-	0%	0%	0%	0%	-	0%	93%	0%	0%	-
0	0	0	0	-	0	0	0	0	-	0	0	0	0	-
0%	0%	0%	0%	-	0%	0%	0%	0%	-	0%	0%	0%	0%	-
579,578	482,366	572,625	435,957	-24%	0	0	0	0	-	0	0	0	0	-
0%	0%	0%	0%	-	0%	0%	0%	0%	-	0%	0%	0%	0%	-
72.2	68.1	122.2	93.8	-23%	0.0	0.0	0.0	0.0	-	29.7	7.8	0.0	0.0	-
5 of 23	5 of 26	3 of 3	3 of 3		0 of 1	0 of 1	0 of 0	0 of 0		6 of 75	4 of 27	0 of 0	0 of 0	
0%	0%	0%	0%	-	0%	0%	0%	0%	-	0%	0%	0%	0%	-

**Energy consumption at properties leased by LOOM**

EPRA code		Indicator	LOOM Spaces		
			2019	2020	Evol.
Elect-Abs, Elect-LfL	Electricity (kWh)	Non-renewable electricity	162,252	378,738	133% <sup>(1)</sup>
		Electricity from renewable sources (%)	0%	100%	-
Fuels-Abs, Fuels-LfL	Fuel (kWh)	Non-renewable fuels	N/A	N/A	-
		Fuel from renewable sources (%)	N/A	N/A	-
Energy-Int	Energy intensity (kWh/m <sup>2</sup> )		52.0	121.4	133% <sup>(1)</sup>
% of data estimated			0%	0%	-

**Energy consumption at MERLIN Properties corporate headquarters**

EPRA Code		Indicator	MERLIN's corporate headquarters		
			2019	2020	Evol.
Elect-Abs, Elect-LfL	Electricity (kWh)	Non-renewable electricity	201,047	184,086	-8%
		Electricity from renewable sources (%)	0%	100%	-
Fuels-Abs, Fuels-LfL	Fuel (kWh)	Non-renewable fuels	N/A	N/A	-
		Fuel from renewable sources (%)	N/A	N/A	-
Energy-Int	Energy intensity (kWh/m <sup>2</sup> )		108.4	99.2	-8%
% of data estimated			0%	0%	-

<sup>(1)</sup> The increase in energy consumption is due to the fact that the data for 2019 includes consumption only for part of that year (from the month of July 2019 in the case of LOOM Huertas and April in the case of LOOM Salamanca)



## Greenhouse Gas Emissions

GHG emissions are calculated based on energy consumption: The consumption of fuel (natural gas and diesel), the consumption of District Heating & Cooling, and the consumption of electrical energy from the grid.

The direct emissions deriving from the consumption of fuel that assets under MERLIN's operational control (Scope 1) were obtained following the recommendations of the Ministry for the Ecological Transition and the Demographic Challenge (MITECO).

Furthermore, for the indirect emissions associated to the consumption of electricity at assets under MERLIN's operational control (Scope 2) the "Location-based" approach has been used for the calculation. The emission factors of countries where MERLIN assets have been consulted for this calculation: Spain and Portugal. The factor for Spain for 2020 has been consulted through the public information of the Red Eléctrica de España (REE) [Spanish Electricity Grid], whereas the factor for Portugal the data published by the Observatorio da Energia [Energy Observatory], supported by the Portuguese Ministry of Environment and Climate Action has been adopted.

The emissions report is also included for Scope 3, which covers category 13: "Downstream leased assets", based on the GHG emissions data of the assets not under operational control portfolio. The location-based and market-based approaches have also been adopted in the case of GHG emissions deriving from electricity generation.

Lastly, the emissions report is included for Scope 3, which covers category 8: "Upstream leased assets", which also takes into account the location-based and market-based approaches in the calculation.

For information on GHG emission performance, turn to pages 106 to 110.

### Greenhouse Gas Emissions in MERLIN's portfolios (under operational control)

EPRA code	Indicator and unit	Total MERLIN				
		Absolute		Like for Like		Evol.
		2019	2020	2019	2020	
-	Direct emissions –Scope 1, refrigerant gases (t CO <sub>2</sub> eq)	N/A	2,345	N/A	2,176	-
-	Direct emissions –Scope 1, fuels (t CO <sub>2</sub> eq)	5,609	4,069	3,883	3,230	-17%
GHG-Dir-Abs. GHG-Dir-LfL	Direct emissions –Scope 1 (t CO <sub>2</sub> eq)	5,609	6,414	3,883	5,406	39% <sup>(1)</sup>
GHG-IndirAbs. GHG-Indir-LfL	Indirect emissions- Scope 2 (t CO <sub>2</sub> eq) – Location based	20,540	13,186	14,362	8,889	-38%
-	Total emissions – Scope 1+2 – Location based (t CO <sub>2</sub> eq)	26,149	19,600	18,246	14,295	-22%
GHG-Int	EMISSION INTENSITY (t CO <sub>2</sub> eq/m <sup>2</sup> ) – Location based	0.017	0.013	0.018	0.014	-22%
Coverage (based on number of assets)		156 of 158	128 of 129	88 of 88	88 of 88	-
% of data estimated		0%	0%	0%	0%	-

### Greenhouse Gas Emissions in MERLIN's portfolios (not under operational control)

EPRA Code	Indicator and unit	Total MERLIN				
		Absolute		Like for Like		Evol.
		2019	2020	2019	2020	
-	Scope 3 emissions, refrigerant gases (t CO <sub>2</sub> eq)	0	16	0	0	-
-	Scope 3 emissions, fuels (t CO <sub>2</sub> eq)	117	97	116	88	-24%
-	Scope 3 emissions, electricity – Location based (t CO <sub>2</sub> eq)	580	365	252	146	-42%
GHG-IndirAbs. GHG-Indir-LfL	Total emissions – Scope 3 (t CO <sub>2</sub> eq) – Location based	697	478	367	235	-36%
GHG-Int	EMISSION INTENSITY (t CO <sub>2</sub> eq/m <sup>2</sup> ) – Scope 3 - Location	0.008	0.002	0.024	0.015	-36%
Coverage (based on number of assets)		11 of 99	9 of 54	3 of 3	3 of 3	
% of data estimated		0%	0%	0%	0%	-

<sup>(1)</sup> The increase in Like for Like Scope 1 GHG emissions is due to the fact that the 2020 data includes the refrigerant gas recharges for the assets during this year and that this information was not available for 2019.

<sup>(2)</sup> The increase in Like for Like GEI emissions in logistics assets is due to the fact that energy consumption data for 2020 corresponds to the whole asset, but the data for 2019 corresponds only to the common areas.



Shopping centres					Shopping centres					Logistic assets				
Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
2019	2020	2019	2020	Evol.	2019	2020	2019	2020	Evol.	2019	2020	2019	2020	Evol.
N/A	1,394	N/A	1,225	-	N/A	947	N/A	947	-	N/A	4	N/A	4	-
4,596	3,117	3,047	2,626	-14%	1,013	952	836	604	-28%	0	0	0	0	-
4,596	4,511	3,047	3,851	26% <sup>(1)</sup>	1,013	1,899	836	1,551	85% <sup>(1)</sup>	0	4	0	4	-
12,569	8,223	7,988	5,287	-34%	7,350	4,196	6,347	3,522	-45%	621	767	27	80	192% <sup>(2)</sup>
17,165	12,734	11,035	9,138	-17%	8,363	6,095	7,184	5,073	-29%	621	771	27	84	207% <sup>(2)</sup>
0.017	0.015	0.016	0.014	-17%	0.019	0.014	0.022	0.015	-29%	0.003	0.000	0.002	0.002	14%
121 of 121	89 of 89	75 of 75	75 of 75	-	15 of 17	13 of 14	11 of 11	11 of 11	-	20 of 20	26 of 26	2 of 2	2 of 2	-
0%	0%	0%	0%	-	0%	0%	0%	0%	-	0%	0%	0%	0%	-

Shopping centres					Shopping centres					Logistic assets				
Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
2019	2020	2019	2020	Evol.	2019	2020	2019	2020	Evol.	2019	2020	2019	2020	Evol.
0	16	0	0	-	0	0	0	0	-	0	0	0	0	-
117	97	116	88	-24%	0	0	0	0	-	0	0	0	0	-
263	172	252	146	-42%	0	0	0	0	-	317	193	0	0	-
380	285	367	235	-36%	0	0	0	0	-	317	193	0	0	-
0.014	0.012	0.024	0.015	-36%	0.000	0.000	0.000	0.000	-	0.006	0.001	0.000	0.000	-
5 of 23	5 of 26	3 of 3	3 of 3		0 of 1	0 of 1	0 of 0	0 of 0		6 of 75	4 of 27	0 of 0	0 of 0	
0%	0%	0%	0%	-	0%	0%	0%	0%	-	0%	0%	0%	0%	-

