

Merlin Properties, SOCIMI, S.A. and Subsidiaries

Consolidated financial statements
for the year ended 31 December
2023 and consolidated directors'
report, together with independent
auditor's report

*Translation of a report originally issued in
Spanish based on our work performed in
accordance with the audit regulations in
force in Spain. In the event of a discrepancy,
the Spanish-language version prevails.*

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Opinion

We have audited the consolidated financial statements of Merlin Properties, SOCIMI, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2023, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

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

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

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

Key Audit Matters

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

Compliance with the REIT tax regime

Description

On 22 May 2014, the Parent applied to be included in the REIT (Spanish "SOCIMI") tax regime, which was applicable from 1 January 2014. Therefore, in 2023 the Merlin Properties SOCIMI Group was regulated by Spanish Real Estate Investment Trusts (SOCIMI) Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December. One of the main characteristics of companies of this nature is that they are subject to an income tax rate of 0%.

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

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

Procedures applied in the audit

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

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

Lastly, we verified that Notes 1, 5.13 and 23 to the consolidated financial statements contained the disclosures relating to compliance with the conditions required by the REIT tax regime and other matters associated with the taxation of the Parent and of its subsidiaries.

Valuation of investment property

Description

The Group manages a portfolio of urban property assets earmarked for lease (offices, shopping centres, logistics parks, etc.) located in Spain and Portugal. Investment property is stated at its fair value at the reporting date and is not depreciated. At 31 December 2023, the portfolio of property assets was valued at EUR 10,640 million.

The Group periodically uses third parties independent of it as experts to determine the fair value of its property assets. The aforementioned experts have substantial experience in the markets in which the Group operates and employ valuation methodologies and standards widely used in the market.

The valuation of the property portfolio is a key audit matter, since it requires the use of estimates with a significant degree of uncertainty.

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

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

Procedures applied in the audit

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

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

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

Valuation of investment property

Description

In this context, small percentage changes in the key assumptions used for the valuation of property assets, in particular those associated with the Data Center business that has been incorporated in the year and that maintains an emerging market in Spain, could give rise to significant changes in the value of the assets recorded in the consolidated financial statements.

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

Procedures applied in the audit

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

Lastly, we also checked that the disclosures made by the Group in relation to these matters, included in Notes 5.1 and 7 to the consolidated financial statements for 2023, contained the information required in this connection by the applicable financial reporting framework.

Other Information: consolidated directors' report

The other information comprises only the consolidated directors' report for 2023, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

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

- a) Solely checking that the Consolidated Non-Financial Information Statement, certain information included in the Annual Corporate Governance Report and the Annual Directors' Remuneration Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) Evaluating and reporting on whether the other information included in the consolidated directors' report is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2023 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the directors and Audit and Control Committee of the Parent for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital files in European Single Electronic Format (ESEF) of Merlin Properties SOCIMI, S.A. and subsidiaries for 2023, which comprise the XHTML file including the consolidated financial statements for 2023 and the XBRL files with the tagging performed by the entity, which will form part of the annual financial report.

The directors of Merlin Properties SOCIMI, S.A. are responsible for presenting the Annual Financial Report for 2023 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation"). In this regard, the Annual Corporate Governance Report and the Annual Directors' Remuneration Report were included by reference in the consolidated directors' report.

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

In our opinion, the digital files examined correspond in full to the audited consolidated financial statements, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional Report to the Parent's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and control committee dated 26 February 2024.

Engagement Period

The Annual General Meeting held on 27 April 2023 appointed us as auditors of the Group for a period of one year from the year ended 31 December 2022.

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

DELOITTE, S.L.

Registered in ROAC under no. S0692



Ignacio Alcaraz Elorrieta

Registered in ROAC under no. 20687

28 February 2024

Appendix I to our auditor's report

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Parent's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

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

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

Merlin Properties SOCIMI, S.A. and Subsidiaries

Consolidated Financial Statements for the year
ended 31 December 2023
prepared in accordance with International
Financial Reporting Standards (IFRSs)
as adopted by the European Union and
Consolidated Directors' Report

MERLIN PROPERTIES SOCIMI, S.A.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2023

(Thousand euros)

