Report on the activity of the Sustainability and Innovation Committee of MERLIN Properties, SOCIMI, S.A. during fiscal year 2023

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, reelection 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 REELECTION AS COMMITTEE MEMBER
Ms. Ana García Fau	Chair	Independent	May 4, 2022
Ms. Francisca Ortega	Member	Nominee	April 27, 2023
Mr. Emilio Novela	Member	Independent	May 4, 2022
Ms. Pilar Cavero	Member	Independent	April 27, 2023

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 2023, the Committee met on six (6) occasions (specifically, on January 17, February 6, February 23, June 20, September 14 and December 21, 2023).

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) January 17, 2023 was attended by the guests Mr. Fernando Ramírez, Ms. Teresa Urquijo and Mr. Manuel García who, in short, presented (a) the advances of and an update on the Task Force on Climate-related Financial Disclosures; (b) an update on the fulfillment of sustainability objectives linked to the variable compensation of directors and executives, and (c) a preliminary version of the Annual Corporate Governance Report as regards the aspects within the Committee's remit.

(ii) February 6, 2023 was attended by the guests:

(a) Mr. Fernando Ramírez, Ms. Teresa Urquijo and Mr. Manuel García who, in short, presented (a) an update on the areas for improvement in ESG indices; (b) an update on the SBTI and the sustainable Capex; and by

(b) representatives in charge of Willis Towers Watson (WTW) who, in short, presented a proposal of ESG parameters and objectives for executive directors and members of the managing team, applicable to their variable compensation.

(iii) February 23, 2023 was attended by the guests Mr. Fernando Ramírez, Ms. Teresa Urquijo and Mr. Manuel García who, in short, presented the last version of the Annual Corporate Governance Report, of the

Annual Report on Directors' Compensation and the Non-Financial Information Statement, all with respect to the matters within the Committee's remit.

(iv) June 20, 2023 was attended by the guests:

(a) Mr. Fernando Ramírez, Ms. Teresa Urquijo and Mr. Manuel García who, in short, presented (a) the environmental performance of MERLIN in 1Q23; (b) a case study on data centers in relation to ESG; (c) the action plan and estimated timing of improvements in indexes; (d) the review of the D&O policies, with particular attention to the coverage of sustainability issues; and (e) an update on the Roadshow and ESG feedback from investors.

(b) Mr. Álvaro Ontañon, who gave a presentation on the cybersecurity directive and an update on the Company's adaptation to that directive.

(v) September 14, 2023 was attended by the guests Mr. Fernando Ramírez, Ms. Teresa Urquijo and Mr. Manuel García who, in short, presented (a) an update on the investment plan in relation to sustainability aspects; (b) an update on MERLIN's status in the different ESG indices; (c) an update on MERLIN's situation as regards carbon footprint, and (d) a proposal for the content of the welcome package for new Committee members.

(vi) December 21, 2023 was attended by the guests: Mr. Fernando Ramírez, Ms. Teresa Urquijo and Mr. Manuel García who, in short, reported on (a) the performance of the Sustainable Capex; (b) the achievements in relation to ESG in 2023; (c) the performance and status of the Pathway to Net Zero; (d) the 2023 donations plan; (e) the proposed Sustainable Capex budget for 2024, along with the forecasts for fiscal years 2024 to 2028; (f) the proposed ESG objectives for 2024; (g) the compensation plan; and (h) an update on the investment in Fifth Wall.

2.2 General activities

At its meetings held in 2023, 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, it has:

(a) Approved the report on the Committee's activities in 2023 and the Self-Assessment Report of the Sustainability and Innovation Committee for 2023;

(b) Reviewed and monitored the Company's strategy in relation to the Pathway to Net Zero;

(c) Reported favorably:

- to the Appointments and Compensation Committee on the ESG objectives linked to the short- and long-term compensation systems (STIP and LTIP);
- on the Annual Corporate Governance Report, in relation to matters within its remit;
- on the Annual Report on Directors' Compensation, in relation to matters within the Committee's remit;
- the Non-financial Information Statement, in relation to matters within the Committee's remit;
- the proposed Sustainable Capex budget for 2024, and forecasts for fiscal years 2024 to 2028;
- the proposed ESG objectives for 2024; and
- the proposed contribution to foundations/NGOs.

(d) Analyzed:

- the climatic risk analysis report of the TCFD (Task Force on Climate-Related Financial Disclosures);
- the areas for improvement in ESG indices;

- the Company's contributions and initiatives in relation to social matters;
- the Merlin investment plan in relation to sustainability aspects;
- the sustainability aspects to be reported on in the presentation of results; and
- the energy saving measures implemented by the Company;

(e) Worked on the action plan for improving indices.

(f) Reported on the content of the welcome package for new Committee members.

(g) Followed up on:

- innovation aspects at the Company and its technological inventory;
- Merlin's environmental performance;
- the environmental impact of data centers;
- Merlin's adaptation to the cybersecurity directive;
- the Roadshows and the feedback received from investors as regards ESG aspects;
- the social measures taken, promoting visits to the foundations/NGOs that Merlin collaborates with on social aspects;
- the Company's position in ESG indices; and
- the performance of the Sustainable Capex.

(h) Reviewed:

- ESG aspects, parameters and objectives for executive directors and members of the managing team, applicable to their variable remuneration; and
- the D&O policies with special attention to coverage regarding sustainability matters.

3. Action plan for fiscal year 2024

The Committee has defined the following steps in each of the indicated areas, as the main aspects of its 2024 action plan:

(i) Environment

(a) Monitor continuously the Company's situation in relation to (a) indices/scoring, and (b) ISO, LEED and BREEAM certificates;

(b) Monitor 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: Monitor the process for locating the real estate assets at which emissions are to be offset.

(f) Monitor the implementation of the "green clause" in all new lease agreements.

(ii) Innovation

Promote the application, in ESG aspects, 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) Monitor the Excalibur platform in relation to office and logistics assets;

(b) Implement 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) in 5 office assets;

(c) Implement 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 community outreach, fomenting the visit to different foundations to have a more detailed knowledge of the activities they carry out.

(iv) General

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.

Promote:

(a) the development of a sustainability and innovation scorecard;

(b) the development of the equity story in relation to sustainability and innovation aspects;

(c) training in sustainability and innovation aspects for the board of directors.