### Greenhouse Gas Emissions for properties leased by LOOM

EPRA code	Indicator and units	LOOM spaces		
		2019	2020	Evol.
GHG-Dir-Abs, GHG-Dir-LfL	Direct emissions –Scope 3 (t CO <sub>2</sub> eq)	N/A	N/A	-
GHG-Indir-Abs, GHG-Indir-LfL	Indirect emissions –Scope 3 (t CO <sub>2</sub> eq)	38.3	54.4	42%
-	Total emissions –Scope 3 (t CO <sub>2</sub> eq)	38.3	54.4	42% <sup>(1)</sup>
GHG-Int	EMISSION INTENSITY (t CO <sub>2</sub> eq/m <sup>2</sup> )	0.012	0.017	42%
% of data estimated		0%	0%	-

### Greenhouse Gas Emissions at MERLIN Properties corporate headquarters

EPRA code	Indicator and units	MERLIN's corporate headquarters		
		2019	2020	Evol.
GHG-Dir-Abs, GHG-Dir-LfL	Direct emissions –Scope 3 (t CO <sub>2</sub> eq)	N/A	N/A	-
GHG-Indir-Abs, GHG-Indir-LfL	Indirect emissions –Scope 3 (t CO <sub>2</sub> eq)	30.9	26.5	-14%
-	Total emissions –Scope 3 (t CO <sub>2</sub> eq)	30.9	26.5	-14%
GHG-Int	EMISSION INTENSITY (t CO <sub>2</sub> eq/m <sup>2</sup> )	0.017	0.014	-14%
% of data estimated		0%	0%	-

<sup>(1)</sup> The increase in GEI emissions is due to the fact that the data for 2019 includes consumption only for part of that year (from the month of July 2019 in the case of LOOM Huertas and April in the case of LOOM Salamanca)





**Water**

The vast majority of the water withdrawn at the MERLIN assets originates from the municipal mains supply, a small proportion of water is withdrawn from the Marineda shopping center reservoir.

Below follows two tables containing the data for withdrawn water, one for the portfolio of assets under MERLIN’s operational control and another for the portfolio not under its operational control.

In this regard, MERLIN does not have data on water for its corporate headquarters, nor for the buildings leased by LOOM

Pages 110 to 113 contain more information on the performance and change in the portfolio regarding water withdrawal.

**Water withdrawal in MERLIN Properties portfolios (under operational control)**

EPRA code	Indicator and units	Total MERLIN				
		Absolute		Like for Like		Evol.
		2019	2020	2019	2020	
Water-Abs. Water-LfL	Water withdrawal in common areas (m <sup>3</sup> )	236,273	144,672	203,438	115,568	-43%
	Water withdrawal in tenant spaces (m <sup>3</sup> )	540,164	306,552	368,189	223,397	-39%
	Water withdrawal in entire property (m <sup>3</sup> ) <sup>(1)</sup>	53,588	44,450	25,303	19,801	-22%
	Total water withdrawal (m <sup>3</sup> )	830,025	495,673	596,930	358,767	-40%
Water-Int	WATER WITHDRAWAL INTENSITY (m <sup>3</sup> /m <sup>2</sup> )	0.510	0.374	0.651	0.391	-40%
Coverage (based on number of assets)		9 of 54	125 of 126	86 of 88	86 of 88	
% of data estimated		0%	0%	0%	0%	-

**Water withdrawal in MERLIN Properties portfolios (not under operational control)**

EPRA code	Indicator and unit	Total MERLIN				
		Absolute		Like for Like		Evol.
		2019	2020	2019	2020	
Water-Abs. Water-LfL	Total water withdrawal (m <sup>3</sup> )	32,543	19,645	6,499	2,753	-58%
Water-Int	WATER WITHDRAWAL INTENSITY (m <sup>3</sup> /m <sup>2</sup> )	0.540	0.380	0.419	0.177	-58%
Coverage (based on number of assets)		11 of 50	7 of 7	3 of 3	3 of 3	
% of data estimated		0%	0%	0%	0%	-

<sup>(1)</sup> This category includes the water withdrawal at the Arturo Soria Plaza and Tres Aguas shopping centers, for which there is no detailed information on common areas and tenant areas.



Offices					Shopping centres					Logistic assets				
Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
2019	2020	2019	2020	Evol.	2019	2020	2019	2020	Evol.	2019	2020	2019	2020	Evol.
56,017	29,249	38,343	22,106	-42%	166,540	103,550	161,119	89,369	-45%	13,716	11,873	3,976	4,093	3%
382,654	211,809	251,368	160,066	-36%	132,341	76,208	116,821	63,331	-46%	25,169	18,535	0	0	-
0	0	0	0	0	53,588	44,450	25,303	19,801	-22%	0	0	0	0	-
438,671	241,058	289,711	182,172	-37%	352,469	224,208	303,243	172,501	-43%	38,885	30,408	3,976	4,093	3%
0.440	0.284	0.433	0.272	-37%	0.950	0.778	1.257	0.715	-43%	0.200	0.163	0.549	0.565	3%
121 of 123	89 of 89	74 of 75	74 of 75		15 of 15	13 of 14	11 of 11	11 of 11		20 of 20	23 of 23	1 of 2	1 of 2	
0%	0%	0%	0%	-	0%	0%	0%	0%	-	0%	0%	0%	0%	-

Offices					Shopping centres					Logistic assets				
Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
2019	2020	2019	2020	Evol.	2019	2020	2019	2020	Evol.	2019	2020	2019	2020	Evol.
32,543	19,645	6,499	2,753	-58%	0	0	0	0	-	0	0	0	0	-
0.540	0.380	0.419	0.177	-58%	0.000	0.000	0.000	0.000	-	0.000	0.000	0.000	0.000	-
5 of 23	7 of 7	3 of 3	3 of 3		0 of 3	0 of 1	0 of 0	0 of 0		6 of 24	0 of 0	0 of 0	0 of 0	
0%	0%	0%	0%	-	0%	0%	0%	0%	-	0%	0%	0%	0%	-

## Waste

MERLIN carries out the selective collection of waste at the assets within the ISO 14001 certified corporate Environmental Management System (provided they do not form part of the condominium owners association) and also at other assets not included within this system. Therefore, this report includes data on assets over which MERLIN has operational control as well as the data for those assets for which it does not exercise this control, as a result, financial control is the criteria used for determining the coverage of assets in this case.

No information is available on the generation of waste at the corporate headquarters or at LOOM buildings.

Pages 113 to 115 contain more information on the performance and change in the portfolio regarding waste generation and management.

### Waste generation assets managed by MERLIN

EPRA code	Indicator	Total MERLIN				
		Absolute		Like for Like		Evol.
		2019	2020	2019	2020	
Waste-Abs. Waste-LfL	Total generation of non-hazardous waste (t)	7,249.0	4,982.8	2,026.3	1,490.1	-26%
	Total generation of hazardous waste (t)	8.5	13.0	2.2	1.6	-28%
	Waste to be eliminated (t)	13.4	66.7	13.2	8.5	-35%
	Waste to be recovered energetically (t)	0.9	5.0	0.7	1.7	140%
	Waste to be recovered (t)	4.7	7.2	2.1	1.3	-37%
	Waste to be recycled (t)	7,239.0	4,916.9	2,012.6	1,480.2	-26%
Coverage (based on number of assets)		104 of 208	97 of 183	37 of 91	37 of 91	
% of data estimated		0%	0%	0%	0%	-



Offices					Shopping centres					Logistics assets				
Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
2019	2020	2019	2020	Evol.	2019	2020	2019	2020	Evol.	2019	2020	2019	2020	Evol.
168.0	98.9	64.7	29.6	-54%	6,602.0	4,161.0	1,483.0	737.7	-50%	479.0	722.8	478.6	722.8	51%
3.9	3.2	1.7	1.1	-38%	4.6	9.8	0.5	0.5	3%	0.0	0.0	0.0	0.0	-
0.0	0.0	0.0	0.0	-	13.4	66.7	13.2	8.5	-35%	0.0	0.0	0.0	0.0	-
0.8	4.6	0.7	1.7	144%	0.1	0.4	0.0	0.0	-	0.0	0.0	0.0	0.0	-
3.6	2.4	1.6	0.9	-43%	1.1	4.7	0.5	0.4	-18%	0.0	0.0	0.0	0.0	-
168.0	95.1	64.1	28.1	-56%	6,592.0	4,099.0	1,469.8	729.3	-50%	479.0	722.8	478.6	722.8	51%
93 of 146	85 of 115	34 of 78	34 of 78		10 of 18	11 of 15	2 of 11	2 of 11		1 of 44	1 of 53	1 of 2	1 of 2	
0%	0%	0%	0%	-	0%	0%	0%	0%	-	0%	0%	0%	0%	-

## Certifications

Below follows that the number and type of certifications of the assets detailed according to portfolio

In particular, the following table includes the energy certifications under Royal Decree 235/2013, the LEED/BREEAM sustainable construction certificates and the ISO 14001 and ISO 50001 certifications for Management Systems

The percentage data for assets with certifications is calculated in terms of area, taking into account only those assets from the offices, shopping centers and logistics portfolios, as well as the WIP assets: Castellana 85, Plaza Pablo Ruiz Picasso, Arturo Soria 343, A2-Azuqueca II and A2-Cabanillas Park I G. The calculations do not include the Barcelona ZAL Port assets, the assets from the Net Leases portfolio, non-core assets, and the remaining WIP assets.