ASSETS	Notes	31/12/2023	31/12/2022	EQUITY AND LIABILITIES	Notes	31/12/2023	31/12/2022
NON-CURRENT ASSETS				EQUITY	Note 13		
Other intangible assets		1,570	1,746	Share capital		469,771	469,771
Property, plant and equipment		7,142	6,323	Share premium		3,541,379	3,541,379
Investment property	Note 7	10,639,763	10,714,200	Reserves		2,729,403	3,023,630
Investments accounted for using the equity method	Note 9	537,288	500,300	Other shareholder contributions		540	540
Non-current financial assets	Note 10	202,109	211,048	Valuation adjustments		(9,475)	12,798
Derivatives		3,429	18,882	Treasury shares		(15,410)	(17,166)
Other financial assets		198,680	192,166	Interim dividend		(93,673)	(444,815)
Deferred tax assets	Note 17	77,573	78,646	Profit/(Loss) for the year attributable to the Parent		(83,497)	263,087
Total non-current assets		11,465,445	11,512,263	Equity attributable to the Parent		6,539,038	6,849,224
				Total equity		6,539,038	6,849,224
				NON-CURRENT LIABILITIES			
				Debt instruments and other marketable securities	Note 14	3,283,337	3,279,334
				Long-term bank borrowings	Note 14	1,223,731	189,866
				Other financial liabilities	Note 15	171,262	156,398
				Deferred tax liabilities	Note 15 y 17	613,190	613,479
				Provisions	Note 15	20,181	12,670
				Total non-current liabilities		5,311,701	4,251,747
CURRENT ASSETS				CURRENT LIABILITIES			
Inventories	Note 5.2	50,976	44,508	Debt instruments and other marketable securities	Note 14	20,966	775,036
Trade and other receivables	Notes 10 y 11	62,598	49,840	Bank borrowings	Note 14	4,528	2,806
Other current financial assets	Note 10	4,990	2,960	Other current financial liabilities	Note 15	7,369	9,020
Other current assets		20,179	12,463	Trade and other payables	Note 16	164,008	146,850
Cash and cash equivalents	Note 12	461,223	429,449	Current income tax liabilities	Note 17	7,591	5,234
Total current assets		599,966	539,220	Other current liabilities	Note 15	10,210	11,566
				Total current liabilities		214,672	950,512
TOTAL ASSETS		12,065,411	12,051,483	TOTAL EQUITY AND LIABILITIES		12,065,411	12,051,483

The accompanying explanatory Notes 1 to 24 and Appendix I and II are an integral part of the consolidated statement of financial position as at 31 December 2023.

**MERLIN PROPERTIES SOCIMI, S.A.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED IN 2023**

(Thousand euros)

	Notes	Year 2023	Year 2022
CONTINUING OPERATIONS:			
Revenue	Notes 6 y 18	464,779	439,038
Other operating income		4,754	2,650
Staff costs	Note 18.c	(34,845)	(39,673)
Other operating expenses	Note 18.b	(73,325)	(73,818)
Profit/(loss) on disposals of non-current assets	Note 7	(7,023)	11,561
Depreciation and amortisation charge		(2,075)	(1,885)
Allocation of grants relating to non-financial assets and others		36	-
Provisions	Note 15	(7,410)	(160)
Change in fair value of investment properties	Note 7	(335,984)	(249,272)
PROFIT/(LOSS) FROM OPERATIONS		8,907	88,441
Changes in the fair value of financial instruments-	Note 10 y 14	(6,232)	41,226
Finance income	Note 18.d	10,106	3,942
Profit/(loss) on disposal of financial instruments		-	(283)
Finance expenses	Note 18.d	(127,786)	(109,203)
Share of results of companies accounted for using the equity method	Note 9	39,923	24,033
Translation differences		90	-
PROFIT/(LOSS) BEFORE TAX		(74,992)	48,156
Income tax	Note 17	(8,505)	(6,800)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(83,497)	41,356
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations net of tax	Note 3	-	221,731
PROFIT/(LOSS) FOR THE YEAR		(83,497)	263,087
Attributable to shareholders of the Parent		(83,497)	263,087
EARNINGS PER SHARE FROM CONTINUING OPERATIONS (in euros):	Note 13.6		
Basic		(0.18)	0.09
Diluted		(0.18)	0.09
EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS (in euros):	Note 13.6		
Basic		-	0.47
Diluted		-	0.47

The accompanying explanatory Notes 1 to 24 and Appendix I and II are an integral part of the consolidated statement of financial position as at 31 December 2023.

**MERLIN PROPERTIES SOCIMI, S.A.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD OF 2023**

(Thousand euros)

	Notes	Year 2023	Year 2022
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO CONTINUING OPERATIONS		(83,497)	41,356
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO DISCONTINUING OPERATIONS		-	221,731
PROFIT/(LOSS) PER INCOME STATEMENT (I)		(83,497)	263,087
OTHER COMPREHENSIVE INCOME:			
Income and expense recognised directly in equity-			
Arising from cash flow hedges (*) from continuing operations	Note 13.7	(17,747)	12,781
Arising from cash flow hedges (*) from discontinuing operations	Note 3	-	90,577
OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY (II)		(17,747)	103,358
Transfers to the income statement from continuing operations	Note 13.7	(4,526)	17
Transfers to the income statement from discontinuing operations	Note 3	-	(23,157)
TOTAL TRANSFERS TO THE INCOME STATEMENT (III)		(4,526)	(23,140)
TOTAL COMPREHENSIVE INCOME (I+II+III)		(105,770)	343,305
Attributable to shareholders of the Parent from continuing operations		(105,770)	54,154
Attributable to shareholders of the Parent from discontinuing operations		-	289,151
Attributable to shareholders of the Parent		(105,770)	343,305

(*) Amounts to be transferred to the profit and loss account in subsequent years

The accompanying explanatory Notes 1 to 24 en the Consolidated Memory and Appendix I and II are an integral part of the consolidated statement of financial for the period ending in 2023.

