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## Report on the activity of the Sustainability and Innovation Committee of MERLIN Properties, SOCIMI, S.A. during fiscal year 2022

### 1. Introduction

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

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

#### 1.1. Composition

- (i) The Committee:
  - (a) shall be made up of a minimum of three (3) and a maximum of five (5) members, all of whom shall be non-executive directors and a majority of whom shall be independent directors;
  - (b) shall appoint a Committee chairman from among the independent Committee members;
  - (c) shall appoint a secretary and may appoint a deputy secretary, neither of whom need be Committee members. Where no such appointments are made, the board secretary and deputy board secretary shall act as the Committee secretary and deputy secretary.
- (ii) The renewal, reappointment and removal of the directors forming the Committee shall be governed by what is agreed by the board;
- (iii) The composition of the Committee at the date hereof is as follows:

MEMBER	POSITION	CATEGORY	DATE OF APPOINTMENT OR REAPPOINTMENT
Ms. Ana García Fau	Chairman	Independent	April 27, 2021
Ms. Francisca Ortega	Member	Nominee	April 27, 2021
Mr. Emilio Novela	Member	Independent	April 27, 2021
Ms. Pilar Caverro	Member	Independent	April 27, 2021

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

## **1.2. Operation**

The Committee:

- (i) is called by its chairman, either at his/her own initiative, or at the request of the board chairman or of any Committee member;
- (ii) shall meet at least once a quarter, and when called by its chairman, who must do so whenever the board or its chairman requests the issuance of a report or the adoption of proposals and, in any event, when it is appropriate for the proper performance of its functions;
- (iii) shall be deemed validly constituted where the majority of its members are present, in person or by proxy; and
- (iv) shall adopt its resolutions by a majority of the members present in person or by proxy and the chairman shall have a casting vote.

## **1.3. Main powers**

The main powers of the Committee are:

- (i) to advise the board of directors:
  - (a) on the design and promotion of the culture and corporate values that foster responsible and sustainable business practices and a business strategy that mainstreams social and environmental aspects, responsible conduct by the Company and its Group, and stakeholder interests and expectations (in sustainability matters);
  - (b) on the formulation of the Group's sustainability strategy as regards relationships with stakeholders;
  - (c) overseeing the disclosure and communication to the market of any information or report that makes reference to sustainability matters, non-financial information or matters falling under the Committee's remit or that may affect the corporate reputation.
- (ii) to promote innovation, particularly in relation to digitalization and technology;
- (iii) to work with the other board committees on all aspects relating to the matters falling under its remit;
- (iv) to promote the preparation and periodic adaptation of a sustainability plan, or sustainability strategy, at Merlin and periodically evaluate the degree of achievement of the set objectives;

- (v) to spur the Company and its group to obtain national and international sustainability certifications, working with the management team on the plan to achieve this objective, and to monitor and promote the incorporation and proper positioning of the Merlin Group in the most renowned international sustainability indices;
- (vi) to know, promote, guide and supervise the objectives, action plans and practices of the Company in the areas of (i) corporate responsibility, including human rights, employee welfare, sponsorship, the environment, biodiversity, combatting climate change, emissions reductions, stakeholder relations, as well as the efficient and responsible use of resources, and (ii) corporate reputation, brand image, intellectual capital and other intangible assets.

## **2. Activities carried out by the Committee**

### **2.1 Meetings**

During fiscal year 2022, the Committee met on nine (9) occasions (specifically, on February 3, February 22, March 24, April 26, May 11, June 9, September 8, October 6, and December 13, 2022).

All meetings were attended by all of the Committee members (in person, by proxy or by audiovisual means). In addition to its members, the Committee meeting held on:

- (i) February 3, 2022 was attended by guests Mr. Fernando Ramírez, Ms. Teresa Urquijo and Mr. Manuel García, who presented, in short, (a) the evaluation of the Company in terms of the Pathway to Net Zero; (b) a proposal for sustainability-linked KPIs to be added to the Company's compensation systems; and (c) a first version of the sustainability policy;
- (ii) February 22, 2022 was attended by guests Mr. Fernando Ramírez, Ms. Teresa Urquijo and Mr. Manuel García, who presented, in short, (a) the functionality and methodology of the London Benchmarking Group (LBG) platform; (b) the sustainability aspects to be reported on in the presentation of results; (c) investment alternatives in sustainability funds; and (d) a first look at visits to foundations and organizations with which Merlin collaborates in relation to social action.
- (iii) March 24, 2022 was attended by the following guests:
  - (a) Mr. Fernando Ramírez, Ms. Teresa Urquijo and Mr. Manuel García, who presented, in short, (a) the proposal of the Pathway to Net Zero to the board of directors; (b) the situation of the Company in relation to general ESG aspects; (c) a first look at the aspects that would apply in converting conventional bonds into green bonds; and (d) a technological inventory used by the