Pages 90 to 97 contain more information on the performance and change in the portfolio regarding certifications.

### Certifications

EPRA code	Indicator and units	Total MERLIN		Offices		Shopping centres		Logistics assets	
		Absolute	Like for Like	Absolute	Like for Like	Absolute	Like for Like	Absolute	Like for Like
	Energy certificates (% area)	84%	100%	95%	100%	78%	100%	77%	100%
	Coverage (based on number of assets)	183 of 183	91 of 91	115 of 115	78 of 78	15 of 15	11 of 11	53 of 53	2 of 2
	% of data estimated	0%	0%	0%	0%	0%	0%	0%	0%
	Sustainable construction certificates (% area)	80% <sup>(1)</sup>	89%	81% <sup>(1)</sup>	88%	77% <sup>(1)</sup>	96%	81% <sup>(1)</sup>	58%
Cert-Tot	Coverage (based on number of assets)	183 of 183	91 of 91	115 of 115	78 of 78	15 of 15	11 of 11	53 of 53	2 of 2
	% of data estimated	0%	0%	0%	0%	0%	0%	0%	0%
	Management Systems (% area)	36%	79%	66%	90%	47%	59%	5%	58%
	Coverage (based on number of assets)	183 of 183	91 of 91	115 of 115	78 of 78	15 of 15	11 of 11	53 of 53	2 of 2
	% of data estimated	0%	0%	0%	0%	0%	0%	0%	0%

<sup>(1)</sup> The percentage data for assets with sustainable construction certificates, overall and by portfolio are given in terms of area. Section 7.2 of this Report also includes the data of the whole portfolio in terms of GAV





# 08

About  
the report





## 8.1. Basis of preparation of this report

### Reporting scope

This CSR report provides information on MERLIN Properties' economic, environmental and social performance in 2020. Where relevant, prior-year information has been included to show the evolution of the Company's results.

### Standards employed

The report has been drawn up in accordance with the Core option indicated in the Global Reporting Initiative (GRI) Standards Guidelines on the preparation of Sustainability Reports. Additionally, specific content has been provided for the industry in which the Company operates, as indicated in the GRI industry supplement Construction & Real Estate.

### Principles applied

The GRI Standards Sustainability Report guidelines lay down a number of principles that have been applied when preparing the report:

- **Stakeholder inclusiveness.** MERLIN Properties' 2020 CSR Report has been prepared taking into account our stakeholders' expectations and concerns in connection with the Company's operations and performance. These expectations have been considered through the MERLIN Properties personnel who are in contact with our stakeholders and relevant matters published in the media and included in questionnaires and sustainability indices targeting investors, such as DJSI, EPRA or GRESB have also been analysed.
- **Sustainability context at MERLIN Properties.** The way in which the Company's activities and services interact with the social, economic and environmental context has been evaluated.
- **Materiality.** A materiality analysis has been conducted to define the most relevant aspects of CSR for MERLIN Properties. The process followed is explained below
- **Completeness.** After identifying material aspects, the content of the report has been designed to be able to include sufficient information on these aspects to allow stakeholders to assess and understand MERLIN Properties' economic, environmental and social performance in recent years.

### GRI principles for information processing and quality

This report has been drawn up applying the following GRI information quality principles:

- **Balance.** This principle states that CSR reports should reflect positive and negative aspects of the Company's performance. By applying this principle, a broad and unbiased picture of MERLIN Properties' overall performance has been provided.
- **Comparability.** The Company has compiled and reported information so that stakeholders are able to analyse how its performance has evolved in recent years, thus supporting analysis relative to other organisations.

- **Accuracy.** The information contained in this report is intended to include sufficient details to meet the expectations expressed by the Company's stakeholders.
- **Timeliness.** MERLIN Properties' aims to update the content of this CSR report annually to provide stakeholders with regular access to information on the Company's performance.
- **Clarity.** MERLIN Properties seeks to report on performance in a manner that is accessible and clear to all our stakeholders.
- **Reliability.** MERLIN Properties has described the report preparation process, which guarantees that the content can be subject to external examination to establish the quality and materiality of the information.

**Materiality analysis**

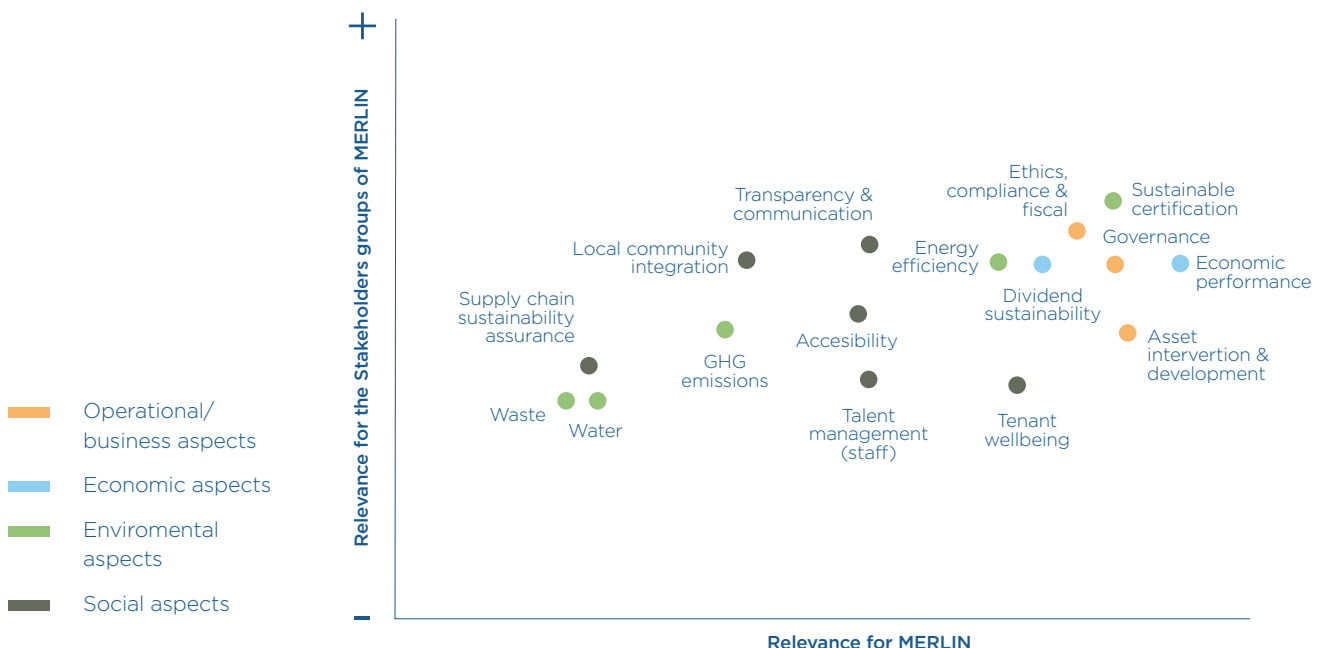
In line with the GRI Standards guidelines, this document includes information on indicators associated with aspects that have been classed as material.

To achieve this objective, a specific analysis of the key CSR issues has been carried out, based either on their influence on stakeholders' assessments and perceptions or on their direct impact on the medium- and long-term success of MERLIN Properties' strategy.

Specifically, the main activities carried out to analyse materiality are as follows:

- **Meetings** with the directors and managers of the Company's key areas.
- **Comparative analysis** of the content included in the CSR/Sustainability reports of other companies operating in MERLIN Properties' industry.
- **Identification of investors' CSR requirements** based on an analysis of the content/indicators requested by initiatives such as GRESB, EPRA and DJSI/CSA.
- **Analysis of over 40 news stories** on the Company and its industry.

These actions have resulted in the following materiality matrix:



Category	Material aspect	Coverage of material aspect	
		Inside the organisation	Outside the organisation
<b>Operational/ Business</b>	Governance	•	
	Ethics, compliance and fiscal responsibility	•	•
	Asset intervention and development	•	•
<b>Economic</b>	Economic performance	•	
	Dividend sustainability	•	•
<b>Environment</b>	Sustainable certification	•	•
	Energy efficiency	•	•
	Greenhouse gas emissions	•	•
	Waste	•	•
	Water	•	•
<b>Social</b>	Tenant wellbeing	•	•
	Talent management (employees)	•	
	Accessibility	•	•
	Transparency and communication	•	•
	Local community integration	•	•
	Supply chain sustainability assurance	•	•

Having identified the material aspects (including coverage), the information required to prepare the report was compiled by means of interviews with and forms completed by the heads of the Company's main areas.

Once the data was received and the information necessary to analyse materiality compiled, MERLIN Properties drew up the final version of this report. The GRI content table included in the following section tell readers the sections in which the information on each of the GRI standard indicators may be found.

Where it has not been possible to cover all the requirements of the guidelines in connection with a specific indicator, this has been mentioned in the table. MERLIN Properties plans to improve its information systems so as to include the data required in the following editions of this report.