MERLIN PROPERTIES SOCIMI, S.A.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD
ENDED 31 DECEMBER 2023

(Thousand euros)

	Share Capital	Share premium	Reserves	Shareholder Contribution	Profit/ (loss) for the year	Interim Dividend	Valuation adjustments	Treasury shares	Equity attributed to the Parent Company	Non- controlling interests	Total Equity
Balance as of 31 December 2021	469,771	3,647,876	2,566,276	540	512,217	(70,033)	(67,420)	(32,305)	7,026,923	-	7,026,923
Consolidated comprehensive income for 2022	-	-	-	-	263,087	-	80,218	-	343,305	-	343,305
Distribution of 2021 profit	-	-	442,185	-	(512,217)	70,033	-	-	-	-	—
Transactions with shareholders or owners											
Distribution of dividends	-	(106,497)	(10,614)	-	-	(444,815)	-	-	(561,926)	-	(561,926)
Changes in the scope of consolidation	-	-	51,217	-	-	-	-	-	51,217	-	51,217
Acquisition/(sale) of treasury shares	-	-	-	-	-	-	-	142	142	-	142
Recognition of share-based payments	-	-	4,014	-	-	-	-	-	4,014	-	4,014
Share-based payments	-	-	(23,865)	-	-	-	-	14,133	(9,731)	-	(9,731)
Delivery of share distribution scheme	-	-	(35)	-	-	-	-	864	828	-	828
Other changes	-	-	(5,548)	-	-	-	-	-	(5,548)	-	(5,548)
Balance as of 31 December 2022	469,771	3,541,379	3,023,630	540	263,087	(444,815)	12,798	(17,166)	6,849,224	-	6,849,224
Consolidated comprehensive income for 2023	-	-	-	-	(83,497)	-	(22,273)	-	(105,770)	-	(105,770)
Distribution of 2022 profit	-	-	(181,728)	-	(263,087)	444,815	-	-	-	-	-
Transactions with shareholders or owners											
Distribution of dividends	-	-	(113,350)	-	-	(93,673)	-	-	(207,023)	-	(207,023)
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-	-	-
Acquisition/(sale) of treasury shares	-	-	(252)	-	-	-	-	418	166	-	166
Recognition of share-based payments	-	-	2,804	-	-	-	-	-	2,804	-	2,804
Share-based payments	-	-	-	-	-	-	-	-	-	-	-
Delivery of share distribution scheme	-	-	(371)	-	-	-	-	1,338	967	-	967
Other changes	-	-	(1,330)	-	-	-	-	-	(1,330)	-	(1,330)
Balance as of 31 December 2023	469,771	3,541,379	2,729,403	540	(83,497)	(93,673)	(9,475)	(15,410)	6,539,038	-	6,539,038

The accompanying explanatory Notes 1 to 24 and Appendix I and II are an integral part of the consolidated statement of changes in equity for the period ended as of 31 December 2023.

MERLIN PROPERTIES SOCIMI, S.A.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
PERIOD ENDED DECEMBER 31 2023

(Thousand euros)