Company and the presentation of a demo of the Sales Force program; and

- (b) representatives from Global Social Impact Investments, who presented, in short, the main aspects of the financial and social responsibility fund they represent.
- (iv) April 26, 2022 was attended by the following guests:
- (a) Mr. Fernando Ramírez, Ms. Teresa Urquijo and Mr. Manuel García, who presented, in short, (a) the draft sustainability report; (b) a Capital Markets Day update with respect to ESG aspects; (c) an update on the status of the green bonds program; (d) a continuation of the presentation on the technological inventory (indicating the investments made), ending with a demo of the LBG platform; and
  - (b) Mr. Antonio Rivas, who explained and gave a presentation on the functionalities and status of the Excalibur platform.
- (v) May 11, 2022 was attended by the following guests:
- (a) Mr. Jon Navarro, who gave a first look at the controls to be implemented with respect to ESG aspects;
  - (b) Mr. Fernando Ramírez, Ms. Teresa Urquijo and Mr. Manuel García, who presented, in short, the main aspects of the social strategy implemented by the Company; and
  - (c) Mr. Lucas Madiedo, who gave a presentation on Merlin Digital at Shopping Centers.
- (vi) June 9, 2022 was attended by the following guests:
- (a) Mr. Fernando Ramírez, Ms. Teresa Urquijo and Mr. Manuel García, who presented, in short, (a) the draft biodiversity policy; (b) an update on the Company's position in the different ESG indices; and (c) an update on the status of Project Sun;
  - (b) Mr. Jon Navarro, who explained the structure for supervision and approval of aspects of non-financial information; and
  - (c) Mr. Enrique Romero, who explained the green bond program monitoring scheme to ensure compliance with requirements.
- (vii) September 8, 2022 was attended by guests Mr. Fernando Ramírez, Ms. Teresa Urquijo and Mr. Manuel García, who presented, in short, (a) the developments in investments as regards sustainability issues; (b) an update on the Company's position in the different indices; and (c) an update on social aspects (visits to foundations);

- (viii) October 6, 2022 was attended by the following guests:
- (a) sustainability representatives from PwC, who presented, in short, the main aspects of the EU taxonomy and its implications for Merlin;
  - (b) sustainability representatives from EY, who presented, in short, the timetable and progress in relation to the Task Force on Climate-related Financial Disclosures; and
  - (c) Mr. Fernando Ramírez, Ms. Teresa Urquijo and Mr. Manuel García, who presented, in short, (a) the main aspects of the social strategy, social performance and key indicators; (b) a summary of the main legislation and compliance aspects applicable to sustainability matters; and (c) an update on the scoring process.
- (ix) December 13, 2022 was attended by the following guests: (i) Mr. Fernando Ramírez, Ms. Teresa Urquijo and Mr. Manuel García, who presented, in short, (a) the developments in sustainable capex; (b) the proposed sustainable capex budget for 2023; (c) the progress and status of the Pathway to Net Zero; (d) an update on the status of Project Sun; (e) the proposed ESG objectives for 2023; (f) an ESG data analytics demo: Power BI and Deepki; and (g) a first look at the degree of achievement of sustainability targets linked to variable compensation; and (ii) Marina Sanz (HR manager), who presented the proposed contribution to foundations.

## **2.2 General activities**

At its meetings held in 2022, the most relevant activities carried out by the Committee, within the scope of its powers, were:

- (i) as recurring activities, inherent in the functions attributed to it:
  - (a) presentation to the board on the activities carried out by the Company in the areas of sustainability and innovation and on the internal organization for the pursuit of the principal objectives in such areas;
  - (b) discussion of the general strategy, progress and main challenges of the Company in relation to sustainability and innovation;
  - (c) monitoring of the metrics scorecard/KPIs and positioning of the Company in benchmark sustainability indices and ratings (GRESB, CDP, S&P Global/ DJSI); and
  - (d) ongoing review of the main ESG aspects applicable to the Company.