### Contact details

Please contact MERLIN Properties at the following address for any clarifications of the information reported or any aspect of the Company's CSR performance:  
[info@merlinproperties.com](mailto:info@merlinproperties.com)

## 8.2. Relevant information regarding the sustainability of MERLIN Properties

Contents	Response
<b>Aspect: Environment</b>	
Scope of disclosure	The scope of the assets on which information is provided regarding their energy consumption, GHG emissions, water consumption and waste is detailed in Appendix 1 of this Report.
GHG emissions per production unit	The GHG emissions ratio in terms of area, for all operational assets for which MERLIN exercises operational control, is 0,013 kgCO <sub>2</sub> e/m <sup>2</sup> .
Energy consumption per production unit	The energy consumption ratio in terms of area, for all operational assets for which MERLIN exercises operational control, is 0,259 GJ/m <sup>2</sup> .
Number and amount of environmental fines of a significant nature.	No fines of an environmental nature were recognized during 2020.
Policies regarding energy consumption, water consumption, GHG emissions and waste.	In accordance with its Corporate Social Responsibility Policy, MERLIN undertakes to maximize the efficiency and quality of its properties through active management, optimizing the amount of energy, water and other resources necessary for their functioning and promoting a responsible management of the waste generated.
<b>Aspect: Society</b>	
Complaints and quality assurance policy	For the purposes of understanding the expectations and requirements of its stakeholders, and offering maximum transparency, MERLIN has implemented numerous communication channels, such as satisfaction questionnaires aimed at its tenants. Within the framework of these questionnaires, the potential complaints and claims that tenants may have are gathered, allowing their concerns and needs to be addressed.
Customer data protection policy	MERLIN has a Personal Data Protection Policy, which guarantees that personal data is processed respecting the principles established in the General Data Protection Regulation (GDPR) (lawfulness, fairness, transparency, purpose limitation, data minimization, accuracy and storage limitation).
Donations to Foundations and other types of donations	The total financial amount donated by the Company to Foundations and that donated for the acquisition of COVID robots was € 758,000.
Percentage of female directors and women holding middle management positions	The percentage of women on the executive team is 9%. The percentage of women holding middle management positions is 19% (10 out of 52).
Anti-bribery policy	MERLIN has an anti-corruption and fraud policy in place, which establishes the basic principles that govern the Group for implementing preventive and proactive actions to combat corruption and fraud in all areas of its business activity.
Lost Time Injury Frequency rate (LTIFR) associated to employees	The ratio of days lost among MERLIN employees is 1.8 in men and 0 in women (calculated considering OSHA criteria).
Total Recordable Incident rate (TRIR) associated to employees	The accident frequency rate among MERLIN employees is 1.8 in men and 0 in women (calculated considering OSHA criteria).
Number of suppliers	The number of suppliers in 2020 is 2,637.



Contents	Response
Percentage of assets with a public transport connection <sup>(1)</sup>	The percentage of assets with a public transport connection nearby is 97%.
<b>Aspect: Governance</b>	
Years with auditor	MERLIN's Consolidated Financial Statements have been audited by the same financial auditor for the last seven years (since the audit corresponding to 2014).
Number of Board Members and Independent Directors on the Audit Committee	The Audit Committee comprises 5 Directors, 3 of whom are independent.
Number of executive Directors and non-executive directors	The Board of Directors consists of 2 executive Directors and 12 non-executive Directors (independent and proprietary Directors).
Number of Board Members and independent Directors on the Remuneration Committee	The Remuneration Committee comprises 4 Directors, 3 of whom are independent.
Number of female executives	The executive team comprises 1 woman and 10 men (for a total of 11)
Number of female Directors	The Board of Directors comprises 5 women and 9 men (for a total of 14)
Number of Board Members and independent Directors on the Appointments Committee	The Appointments Committee comprises 4 Directors, 3 of whom are independent.
<b>Content considered as non-material for the Company</b>	
Emission of particles: SO <sub>2</sub> and NO <sub>x</sub>	The main fuel consumed by Merlin is natural gas, a gas that barely emits SO <sub>2</sub> and particles in its combustion. The possible emissions of this type of pollutant are due to the consumption of diesel, a fuel that is hardly used by MERLIN. The NO <sub>x</sub> emissions are also considered as barely representative, given that the water heaters that use these types of fuels are of a residential type.
Percentage of raw material from sustainable sources	The amount of materials required by MERLIN is low, given that the refurbishment processes of the assets are carried out by subcontracted companies.
Policy against child forced labor	Due to location of MERLIN's assets (Spain and Portugal) and the type of activities carried out by the company, it is considered that there are no risks concerning child forced labor.
Management of the supply chain at a social level.	Due to location of MERLIN's assets (Spain and Portugal) and the type of activities carried out by the company, it is considered that there are no significant risks with regard social matters that would recommend oversight.

<sup>(1)</sup> Percentage obtained in area terms, taking into account those assets that are located at least 500 m from a public transport or station. Includes only those assets from the offices and shopping centers portfolios in operation, as well as the WIP assets: Arturo Soria 343.

### 8.3. GRI Content Index

#### General disclosures

General standard disclosures	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
<b>Organization profile</b>				
102-1		8		Name of the organization
102-2		16-29		Activities, brands, products, and services
102-3		Back cover		Location of headquarters
102-4		Spain and Portugal		Location of operations
102-5		8		Ownership and legal form
102-6		15-29		Markets served
102-7		15		Scale of the organization
102-8		58-66		Information on employees and other workers
102-9		The Company's supply chain basically comprises contractors in charge of projects and service providers in buildings.		Supply chain
102-10		16-29		Significant changes to the organization and its supply chain
102-11		Not applicable		Precautionary Principle or approach
102-12		MERLIN Properties forms part of the main benchmark indices: <ul style="list-style-type: none"> <li>• IBEX 35</li> <li>• Euro STOXX 600.</li> <li>• FTSE EPRA/NAREIT Global Real Estate Index.</li> <li>• GPR Global Index.</li> <li>• GPR-250 Index.</li> <li>• MSCI Small Caps.</li> </ul>		External initiatives

## General disclosures

General standard disclosures	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
102-13		<ul style="list-style-type: none"> <li>• Spanish Association of Offices</li> <li>• Spanish Association of Shopping Centres</li> <li>• International Council of Shopping Centres.</li> <li>• European Public Real Estate Association               <ul style="list-style-type: none"> <li>◦ Audit Committee Member</li> <li>◦ Investor Relations Committee member</li> </ul> </li> <li>• Spanish Confederation of Business Organisations</li> </ul>		Membership of associations
<b>Strategy</b>				
102-14		4-6		Statement from senior decision-maker
102-15		Section E of the ACGR		Key impacts, risks, and opportunities
<b>Ethics and integrity</b>				
102-16		42-45		Values, principles, standards, and norms of behavior
102-17		43		Mechanisms for advice and concerns about ethics
<b>Governance</b>				
102-18		32-34		Governance structure
102-22	Gov-Board	34, 37		Composition of the highest governance body and its committees
102-23		37		Chair of the highest governance body
102-24	Gov-Selec	The processes for appointing and selecting the members of the highest governing body and its committees are described in the Annual Corporate Governance Report (ACGR).		Nominating and selecting the highest governance body
102-25	Gov-Col	Article 28 of the Board of Directors Regulations lays down the mechanisms for preventing and managing potential conflicts of interest.		Conflicts of interest
102-26		34		Role of highest governance body in setting purpose, values, and strategy

## General disclosures

General standard disclosures	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
102-28		38-39		Evaluating the highest governance body's performance
102-29		45-49		Identifying and managing economic, environmental, and social impacts
102-30		45-49		Effectiveness of risk management processes
102-31		45-49		Review of economic, environmental, and social topics
102-32		Board of Directors		Highest governance body's role in sustainability reporting
102-33		This information is available in the Annual Corporate Governance Report		Communicating critical concerns
102-36		41		Process for determining remuneration
102-37		Through the General Shareholders' Meeting		Stakeholders' involvement in remuneration
<b>Stakeholder engagement</b>				
102-40		51		List of stakeholder groups
102-41		97% of the Company's employees are covered by collective bargaining agreements		Collective bargaining agreements
102-42		133-135		Identifying and selecting stakeholders
102-43		133-135		Approach to stakeholder engagement
102-44		134-135		Key topics and concerns raised
<b>Reporting practices</b>				
102-45		The organisation's financial statements include MERLIN Properties and all its subsidiaries. More information may be found in the annual accounts included in the management report. The management report is available through <a href="http://www.merlinproperties.es">www.merlinproperties.es</a>		Entities included in the consolidated financial statements
102-46		134-135		Defining report content and topic Boundaries
102-47		134-135		List of material topics



## General disclosures

General standard disclosures	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
102-48		District Heating & Cooling consumption data from 2019 has been reported in this Report. This data was not reported in 2019 Report.		Restatements of information
102-49		Not applicable		Reporting period
102-50		2018-2020		Período de reporte
102-51		2019		Date of most recent report
102-52		MERLIN Properties will prepare annual reports		Reporting cycle
102-53		135		Contact point for questions regarding the report
102-54		Core		Claims of reporting in accordance with the GRI Standards
102-55		138-147		GRI content index
102-56		The indicators included in the Independent Review Report on pages 158 and 159 have been externally verified		External assurance