CONTINUED OPERATIONS	Notes	Year 2023	Year 2022
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:		227,965	222,155
Profit for the year before tax		(74,992)	48,156
Adjustments for-		436,354	283,772
Depreciation and amortisation charge		2,075	1,885
Change in fair value of investment property	Note 7	335,984	249,272
Changes in operating provisions		7,410	4,174
Profit/(Loss) on derecognition and disposal of non-current assets	Note 7	7,023	(11,561)
Finance income		(10,106)	(3,942)
Finance expenses		127,786	109,203
Changes in fair value of financial instruments		6,232	(41,226)
Share of results of investments accounted for using the equity method	Note 9	(39,923)	(24,033)
Other adjustments to profit		(127)	-
Changes in working capital-		(35,077)	(9,637)
Inventories		(6,468)	(5,811)
Accounts receivable		(12,758)	(1,684)
Other current assets		(9,746)	(2,987)
Accounts payable		5,347	19,614
Other assets and liabilities		(11,452)	(18,769)
Other cash flows from operating activities-		(98,320)	(100,136)
Interest paid		(109,299)	(100,588)
Interest received		8,994	1,980
Income tax recovered (paid)		1,985	(1,528)
CASH FLOWS FROM/(USED IN) INVESTMENT ACTIVITIES:		(274,747)	1,184,254
Payments due to investments-		(315,528)	(997,196)
Net cash flow from business acquisitions	Note 3	-	-
Investment property	Note 7	(308,172)	(370,161)
Property, plant and equipment		(1,101)	(644)
Contributions for discontinued activities		-	(619,727)
Contributions to associates and other non-current investments		(5,349)	(5,593)
Intangible assets		(906)	(1,071)
Financial assets		-	-
Proceeds from disposals-		40,781	2,181,450
Financial assets of discontinued operations	Note 3	-	1,987,400
Investment property		40,781	109,402
Other disposals		-	84,648
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:		78,556	(1,700,436)
Proceeds and payments relating to equity instruments-		(198,660)	(406,475)
Issue of equity instruments		-	-
Treasury share purchases	Note 13	418	(142)
Premium Refunds	Note 4	-	(106,497)
Dividends Paid	Note 4	(207,023)	(455,429)
Dividends Paid / Premium Refunds from subsidiaries		7,945	4,162
Dividends paid from discontinued operations		-	51,144
Charges for discontinued activities		-	100,287
Proceeds and payments relating to financial liabilities-		277,216	(1,293,961)
Debt issuance with credit institutions	Note 14	1,021,625	81,760
Cancellation of interest rate derivatives		-	24,329
Issuance of debentures and bonds		-	-
Repayment of bank borrowings	Note 14	(1,623)	(851,750)
Return of debentures and bonds	Note 14	(742,786)	(548,300)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		31,774	(294,027)
Cash and cash equivalents at beginning of period		429,449	723,476
Cash and cash equivalents at end of period		461,223	429,449

DISCONTINUED OPERATIONS	Notes	Year 2023	Year 2022
CASH FLOWS FROM OPERATING ACTIVITIES	Note 3	-	36,596
CASH FLOWS FROM INVESTING ACTIVITIES	Note 3	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	Note 3	-	(174,872)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		-	(138,276)
Cash and cash equivalents at beginning of period		-	143,245
Cash and cash equivalents included for the transaction		-	4,969
Cash and cash equivalents at end of period		-	-

The accompanying explanatory Notes 1 to 24 and Appendix I and II are an integral part of the consolidated statement of cash flows for the period ended as at 31 December 2023.

Merlin Properties SOCIMI, S.A. and Subsidiaries

Notes to the consolidated financial statements
for the year ended
31 December 2023

1. Nature and activity of the Group

Merlin Properties SOCIMI, S.A. (the "Parent Company") was incorporated in Spain on 25 March 2014 under the Corporate Enterprises Act. On 22 May 2014, the Parent requested to be included in the tax regime for listed companies investing in the property market (REITs), effective from 25 March 2014 (date of incorporation of the Parent).

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

The Parent Company's corporate purpose, as in its bylaws, is as follows:

- The acquisition and development of urban real estate for subsequent leasing, including the refurbishment of buildings as per the VAT Act;
- The holding of equity interests in other REITs or in other non-resident entities in Spain with the same corporate purpose and which operate under a similar regime as that established for REITs with respect to the mandatory profit distribution policy enforced by law or by the bylaws;
- The holding of equity interests in other resident or non-resident entities in Spain whose corporate purpose is to acquire urban real estate for subsequent leasing, and which operate under the same regime as that established for REITs with respect to the mandatory profit distribution policy enforced by law or by the bylaws, and which meet the investment requirements stipulated for these companies; and
- The holding of shares or equity interests in collective real estate investment undertakings regulated by Law 35/2003, of 4 November, on collective investment undertakings, or any statute that may replace this in the future.

In addition to the economic activity relating to the main corporate purpose, the Parent may also carry on any other ancillary activities, i.e., those that generate income, which in total represents less than 20% of its income in each tax period, or those that may be considered ancillary activities by law at the time.

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

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

Merlin Properties SOCIMI, S.A. and Subsidiaries ("the Group") engage mainly in the acquisition and management (through leasing to third parties) of offices, industrial buildings, logistic centres, data centres, shops and shopping centres, and they may also invest, to a lesser extent, in other assets for lease.

On 30 June 2014, the Parent was floated on the Spanish stock market through the issuance of EUR 125,000 thousand shares, with a share premium of EUR 1,125,000 thousand. Merlin Properties SOCIMI, S.A.'s shares/securities have been listed on the electronic trading system of the Spanish stock exchanges since 30 June 2014.