- (ii) As specific and principal aspects:
- (a) it approved the Committee's meeting calendar for 2022, the report on the Committee's activities in 2021 and the 2021 Self-Assessment Report by the Sustainability, Ethics and Innovation Committee;
  - (b) it reviewed and monitored the Company's Pathway to Net Zero strategy and proposed terms (for approval) to the board of directors;
  - (c) it recommended sustainability-linked KPIs for incorporation into compensation systems to the Appointments and Compensation Committee;
  - (d) it reported favorably on:
    - the Sustainability Policy;
    - the Annual Corporate Governance Report, in relation to matters falling under its remit (sustainability, non-financial information);
    - the Social Strategy;
    - the 2021 Sustainability Report;
    - the Biodiversity Policy;
    - the Human Rights Policy;
    - the proposed sustainable capex budget for 2023;
    - the proposed ESG objectives for 2023; and
    - the proposed contribution to foundations/NGOs.
  - (e) it analyzed:
    - the implementation and monitoring of the practical application of the London Benchmarking Group (LBG) platform;
    - the sustainability aspects to be reported on in the presentation of results;
    - the potential collaboration with the Global Social Impact fund and its main mission;

- the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and presented the proposal for adherence to the board of directors;
  - a first approach to the risks associated with ESG matters;
  - a first approach to ESG controls to be implemented at Merlin;
  - the structure for supervision and approval of aspects of non-financial information;
  - the energy saving measures implemented by the Company;
  - legislation and compliance aspects applicable to sustainability matters;
  - the taxonomy applicable to MERLIN.
- (f) it worked on a road map of sustainability steps to be taken in 2022;
- (g) it monitored:
- innovation aspects at the Company and its technological inventory;
  - the implementation and monitoring of the green bond program;
  - the social measures taken and promoted visits to the foundations/NGOs that Merlin collaborates with on social aspects;
  - the ESG aspects of the presentation made on Capital Markets Day;
  - the investments made in technology, having promoted the presentation to the Committee of the Excalibur platform, the demo of MERLIN Digital for shopping centers and the ESG Data analytics demo: Power BI and Deepki;
  - the Company's position in ESG indices;
  - the developments in Project Sun;
  - the developments in capex investment in terms of sustainability and its comparison with respect to the initially envisaged budget;

- the timetable and progress in relation to the Task Force on Climate-Related Financial Disclosures (TCFD); and
  - developments in sustainable capex.
- (h) it reviewed:
- a proposal to distribute powers regarding ethics among the different committees; and
  - a first approach to the degree of achievement in 2022 of sustainability objectives linked to variable compensation.

### 3. Action plan for fiscal year 2023

The Committee has defined the following steps in each of the indicated areas as the main aspects of its 2023 action plan:

- (i) Environment
- (a) ongoing monitoring of the Company's situation in relation to (a) indices/scoring, and (b) ISO, LEED and BREEAM certificates;
  - (b) monitoring of the environmental impact in the construction process and the operation of data centers;
  - (c) operational carbon (carbon emitted during the operational or in-use phase of a building): Promote and monitor the reduction in operational carbon intensity in Merlin's asset portfolio;
  - (d) embodied carbon (carbon emitted during the construction of a building): Promote and monitor the increase in the sample calculation of embodied carbon in Merlin's asset portfolio, in order to establish thresholds for each asset category;
  - (e) offset of emissions: Monitoring of the process for locating the real estate assets at which emissions are to be offset.
  - (f) rollout of "green clause". Monitoring of:
    - a. Implementation of the "green clause" in all new lease agreements; and
    - b. its incorporation into existing contracts with tenants.
  - (g) impact and allocation report: Promotion of the drafting of the first Impact and Allocation report in relation to green bonds.
- (ii) Innovation



Promote the application of IT and technological developments to enhance the tasks allocated to the Committee and of other applications/tools in the area of innovation/technology to increase the efficiency of the Company's activities. This step will include, without limitation:

- (a) monitoring of the Excalibur platform in relation to office and logistics assets;
  - (b) implementation at 5 office assets of Building Management Systems (IT systems that control and automate the mechanical, electrical and technological elements of buildings, such as: climate control, lighting, monitoring of utilities (electricity, gas, water), surveillance and fire protection systems, among others);
  - (c) implementation of CRMs in relation to offices, logistics assets and shopping centers, with a view to their subsequent implementation, as the case may be, at data centers.
- (iii) Social: increase in social action for the purposes of the London Benchmarking Group (LBG) model.
- (iv) General

To continuously monitor:

- (a) the budget with respect to ESG aspects, paying particular attention to CAPEX/OPEX;
- (b) fulfillment of the ESG objectives applicable to short-term and long-term variable compensation systems;
- (c) ESG KPIs, mainly those associated with green bonds.

To promote:

- (a) the updating of the sustainability and innovation scorecard;
- (b) the updating of the equity story with a view to hosting sustainability and innovation roadshows;
- (c) training on sustainability and innovation aspects for the board of directors.