Tematic disclosures

General standard disclosures	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
<b>ECONOMIC PERFORMANCE</b>				
<b>Economic performance</b>				
103		80-81		Management approach
201-1		10, 79-81. Direct economic value generated is expressed as gross rental income		Direct economic value generated and distributed
201-3		MERLIN Properties has no pension plan, so this does not apply to the Company		Defined benefit plan obligations and other retirement plans
201-4		MERLIN Properties has not received significant financial assistance from government bodies		Financial assistance received from government
<b>Indirect economic impacts</b>				
103		82-85		Management approach
203-1		80	There is no disaggregated data available on investments	Infrastructure investments and services supported
203-2		79-85		Significant indirect economic impacts
<b>Tax</b>				
207-1		Referred in the appendix to this table		Approach to tax
207-2		Referred in the appendix to this table		Tax governance, control, and risk management
207-3		Referred in the appendix to this table		Stakeholder engagement and management of concerns related to tax
207-4		Referred in the appendix to this table		Country-by-country reporting
<b>ENVIRONMENTAL PERFORMANCE</b>				
<b>Energía</b>				
103		99-106		Management approach
302-1	Elec-Abs Elec-LfL DH&C-Abs DH&C-LfL Fuels-Abs Fuels-LfL	99-104		Energy consumption within the organization



## Thematic disclosures

General standard disclosures	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
302-2	Elec-Abs Elec-LfL DH&C-Abs DH&C-LfL Fuels-Abs Fuels-LfL	83		Energy consumption outside of the organization
302-3		102		Energy intensity
G4-CRE1	Energy-Int	102		Building energy intensity
<b>Water</b>				
103		110-112		Management approach
303-1		93-111		Interactions with water as a shared resource
303-2		Water is discharged to the municipal sanitation system, and are assimilable to domestic water discharges.		Management of water discharge-related impacts
303-3	Water-Abs Water-LfL	110-112 Water is mainly withdrawn through the mains supply. In addition, in the shopping center: Marineda, there is a tank that collects rainwater.		Water withdrawal
G4-CRE2	Water-Int	111-112		Building water intensity
<b>Emissions</b>				
103		106-110		Management approach
305-1	GHG-Dir-Abs GHG-Dir-LfL	106-108		Direct (Scope 1) GHG emissions
305-2	GHG-Indir-Abs GHG-Indir-LfL	106-109		Energy indirect (Scope 2) GHG emissions
305-3	GHG-Indir-Abs GHG-Indir-LfL	109-110		Other indirect (Scope 3) GHG emissions
305-4		107		GHG emissions intensity
G4-CRE3	GHG-Int	107		GHG emissions intensity of the buildings
<b>Effluents and waste</b>				
103		113-115		Management approach
306-2	Waste-Abs Waste-LfL	113-115		Waste by type and disposal method
<b>Environmental compliance</b>				
103		90		Management approach
307-1*		MERLIN Properties has received no fine or penalty		Non-compliance with environmental laws and regulations

\* Fines or firm sanctions (in contentious terms) considered significant (over 50,000 euros) derived from sanctions and breaches (excluding administrative and fiscal) on which there is no possibility of appeal and which are directly attributable to conduct or acts carried out by companies or employees of the Corporation prior to December 31, 2020.

## Thematic disclosures

General standard disclosures	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
<b>SOCIAL PERFORMANCE</b>				
<b>Employment</b>				
103		59-62		Management approach
401-1	Emp-Turnover	61-62. In 2020 there has been a total of 21 departures. The voluntary turnover rate in 2019 has been of 3.6%.		New employee hires and employee turnover
401-2		62. The 100% of the employees have access to these benefits.		Benefits provided to full-time employees that are not provided to temporary or part-time employees
401-3		In 2020 9 employees (3 female and 6 male) returned to work after paternity leave		Parental leave
<b>Occupational health and safety</b>				
103		45, 64-65		Management approach
403-1		64-65		Occupational health and safety management system
403-2		Given the type of work done By MERLIN employees, it is not considered relevant to develop an identification and assessment of this type of risk		Hazard identification, risk assessment, and incident investigation
403-3		64		Occupational health services
403-4		Health and safety committees have not been constituted.		Worker participation, consultation, and communication on occupational health and safety
403-5		64		Worker training on occupational health and safety
403-6		64-65		Promotion of worker health
403-7		45		Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

## Thematic disclosures

General standard disclosures	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
403-9	H&S-Emp	136. The following ratios are also reported: <ul style="list-style-type: none"> <li>• Lost Workday Rate - LWR M: 0.063 W: 0</li> <li>• Rate of occupational diseases M: 0 W: 0</li> <li>• Absenteeism Rate - AR M: 0.017 W: 0.021</li> <li>• Work-related fatalities -M: 0. W: 0</li> </ul>		Work-related injuries
G4-CRE6		Not applicable		Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system.
<b>Training and education</b>				
103		63		Management approach
404-1	Emp-Training	60		Average hours of training per year per employee
404-2		63		Programs for upgrading employee skills and transition assistance programs
404-3	Emp-Dev	MERLIN Properties' employees are informed of their performance assessment once a year		Percentage of employees receiving regular performance and career development reviews
<b>Diversity and equal opportunities</b>				
103		59-61		Management approach
405-1	Diversity-Emp	37, 60		Diversity of governance bodies and employees
<b>SOCIAL PERFORMANCE - SOCIETY</b>				
<b>Local communities</b>				
103		80-85		Management approach
413-1	Comty-Eng	82-85. In all the assets, dialogue and participation mechanisms have been developed, as described in the management approach.		Operations with local community engagement, impact assessments, and development programs
413-2		82-85		Operations with significant actual and potential negative impacts on local communities
G4-CRE7		Nobody has had to be transferred or relocated		Number of people voluntarily and involuntarily displaced and/or resettled by development, broken down by project

### Thematic disclosures

General standard disclosures	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
<b>Anti-corruption</b>				
103		43-45		Management approach
205-1		Risks in general, including corruption, are assessed through the Company's Risk Management		Operations assessed for risks related to corruption
205-2		43		Communication and training about anti-corruption policies and procedures
205-3		MERLIN Properties has received no claim for unfair competition		Confirmed incidents of corruption and actions taken
<b>Anti-competitive behaviour</b>				
103		42-45		Management approach
206-1		MERLIN Properties has received no fine or penalty		Non-compliance with laws and regulations in the social and economic area
<b>Socioeconomic compliance</b>				
103		42-45		Management approach
419-1*		MERLIN Properties has received no fine or penalty		Non-compliance with laws and regulations in the social and economic area
<b>SOCIAL PERFORMANCE – RESPONSIBILITY OVER PRODUCTS</b>				
<b>Customer health and safety</b>				
103		74-75		Management approach
416-1		74-75. MERLIN assesses the potential health and safety impacts of all its assets on its occupants (tenants and visitors)		Assessment of the health and safety impacts of product and service categories
416-2	H&S-Comp	43. No incident has been detected as a result of the infringement of health and safety regulations.		Incidents of non-compliance concerning the health and safety impacts of products and services
<b>Marketing and labelling</b>				
103		68, 75, 91, 94-97		Management approach
417-2		There has been no infringement of regulations or voluntary codes related to the labelling of products and services		Incidents of non-compliance concerning product and service information and labelling

\* Fines or firm sanctions (in contentious terms) considered significant (over 50,000 euros) derived from sanctions and breaches (excluding administrative and fiscal) on which there is no possibility of appeal and which are directly attributable to conduct or acts carried out by companies or employees of the Corporation prior to December 31, 2020.

## Thematic disclosures

General standard disclosures	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
G4-CRE8	Cert-Tot	68, 75, 91, 94-97		Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation and redevelopment

**Customer privacy**

103		136		Management approach
418-1		MERLIN Properties has received no claim for the breach of customer privacy or customer data leakage		Substantiated complaints concerning breaches of customer privacy and losses of customer data

**APPENDIX: TAX INDICATORS**
**Indicator 207-1: Approach to tax**

- a)
- i. MERLIN's tax strategy is public and can be found here: <https://www.merlinproperties.com/en/corporate-governance/corporate-governance-normative/>
  - ii. MERLIN's tax strategy has been approved by the Board of Directors through the Audit and Control Committee, which reviews it annually.
  - iii. and iv. Indicated in point "2. Principles that regulate the fulfillment of taxation obligations." of the Tax Strategy.

**Indicator 207-2: Tax governance, control and risk management**

- a)
- i. MERLIN's Board of Directors is responsible for complying with the tax strategy.
  - ii. Indicated in greater details in the tax strategy.
  - iii. and iv. Indicated in point "3. Monitoring and control" of the tax strategy.
- b) Any concerns regarding non-ethical conduct are channeled through the ethics channel.
- c) The verification of the content in tax matters is carried out through external audits and tax ICFR.

**Indicator 207-3: Stakeholder engagement and management of concerns related to tax**

- a)
- i and ii. Indicated in the tax Strategy
  - iii. MERLIN's Tax Director is available to stakeholders to address any concerns regarding tax matters.