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

The Parent Company and the majority of its subsidiaries are governed by Spanish Law 11/2009, of 26 October, as amended by Spanish REITs Act (Ley 16/2012, de 27 de diciembre, por la que se regulan las Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario). Article 3 of that Act sets out the investment requirements for these types of companies, namely:

1. At least 80% of a REIT's assets must be invested in urban real estate for leasing purposes and/or in land to be developed for leasing purposes provided that such development starts within three years of acquisition, along with investments in the capital or equity of other entities referred to in section 1, Article 2 of the Act.

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

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

This percentage is calculated based on consolidated profit if the company is a Parent Company of a group, as defined in Article 42 of the Spanish Commercial Code, irrespective of the place of residence and the obligation to prepare consolidated financial statements. Said group will exclusively comprise the REIT and all the other entities referred to in section 1, Article 2 of that Act.

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

This period will be calculated:

- a) In the case of properties that are included in the REIT's assets before it avails itself of the regime, from the date of commencement of the first tax period in which the special tax regime set forth in this Act is applied, provided that the property is leased or offered for lease at that date. Otherwise, the following paragraph must be apply.
- b) In the case of properties developed or acquired subsequently by the REIT, from the date on which they were leased or offered for lease for the first time.
- c) Shares or equity investments in entities referred to in section 1, Article 2 of the Act must be kept in the REIT's asset base for a period of at least three years after their acquisition or, if applicable, from the beginning of the first tax period during which the special tax regime in the Law applies.

As in transitional provision one of Law 11/2009, of 26 December, amended by Law 16/2012, of 27 December, governing listed companies investing in the property market, these companies may opt to apply the special tax regime under Article 13 of this Act, even when the requirements stipulated therein

are not fulfilled, under the condition that such requirements are met within two years of the date application of the REIT tax regime is sought.

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

With effect for financial years beginning on or after 1 January 2021, Law 11/2021, of 9 July, on measures to prevent and combat tax fraud amended Article 9 (4) of Spanish Law 11/2009, of 26 October, regulating REITs. Specifically, a special tax of 15% was introduced on the amount of profit obtained in the year which is not distributed, in the portion that arises from: a) income that has not been taxed at the general corporate income tax rate and, b) income that does not arise from the transfer of eligible assets, once the three-year maintenance period has elapsed, which has been included in the three-year reinvestment period in Article 6.1.b) of Law 16/2012, of 27 December. This special tax will be considered corporate income tax and will accrue on the day of the agreement to apply profit for the year by the general shareholders meeting or equivalent body. The self-assessment and payment of the tax must be performed within two months of the accrual.

The transitional period in which the Company had to meet all requirements of this tax regime ended in 2017. Group management, based on the opinion of its tax advisers, assessed compliance with the requirements of the regime, concluding that such requirements were met at 31 December 2023.

Consequently, the Group's consolidated financial statements and the individual financial statements of the Parent for 2023, prepared by its Directors, which are awaiting approval by the General Meeting, have been prepared under the REIT Regime. However, the directors of the Parent consider that the above financial statements will be approved without any material changes.

On the other hand, the financial statements for 2023 for the companies that make up the Group are pending preparation by their respective Directors and are expected to be approved by their respective General Shareholders' or Partners' Meetings within the deadlines established by applicable law.

The separate and consolidated financial statements published by Merlin Properties, SOCIMI, S.A. for 2022 prepared by its directors were approved by the Directors at the Annual General Meeting on 27 April 2023.

The 2022 separate annual financial statements of the Group companies, which were prepared by their respective directors, were approved at the respective General Meetings within the periods in applicable tax legislation.

In view of the business activities currently performed by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

The Company did not change its corporate or trading name in 2023 or 2022.

2. Basis of presentation of the consolidated financial statements

2.1 Regulatory framework

The regulatory financial reporting framework applicable to the Group consists of the following:

- The Spanish Commercial Code and all other Spanish commercial laws.

- International Financial Reporting Standards (IFRSs) as adopted by the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and Law 62/2003, of 30 December, on tax, administrative and social security measures, and applicable rules and circulars of the Spanish National Securities Market Commission (CNMV);
- Law 11/2009, of 26 October, amended by REITs Act and all other commercial law; and
- All other applicable Spanish accounting legislation.

2.2 Basis of presentation of the consolidated financial statements

The consolidated financial statements for 2023 were obtained from the accounting records and financial statements of the Parent and consolidated companies, and have been prepared in accordance with the regulatory financial reporting framework described in Note 2.1 and, accordingly, they constitute a fair presentation of the Group's consolidated equity and financial position at 31 December 2023 and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

Given that the accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2023 may differ from those applied by some of the Group companies, the necessary adjustments and reclassifications were made on consolidation to unify these policies and bases and to make them compliant with IFRSs as adopted by the European Union

To present the various items composing the consolidated financial statements in a uniform manner, the accounting, policies and measurement bases used by the Parent were applied to all the consolidated companies.

2.2.1 Adoption of Financial Reporting Standards and Interpretations effective as from 1 January 2023

In 2023 the following standards, amendments and interpretations entered into force, which, where applicable, were used by the Group in preparing these financial statements:

Standards, Amendments and Interpretations	Description	Mandatory application in the financial years beginning on or after:
Amendments to IAS 1 Disclosure of accounting policies	Amendments that require companies to appropriately identify the material accounting policy information that should be disclosed in the financial statements.	01 January 2023
Amendments to IAS 8 Definition of accounting estimate	Amendments and clarifications to help entities distinguish changes in accounting estimates.	01 January 2023
Amendments to IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	Guidelines on the accounting treatment of deferred tax related to assets and liabilities arising from lease transactions and decommissioning obligations.	01 January 2023
Amendments to IFRS 17 Insurance contracts - Initial application of IFRS 17 and IFRS 9. Comparative information	Amendments to the transition requirements of IFRS 17 for insurers that apply to IFRS 17 and IFRS 9 for the first time at the same time.	01 January 2023
Amendments to IAS 12 Tax reform – Pillar 2 Model Rules	This amendment introduces a mandatory temporary exemption to the recognition of deferred taxes from IAS 12 in connection with the entry into force of the Pillar 2 international tax model. It also includes additional disclosure requirements.	01 January 2023
IFRS 17 Insurance contracts	Replaces IFRS 4 and includes the principles of registration, measurement, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information that allows users of financial information to determine the effect that insurance contracts have on financial statements	01 January 2023

These standards and amendments have not had a significant impact.

All accounting policies and measurement bases with a significant effect on the consolidated financial statements were applied.

2.2.2 Standards not yet in force in 2023

The following standards were not yet in force in 2023, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union.

Standards, Amendments and Interpretations	Description	Mandatory application in the financial years beginning on or after:
Amendments to IFRS 16 Liabilities for leases in a sale under subsequent lease	This change clarifies the subsequent accounting of lease liabilities arising in sales and subsequent leasebacks.	01 January 2024
Amendments to IAS 1 Classification of liabilities as current and non-current and those subject to covenants	Clarifications regarding the presentation of liabilities as current or non-current, and in particular those maturing conditional on compliance with covenants.	01 January 2024
Amendments to IAS 7 and IFRS 7 Supplier financing arrangements	This amendment introduces requirements for discounting information specific to financial agreements with suppliers and their effects on the Company's liabilities and cash flows, including liquidity risk and associated risk management.	1 January 2024 (1)
Amendments to IAS 21 Lack of convertibility	This amendment establishes an approach that specifies when one currency can be exchanged for another, and if it is not, the exchange rate to be used.	1 January 2025 (1)

(1) Approved for use in the European Union

At present, the Group is assessing the impacts that the future application of standards with a mandatory application date from 1 January 2024 could have on the consolidated financial statements once they come into force, although these impacts are not expected to be significant.

2.3 Functional currency

These consolidated financial statements are presented in euros, since the euro is the functional currency in the area in which the Group operates.

2.4 Comparative information

The information relating to 2022 contained in these notes to the consolidated financial statements is presented solely for comparison purposes with similar information relating to the year ended 31 December 2023.

2.5 Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Parent's directors.

In the Group's consolidated financial statements for 2023 estimates were occasionally made by the senior executives of the Group and of the consolidated companies, later ratified by the directors, to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The market value of the Group's property assets (see Note 5.1). The Group obtained valuations from independent experts at 31 December 2023.
- The fair value of certain financial instruments (see Notes 5.5 and 5.6).
- The assessment of provisions and contingencies (see Note 5.11)
- Management of financial risk and, in particular, of liquidity risk and climate change risk (see Note 23).

- The recovery of deferred tax assets and the tax rate applicable to temporary differences (see Note 5.13).
- Compliance with the requirements that govern listed real estate investment companies (see Note 1).

Changes in estimates:

Although these estimates were made based on the best information available at 31 December 2023, future events may require that these estimates be modified prospectively (upwards or downwards), according to IAS 8. The effects of any change would be recognised in the corresponding consolidated income statement.

2.6 Basis of consolidation applied

All companies over which effective control is exercised by virtue of holding a majority of the voting rights in their representation and decision-making bodies and the power to determine the company's financial and operational policies were fully consolidated; and companies in which the Group owns more than a 20% interest and exercises significant influence without holding a majority of the voting rights were accounted for using the equity method (see Note 9). Likewise, a significant influence on the investments held by the Group with a participation rate of less than 20% is considered to exist if it has representation on the Board of these companies of the parties related to it.

A number of adjustments have been made to align the accounting principles and measurement bases of Group companies with those of the Parent, including the application of International Financial Reporting Standards measurement bases to all Group companies and associates.