**Indicator 207-4: Country-by-country reporting**

- a) For the year ending December 31, 2020, the Group carried out its activity in Spain and Portugal.
- b)
- i. Referred to on pages 95-96 of "APPENDIX I - Group Companies and associates 2020" of the Consolidated financial statements.
  - ii. Referred to on page 94 and thereafter of "APPENDIX I - Group Companies and associates 2020" of the Consolidated financial statements.
  - iii. Detailed in point "5. Personnel management" of the Consolidated Financial Statements.
  - iv. Referred to on page 39 of the Group's Consolidated financial statements.
  - v. Spain: € 113,237,937, Portugal: € 18,562,479, Total: € 131,800,416.
  - vi. Spain: € 35,286,537, Portugal: € 20,325,579, Total: € 55,612,115.
  - vii. Spain: € 11,061,827,360, Portugal: € 1,084,626,127, Total: € 12,146,453,487.
  - viii. Spain: € 664,752, Portugal: € 1,717,518, Total: € 2,382,270.
  - ix. Spain: € -745,513, Portugal: € -1,554,364, Total: € -2,299,877.
  - x. The difference between the amount resulting from the application of the tax rate over the accounting profit and the corporate income tax accrued results from the off-balance sheet adjustments carried out against the accounting profit, in accordance with the provisions set forth in the Spanish Corporate Income Tax Act, and also by the application of carryforward losses and unused deductions.
- c) 2020

## 8.4. EPRA sBPR Content Index

EPRA Code	GRI Standard	Description	Page or direct answer
<b>Environmental performance indicators</b>			
Elec-Abs	302-1	Total electricity consumption	118-120
Elec-LfL	302-1	Like for Like total electricity consumption	118-119
DH&C-Abs	302-1	Total district heating & cooling consumption	118-120
DH&C-LfL	302-1	Like for Like district heating & cooling consumption	118-119
Fuels-Abs	302-1	Total fuel consumption	118-119
Fuels-LfL	302-1	Like for Like fuel consumption	118-119
Energy-Int	CRE1	Building energy intensity	118-120
GHG-Dir-Abs	305-1	Total direct greenhouse gas (GHG) emissions	122-124
GHG-Indir-Abs	305-2	Total indirect greenhouse gas (GHG) emissions	122-124
GHG-Int	CRE3	Greenhouse gas (GHG) emissions intensity from building energy consumption	122-124
Water-Abs	303-1	Total water consumption	126-127
Water-LfL	303-1	Like for Like water consumption	126-127
Water-Int	CRE2	Building water intensity	126-127
Waste-Abs	306-2	Total weight of waste by disposal route	128-129
Waste-LfL	306-2	Like for Like total weight of waste by disposal route	128-129
Cert-Tot	CRE8	Type and number of sustainably certified assets	130
<b>Social performance indicators</b>			
Diversity-Emp	405-1	Employee gender diversity	60
Diversity-Pay	405-2	Gender pay ratio	Not available
Emp-Training	404-1	Employee training and development	60



EPRA Code	GRI Standard	Description	Page or direct answer
Emp-Dev	404-3	Employee performance appraisals	All the employees of MERLIN Properties receive feedback regularly from its supervisors and maintain constructive and direct communication in order to help employees progress in their professional development. In addition, every year, all of them are evaluated by the supervisors of each department and directors. The results of this evaluation determine the distribution of the variable remuneration.
Emp-Turnover	401-1	New hires and turnover	62-63. In 2019 there have been 21 departures. The voluntary turnover rate in 2019 has been of 3.6%.
H&S-Emp	403-2	Employees health and safety	136. The following ratios are also reported: <ul style="list-style-type: none"> <li>• Lost Workday Rate - LWR M: 0.063 W: 0</li> <li>• Rate of occupational diseases M: 0 W: 0</li> <li>• Absenteeism Rate - AR M: 0.017 W: 0.021</li> <li>• Work-related fatalities - M: 0. W: 0</li> </ul>
H&S-Asset	416-1	Asset health and safety assessments	74-75. MERLIN evaluates the possible impacts in relation to health and safety in all its assets with regard to its occupants (tenants and visitors)
H&S-Comp	416-2	Asset health and safety compliance	43. There are no incidents recorded derived from the infringement of the health and safety regulation
Comty-Eng	413-1	Community engagement, impact assessments and development programs	82-85. In all the assets dialogue and participation mechanisms have been developed, as described in the management approach.
<b>Governance performance indicators</b>			
Gov-Board	102-22	Composition of the highest governance body	34-37. More information on this indicator can be found in the Annual Corporate Governance Report (ACGR)
Gov-Selec	102-24	Process for nominating and selecting the highest governance body	The processes for appointing and selecting the members of the highest governing body and its committees are described in the Annual Corporate Governance Report (ACGR). In addition, MERLIN has a policy of selection of the highest governance body
Gov-Col	102-25	Process for managing conflicts of interest	Article 28 of the Board of Directors Regulations lays down the mechanisms for preventing and managing potential conflicts of interest. Section D "Related Party Transactions and Intragroup Transactions" in section D6 also includes the foregoing mechanisms

## Appendix I. Breakdown of the environmental performance reporting scope

Asset name	Portfolio	GLA sqm	Energy Report (GJ)	Water Report (m <sup>3</sup> )	Waste Report (kg)	Sustainable building certification	ISO 14001	ISO 50001	Energy classification
<b>Torre Castellana 259</b>	<b>Offices</b>	<b>21,390</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Castellana 280</b>	<b>Offices</b>	<b>16,803</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Castellana 278	Offices	14,468		Yes*		LEED GOLD			Yes
<b>Castellana 93</b>	<b>Offices</b>	<b>11,650</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM VERY GOOD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Alcalá 40	Offices	9,315							Yes
Príncipe de Vergara 187	Offices	10,732				LEED GOLD			Yes
<b>Alfonso XI</b>	<b>Offices</b>	<b>9,945</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Pedro de Valdivia 10</b>	<b>Offices</b>	<b>6,721</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Beatriz de Bobadilla 14 (4 buildings)</b>	<b>Offices</b>	<b>17,055</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD(2) SILVER(2)</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Princesa 3</b>	<b>Offices</b>	<b>17,810</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM GOOD</b>	<b>Yes</b>		<b>Yes</b>
<b>Princesa 5</b>	<b>Offices</b>	<b>5,693</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM GOOD</b>	<b>Yes</b>		<b>Yes</b>
Plaza de los Cubos	Offices	13,528							
<b>Ventura Rodriguez 7</b>	<b>Offices</b>	<b>10,071</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM GOOD</b>	<b>Yes</b>		<b>Yes</b>
<b>Juan Esplandiú 11-13</b>	<b>Offices</b>	<b>28,008</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM GOOD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Eucalipto 33</b>	<b>Offices</b>	<b>7,301</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Eucalipto 25</b>	<b>Offices</b>	<b>7,368</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Santiago de Compostela 94</b>	<b>Offices</b>	<b>13,130</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Parking Princesa	-	-							
<b>Ulises 16-18 (2 buildings)</b>	<b>Offices</b>	<b>9,576</b>	<b>Yes*</b>	<b>Yes*</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Josefa Valcarcel 48	Offices	19,893				LEED GOLD			Yes
<b>Alvento (2 buildings)</b>	<b>Offices</b>	<b>32,928</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED SILVER</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Cristalia</b>	<b>Offices</b>	<b>11,712</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>		<b>Yes</b>
<b>Trianon (2 buildings)</b>	<b>Offices</b>	<b>18,400</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>



Asset name	Portfolio	GLA sqm	Energy Report (GJ)	Water Report (m <sup>3</sup> )	Waste Report (kg)	Sustainable building certification	ISO 14001	ISO 50001	Energy classification
<b>Ribera del Loira 36-50 (4 buildings)</b>	<b>Offices</b>	<b>39,150</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED PLATINUM(1) GOLD(3)</b>	<b>Yes (2)</b>	<b>Yes (2)</b>	<b>Yes</b>
Ribera del Loira 60	Offices	54,960				LEED GOLD			Yes
<b>Partnón 12-14</b>	<b>Offices</b>	<b>19,609</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Partnón 16-18</b>	<b>Offices</b>	<b>18,343</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED SILVER</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Arturo Soria 128</b>	<b>Offices</b>	<b>3,226</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM VERY GOOD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Torre Chamartín	Offices	18,295	Yes	Yes	Yes	LEED PLATINUM	Yes	Yes	Yes
<b>Manoteras 18</b>	<b>Offices</b>	<b>7,515</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>		<b>Yes</b>		<b>Yes</b>
<b>Fuente de la Mora</b>	<b>Offices</b>	<b>4,482</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Aquamarina</b>	<b>Offices</b>	<b>10,685</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM VERY GOOD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Vía Norte (6 buildings)</b>	<b>Offices</b>	<b>37,224</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD (5)</b>	<b>Yes (5)</b>	<b>Yes (5)</b>	<b>Yes</b>
<b>María de Portugal 9-13 (2 buildings)</b>	<b>Offices</b>	<b>17,191</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Las Tablas (3 buildings)</b>	<b>Offices</b>	<b>27,184</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>		<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Manuel Pombo Angulo 20	Offices	3,623	Yes*	Yes	Yes	LEED GOLD			Yes
<b>Avenida de Bruselas 24</b>	<b>Offices</b>	<b>9,163</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Avenida de Bruselas 26	Offices	8,895				LEED SILVER			Yes
Avenida de Bruselas 33	Offices	33,718				LEED GOLD			Yes
Avenida de Europa 1A	Offices	12,606		Yes*	Yes	LEED PLATINUM	Yes		Yes
Avenida de Europa 1B	Offices	10,495		Yes*	Yes	LEED PLATINUM	Yes		Yes
<b>María de Portugal T2 (3 buildings)</b>	<b>Offices</b>	<b>17,139</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM VERY GOOD(1) GOOD(2)</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Adequa 1	Offices	27,426	Yes	Yes	Yes	BREEAM VERY GOOD	Yes		Yes
<b>Adequa 3</b>	<b>Offices</b>	<b>15,937</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>		<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Adequa 5</b>	<b>Offices</b>	<b>13,790</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>		<b>Yes</b>	<b>Yes</b>	<b>Yes</b>

Asset name	Portfolio	GLA sqm	Energy Report (GJ)	Water Report (m <sup>3</sup> )	Waste Report (kg)	Sustainable building certification	ISO 14001	ISO 50001	Energy classification
<b>Adequa 6</b>	<b>Offices</b>	<b>13,789</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>		<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Francisco Delgado 9A (Vegacincó 1)	Offices	5,496	Yes*	Yes*	Yes				Yes
Francisco Delgado 9B (Vegacincó 2)	Offices	5,400	Yes	Yes	Yes				Yes
Atica 1	Offices	7,080	Yes	Yes	Yes	LEED SILVER	Yes	Yes	Yes
Atica 2	Offices	5,644	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Atica 3	Offices	5,746	Yes	Yes	Yes	BREEAM GOOD	Yes	Yes	Yes
Atica 4	Offices	4,936	Yes	Yes	Yes	LEED SILVER	Yes	Yes	Yes
<b>Atica 5</b>	<b>Offices</b>	<b>9,526</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Atica 6</b>	<b>Offices</b>	<b>3,434</b>	<b>Yes</b>	<b>Yes</b>					<b>Yes</b>
<b>Atica XIX (3 buildings)</b>	<b>Offices</b>	<b>15,411</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>		<b>Yes</b>
<b>Cerro Gamos 1 (5 buildings)</b>	<b>Offices</b>	<b>36,105</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD (4) LEED SILVER (1)</b>			<b>Yes</b>
<b>Alvia (3 buildings)</b>	<b>Offices</b>	<b>23,567</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD (1) BREEAM GOOD (1)</b>	<b>Yes (2)</b>		<b>Yes</b>
<b>Diagonal 605</b>	<b>Offices</b>	<b>13,793</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>		<b>Yes</b>
<b>Diagonal 514</b>	<b>Offices</b>	<b>9,664</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>		<b>Yes</b>
<b>Diagonal 458</b>	<b>Offices</b>	<b>4,174</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM PASS</b>			<b>Yes</b>
Balmes 236-238	Offices	6,187							
Vilanova 12-14	Offices	16,494				LEED SILVER			Yes
<b>Gran Vía Cortes Catalanas 385</b>	<b>Offices</b>	<b>5,190</b>	<b>Yes</b>						<b>Yes</b>
Diagonal 211 (Torre Glòries)	Offices	37,614	Yes	Yes	Yes		Yes	Yes	Yes
<b>Diagonal 199</b>	<b>Offices</b>	<b>5,934</b>	<b>Yes*</b>	<b>Yes*</b>	<b>Yes</b>	<b>LEED SILVER</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>



Asset name	Portfolio	GLA sqm	Energy Report (GJ)	Water Report (m <sup>3</sup> )	Waste Report (kg)	Sustainable building certification	ISO 14001	ISO 50001	Energy classification
<b>Llull 283 (Poble Nou 22@) (4 buildings)</b>	<b>Offices</b>	<b>31,337</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED GOLD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>WTC6</b>	<b>Offices</b>	<b>14,461</b>	<b>Yes</b>	<b>Yes</b>		<b>LEED GOLD</b>	<b>Yes</b>		<b>Yes</b>
<b>WTC8</b>	<b>Offices</b>	<b>14,597</b>	<b>Yes</b>	<b>Yes</b>		<b>LEED GOLD</b>	<b>Yes</b>		<b>Yes</b>
Av, Parc Logistic 10-12 (PLZFA)	Offices	11,411							Yes
Av, Parc Logistic 10-12 (PLZFB)	Offices	10,652	Yes	Yes		BREEAM GOOD			Yes
<b>Sant Cugat I</b>	<b>Offices</b>	<b>15,377</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM VERY GOOD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Sant Cugat II</b>	<b>Offices</b>	<b>10,008</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>LEED SILVER</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Marques de Pombal 3	Offices	12,461	Yes	Yes		LEED GOLD			Yes
Torre Lisboa	Offices	13,715				LEED GOLD			Yes
Central Office	Offices	10,310	Yes	Yes		LEED GOLD			Yes
Torre Zen	Offices	10,207	Yes	Yes					Yes
Art	Offices	22,150	Yes	Yes					
TFM	Offices	7,837	Yes	Yes					
Lisbon Expo	Offices	6,740				LEED GOLD			Yes
Nestlé	Offices	12,260							
Lerida-Mangraners	Offices	3,228							Yes
Zaragoza-Aznar Molina	Offices	4,488							Yes
Sevilla-Borbolla	Offices	13,037				LEED SILVER			Yes
Granada-Escudo del Carmen	Offices	2,040							Yes
<b>Coverage (floor area)</b>		<b>1,185,653</b>	<b>907,443</b>	<b>939,822</b>	<b>819,245</b>	<b>947,653</b>	<b>771,516</b>	<b>576,695</b>	<b>1,123,691</b>
<b>Coverage (number of assets)</b>		<b>113</b>	<b>93</b>	<b>95</b>	<b>85</b>	<b>88</b>	<b>74</b>	<b>57</b>	<b>108</b>

Asset name	Portfolio	GLA sqm	Energy Report (GJ)	Water Report (m <sup>3</sup> )	Waste Report (kg)	Sustainable building certification	ISO 14001	ISO 50001	Energy classification
Avenida de Burgos 210	Offices (WIP)	7,376							
Castellana 85	Offices (WIP)	16,474				LEED GOLD	Yes		Yes
Plaza Pablo Ruiz Picasso	Offices (WIP)	31,576	Yes	Yes		LEED SILVER	Yes	Yes	Yes
Arturo Soria 343	Offices (WIP)	6,615				LEED GOLD			Yes
<b>Adequa 2</b>	<b>Offices (WIP)</b>	<b>3,710</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>		<b>Yes</b>		
Adequa 4	Offices (WIP)	15,793							
Adequa 7	Offices (WIP)	32,109							
Plaza de Cataluña 9	Offices (WIP)	3,048							
Loom 22@ Ferreteria	Offices (WIP)	2,018							
Monumental	Offices (WIP)	25,385							Yes
<b>Coverage (floor area)</b>		<b>136,728</b>	<b>35,286</b>	<b>35,286</b>	<b>3,710</b>	<b>54,665</b>	<b>51,760</b>	<b>31,576</b>	<b>80,050</b>
<b>Coverage (number of assets)</b>		<b>9</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>4</b>
<b>Marineda</b>	<b>Shopping centers</b>	<b>100,242</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM VERY GOOD (Part 1) EXCELLENT (Part 2)</b>	<b>Yes</b>		<b>Yes</b>
<b>Arturo Soria</b>	<b>Shopping centers</b>	<b>6,069</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM VERY GOOD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Centro Oeste</b>	<b>Shopping centers</b>	<b>10,876</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM GOOD</b>			<b>Yes</b>
Tres Aguas	Shopping centers	67,691	Yes	Yes		BREEAM VERY GOOD			
X-Madrid	Shopping centers	47,105	Yes	Yes	Yes		Yes	Yes	
Callao 5	Shopping centers	11,629				BREEAM PASS			Yes
<b>Larios</b>	<b>Shopping centers</b>	<b>37,956</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM VERY GOOD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Porto Pi</b>	<b>Shopping centers</b>	<b>32,795</b>	<b>Yes</b>	<b>Yes</b>		<b>BREEAM GOOD</b>			<b>Yes</b>