It was not necessary to unify accounting periods since the balance sheet date of all the Group companies and associates is 31 December of each year.

2.6.1 Subsidiaries

Subsidiaries are considered to be those companies over which the Parent directly or indirectly exercises control through subsidiaries. The Parent Company has control over a subsidiary when it is exposed or has rights to variable returns from its involvement with the subsidiary, and when it has the ability to exercise its power to affect its returns. The Parent Company has power when the voting rights are sufficient to give it the ability to direct the relevant activities of the subsidiary. The Parent Company is exposed or has rights to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

Any third-party interests in the Group's equity and profit or loss are recognised under "Non-controlling interests" in the consolidated statement of financial position and "Result attributable to non-controlling interests" in the consolidated income statement and consolidated comprehensive income statement.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statements from the effective date of acquisition or until the effective date of disposal, as appropriate.

Appendix I includes information on Group companies and associates.

2.6.2 Associates

The companies listed in Appendix I, over which Merlin Properties, SOCIMI, S.A. does not exercise control but rather has a significant influence, are included under "Investments accounted for using the equity method" in the accompanying consolidated statement of financial position and are measured

using the equity method, which consists of the value of the net assets and any goodwill of the associate. The share of these companies' net profit or loss for the year is included under "Share of results of associates accounted for using the equity method" in the accompanying consolidated income statement.

2.6.3 Inter-group transactions

Gains or losses on transactions between consolidated companies are eliminated on consolidation and deferred until they are realised with third parties outside the Group. The capitalised expenses of Group work on non-current assets are recognised at production cost, and any intra-Group results are eliminated. Receivables and payables between consolidated Group companies and any intra-Group income and expenses were eliminated.

2.6.4 First-time consolidation differences

At the date of an acquisition, the assets and liabilities of a subsidiary are measured at their fair values at that date. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. When there is a negative difference between the acquisition cost and the fair values of the identifiable net assets acquired (i.e. a discount on acquisition), the valuations of the net assets are reviewed and, if applicable, said difference is credited to profit or loss in the period in which the acquisition is made.

2.6.5 Business combinations

The Group accounts for business combinations using the purchase method. The date of acquisition is the date on which the Group takes control of the acquiree.

The consideration paid is calculated at the date of acquisition as the sum of the fair values of the assets delivered, the liabilities incurred and assumed and the equity instruments issued by the Group in exchange for control of the business acquired. Acquisition costs, such as professional fees, do not form part of the cost of the business combination, but are taken directly to the consolidated income statement.

Where applicable, the contingent consideration is recognised at the acquisition-date fair value.

Subsequent changes to the fair value of the contingent consideration are taken to the consolidated income statement unless this change arises within the one-year period established as the provisional accounting period, in which case the business combination will be modified.

Goodwill is calculated as the excess of the aggregate of the consideration transferred, any non-controlling interests, and the fair value of any previously acquired interest less the net identifiable assets acquired.

If the acquisition cost of the identifiable net assets is less than their fair value, the related difference is recognised in the consolidated income statement for the year.

2.6.6 Scope of consolidation

The companies composing the Merlin Group at 31 December 2023, along with information relating to the consolidation method, are listed in Appendix I of the consolidated financial statements.

2.7 Quantitative and qualitative information on current economic and geopolitical impacts

The main risk materialized in 2023 has been the uncertainty regarding the future evolution of the markets and, therefore, of the investment, in a context in which the risks surrounding growth prospects are increasing, considering that both interest rates and inflation rates will not reverse appreciably in the short term.

This increase in interest rates has directly led to a reduction in the valuations of the group's real estate investments by affecting both the exit yields and the discount rates used by independent external valuers.

In recent quarters, the sharp rise in global inflation has required a synchronized, very rapid, and intense tightening of monetary policies by the world's major central banks, although the pace of tightening has been slowing during fiscal 2023.

Thus, based on a better-than-expected performance in 2023, the outlook for 2024 is for a continuation of current trends, with overall growth very similar to that of 2023. During 2023, overall growth has been able to hold up considerably better than expected, at around 3% compared to the 2.3% forecast for 2023, thanks to the support of the labor market and accumulated savings. However, some of the incipient signs of weakening activity have already been seen recently in Spain and other economies, which could already be reflecting some of the adverse effects of the tightening of financial conditions on macroeconomic aggregates.

On the other hand, it is true, however, that the incipient signs of a slowdown in core inflation in Spain and other countries should still be confirmed in the coming months.

There are also other very significant materialized risks. At an international level, geopolitical uncertainties continue with the new conflict in the Middle East, which, although in this case has not caused a sharp increase in energy prices, as occurred in other past wars in the area, still poses a significant risk to global trade, as the recent attacks in the Red Sea and the war in Ukraine have stalled with uncertain future developments. Not to mention a possible (but not likely) conflict between China and Taiwan that could increase supply chain and global trade uncertainties.