Asset name	Portfolio	GLA sqm	Energy Report (GJ)	Water Report (m <sup>3</sup> )	Waste Report (kg)	Sustainable building certification	ISO 14001	ISO 50001	Energy classification
Artea	Shopping centers	25,922	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
Arenas	Shopping centers	31,905	Yes	Yes	Yes	BREEAM GOOD	Yes	Yes	Yes
Vilamarina	Shopping centers	32,191	Yes	Yes	Yes	BREEAM GOOD			Yes
Saler	Shopping centers	29,360	Yes	Yes	Yes	BREEAM VERY GOOD			Yes
La Vital	Shopping centers	20,878	Yes	Yes	Yes	BREEAM GOOD			Yes
Bonaire	Shopping centers	14,455	Yes	Yes	Yes				Yes
Almada	Shopping centers	60,098							Yes
<b>Coverage (floor area)</b>		<b>529,172</b>	<b>457,445</b>	<b>457,445</b>	<b>356,959</b>	<b>407,514</b>	<b>249,199</b>	<b>148,957</b>	<b>414,376</b>
<b>Coverage (number of assets)</b>		<b>15</b>	<b>13</b>	<b>13</b>	<b>11</b>	<b>12</b>	<b>6</b>	<b>5</b>	<b>13</b>
A2-Coslada	Logistics	28,491				BREEAM PASS			Yes
<b>A2-Coslada Complex</b>	<b>Logistics</b>	<b>36,234</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>BREEAM GOOD</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
A4-Getafe (Cla)	Logistics	16,100	Yes*						Yes
A4-Getafe (Los Olivos)	Logistics	11,488							Yes
A2-Meco I	Logistics	35,285	Yes*			BREEAM PASS			Yes
A4-Pinto I	Logistics	11,099				BREEAM GOOD			Yes
A4-Pinto II	Logistics	58,990							Yes
A4-Getafe (Gavilanes)	Logistics	39,591	Yes			LEED GOLD	Yes		Yes
A2-Meco II	Logistics	59,814				LEED PLATINUM			Yes
A2-San Fernando I	Logistics	11,179				LEED GOLD			Yes
Toledo-Seseña	Logistics	28,731	Yes	Yes					
A2-Alovera	Logistics	38,763				BREEAM GOOD			Yes

Asset name	Portfolio	GLA sqm	Energy Report (GJ)	Water Report (m <sup>3</sup> )	Waste Report (kg)	Sustainable building certification	ISO 14001	ISO 50001	Energy classification
A2-Azuqueca I	Logistics	27,995				BREEAM PASS			Yes
A2-Cabanillas I	Logistics	70,134				BREEAM GOOD			Yes
A2-Cabanillas II	Logistics	15,078							
A2-Cabanillas III	Logistics	21,879				LEED GOLD			
A2-Cabanillas Park I A	Logistics	38,054				LEED GOLD			Yes
A2-Cabanillas Park I B	Logistics	17,917				LEED GOLD			Yes
A2-Cabanillas Park I C	Logistics	48,468				LEED GOLD			Yes
A2-Cabanillas Park I D	Logistics	47,892				LEED GOLD			Yes
A2-Cabanillas Park I E	Logistics	49,793				LEED SILVER			Yes
A2-Cabanillas Park I F	Logistics	20,723	Yes*			LEED SILVER			Yes
Barcelona-Sant Esteve	Logistics	16,811							Yes
Barcelona-PLZF (9 warehouses)	Logistics	131,624	Yes	Yes		BREEAM GOOD			Yes
Zaragoza-Pedrola	Logistics	21,579				BREEAM GOOD			Yes
Zaragoza-Plaza	Logistics	20,764				BREEAM GOOD			Yes
Zaragoza-Plaza II	Logistics	11,421				LEED GOLD			
<b>Valencia-Almussafes</b>	<b>Logistics</b>	<b>26,613</b>	<b>Yes</b>						<b>Yes</b>
Valencia-Ribarroja	Logistics	34,992				BREEAM VERY GOOD			Yes
Vitoria-Jundiz I	Logistics	72,717				BREEAM GOOD			Yes
Vitoria-Jundiz II	Logistics	26,774							
Sevilla Zal (12 warehouses)	Logistics	124,725	Yes	Yes		BREEAM PASS (8) BREEAM GOOD (2) LEED SILVER (2)			
<b>Coverage (floor area)</b>		<b>1,221,718</b>	<b>416,994</b>	<b>321,089</b>	<b>36,234</b>	<b>1,021,133</b>	<b>75,825</b>	<b>36,234</b>	<b>993,110</b>
<b>Coverage (number of assets)</b>		<b>51</b>	<b>24</b>	<b>23</b>	<b>1</b>	<b>43</b>	<b>2</b>	<b>1</b>	<b>34</b>



Asset name	Portfolio	GLA sqm	Energy Report (GJ)	Water Report (m <sup>3</sup> )	Waste Report (kg)	Sustainable building certification	ISO 14001	ISO 50001	Energy classification
A2-San Fernando II	Logistics (WIP)	33,592	Yes						
A2-Azuqueca II	Logistics (WIP)	98,757	Yes*			LEED PLATINUM			Yes
A2-Cabanillas Park II	Logistics (WIP)	47,403							
A2-Cabanillas Park I G	Logistics (WIP)	92,994				LEED GOLD			
Sevilla Zal WIP	Logistics (WIP)	29,174							
Lisboa Park	Logistics (WIP)	44,973							
<b>Coverage (floor area)</b>		<b>346,893</b>	<b>132,349</b>	<b>0</b>	<b>0</b>	<b>121,220</b>	<b>0</b>	<b>0</b>	<b>98,757</b>
<b>Coverage (number of assets)</b>		<b>11</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>1</b>

\* MERLIN does not exert operational control over these assets. Therefore, consumption data is included within the environmental performance information of the asset portfolio without operational control.  
 Notes: the asset: Avenida de Burgos 210 is not included in the calculation of the office portfolio area. The shopping centers sold in February 2020 as part of the Silicius operation: Nassica Getafe, La Fira and Thader, are considered outside of the scope. The logistics assets in the table include warehouses in operation and in development, without including land reserves.

**Like for like assets are in bold.**

## Appendix II. Independent Review Report



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

### Independent limited assurance report on the Corporate Social Responsibility indicators

To the Management of Merlin Properties SOCIMI, S.A.:

We have carried out our work to provide limited assurance on the Corporate Social Responsibility key indicators (102-8, 102-18, 102-22, 102-24, 102-25, 102-41, 103: Marketing and labelling, 201-1, 205-3, 206-1, 302-1, 302-2, 302-3, 303-1, 303-3, 305-1, 305-2, 305-3, 305-4, 306-2, 307-1, 401-1, 401-2, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9, 404-1, 405-1, 413-1, 416-1, 416-2, 417-2, 418-1, 419-1, CRE1, CRE2, CRE3, CRE8) contained in "GRI Content Index" of the 2020 Corporate Social Responsibility Report (hereinafter "CSR key indicators") of Merlin Properties SOCIMI, S.A. (parent company) and its subsidiaries (hereinafter "Merlin Properties") for the year ended 31 December 2020, prepared in accordance with the general basic and specific content proposed in the Guidelines for the Preparation of the Sustainability Report of the Global Reporting Initiative (GRI) Standards (hereinafter GRI Standards) and Construction and Real Estate Sector Disclosures of the GRI G4 Guidelines (hereinafter Construction and Real Estate Sector Disclosures).

#### Responsibility of Management

The Management of Merlin Properties is responsible for the preparation, content and presentation of the Corporate Social Responsibility Report in accordance with the Core option of the GRI Standards and the Construction and Real Estate Sector Disclosures as well as for the selection of the key indicators to be reviewed. Management's responsibility includes establishing, implementing and maintaining the internal control required to ensure that the CSR indicators are free from any material misstatement due to fraud or error.

The Management of Merlin Properties is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CSR indicators, is obtained.

#### Our responsibility

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the International Standard on Assurance Engagements 3000 (Reviewed) "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The scope of a limited assurance engagement is substantially less extensive than the scope of a reasonable assurance engagement and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling tests. The general procedures employed are described below:

- Meetings with Merlin Properties' personnel from various areas who have been involved in the preparation of 2020 Corporate Social Responsibility Report.

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- Analysis of the procedures used for obtaining and validating the data presented in the CSR key indicators.
- Analysis of Merlin Properties' CSR key indicators adaptation to the requirements established by the GRI Standards for the preparation of sustainability reports and to the Construction and Real Estate Sector Disclosures.
- Verification, through random sampling tests revisions, internal control tests and substantive tests on the information used to determine Merlin Properties' CSR key indicators. We have also verified whether they have been appropriately compiled from the data provided by Merlin Properties' sources of information.

#### Our Independence and Quality Control

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.

#### Limited assurance conclusion

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that CSR key indicators (102-8, 102-18, 102-22, 102-24, 102-25, 102-41, 103: Marketing and labelling, 201-1, 205-3, 206-1, 302-1, 302-2, 302-3, 303-1, 303-3, 305-1, 305-2, 305-3, 305-4, 306-2, 307-1, 401-1, 401-2, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9, 404-1, 405-1, 413-1, 416-1, 416-2, 417-2, 418-1, 419-1, CRE1, CRE2, CRE3, CRE8) for the financial year ending 31<sup>st</sup> December 2020, contain significant errors or have not been prepared, in all of their significant matters, in accordance with the GRI Standards and the Construction and Real Estate Sector Disclosures.

#### Use and Distribution

Our report is only issued to the Management of Merlin Properties, in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than Merlin Properties' Management.

PricewaterhouseCoopers Auditores S.L.

Original in Spanish signed by  
Pablo Bascones

April 27<sup>th</sup>, 2021



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