Domestically, we highlight uncertainty over the outcome of political and social tensions, which could lead to changes in legislation and other factors that could significantly impact Spain's overall economic growth, as well as the environment in which the group operates in Catalonia and Spain as a whole, as indicated by various players in the Spanish real estate market.

Measurement of fair value of investment property

The Group adjusted the fair value of its real estate investments according to IAS 40. This fair value is determined using the reference of the valuations made by independent third parties every six months so that, at the close of each six-month period, the fair value reflects the market conditions of the elements of the investment properties at that date.

At 31 December 2023, the valuations performed by CBRE Valuation Advisory, S.A., Jones Lang LaSalle, S.A. and Savills Consultores Inmobiliarios, S.A. did not indicate any type of uncertainty regarding the market value of the Group's investment property.

The measurement methodology described in Note 7 was not changed.

With respect to the data centres activity, in 2023, the Group has integrated in its fair value the assets built and that began operating in the year as the Group's Management believe that they meet the necessary requirements to be measured at market value.

In this regard, although those assets are in their initial phase of activity, it should be pointed out that assumptions of growth in occupancies, rent and standardised margins in mature markets have been considered for these assets, as well as the rate of progress of the capacity expansion works. Therefore, the valuation of those assets is highly sensitive to the achievement of the assumptions considered, and there may be significant changes in value in case of deviations on them.

Meanwhile, the details of main assumptions used in the appraisals at December 2023 and December 2022 based on the nature of the assets and the sensitivities to increases and decreases of those variables are included in Note 7.

Liquidity risk

In the opinion of the Parent's directors, the current economic situation of high inflation and interest rate increases by the central banks may have a significant impact on the overall financial position of the companies, which could be divided into the liquidity risk of the companies or groups and the liquidity risk of customers (credit risk).

In this context, at 31 December 2023, the Group had a leverage ratio, understood as a debt to the fair value of the assets (LTV) of 35% (this ratio is obtained from dividing the Company's net debt between the fair value of the assets including transaction costs) and cash and cash equivalents (including treasury shares) of EUR 476,633 thousand. There are no relevant debt maturities of the Group in the next 12 months. The Group has a liquidity position, including the corporate credit line and undrawn borrowings, of EUR 1,309 million (see Note 14).

The Parent's Directors and Management Team are constantly monitoring the evolution of the current situation and the effects it may have on the credit market, and they believe that the Group's situation at 31 December 2023 ensures that it will be solvent to fulfil the obligations on the balance sheet at 31 December 2023, and there is no material uncertainty about the continuity of the Group's operations.

Credit risk

With respect to the application of the simplified approach of impairment and credit risk, and also taking into consideration other differential factors of the Group's portfolio of tenants and the characteristics of their leases, and the amounts collected thus far, the Group has concluded that the increased credit risk of its customers has not been significantly affected, this risk falling below 1% of turnover.

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

3. Changes in the scope of consolidation

2023

The following changes in the scope of consolidation took place in 2023:

On 7 November 2023, the Group acquired 100% of the shares representing the share capital of Merlin Edged, S.L.U. for EUR 3 thousand. At the date of preparation of these Consolidated Financial Statements, this company was inactive.

On 13 January 2023, the Group acquired 7.32% of the shares representing the share capital of Moregal Hotels, S.L. for EUR 1,585 thousand. The company owns land for tertiary use in the city of Malaga.

In 2023, Metroparque, S.A. was fully split up with the winding-up of the company Metroparque, S.A. through the en bloc transfer of its Shopping Centre business to Merlin Retail, S.L. and its Offices business to Merlin Oficinas, S.L. (both wholly owned by Merlin Properties SOCIMI, S.A.). This transaction had no effect on the Consolidated Financial Statements.

During 2023, the Group increased its stake in Silicius Real Estate, SOCIMI, S.A. to 17.91% (17.80% previously) due to the distribution of a dividend by means of promissory notes convertible into shares amounting to EUR 1,554 thousand.

2022

The following changes in the scope of consolidation took place in 2022.

- *Departure of Tree Inversiones Inmobiliarias SOCIMI, S.A. ("Tree") from the scope (discontinuation of the Net Lease branch of activity)*

On 1 February 2022, the Group sent BBVA a communication containing, *inter alia*, a proposal to sell 100% of the shares of Tree Inversiones Inmobiliarias SOCIMI, S.A. In accordance with BBVA's right of first refusal, on 1 April 2022 the Group received a communication from BBVA regarding its acceptance of the proposed sale of Tree, which was subject, *inter alia*, to the approval of the Spanish National Markets and Competition Commission (CNMC). On 1 June 2022, the CNMC authorised the transaction and the sale was finalised on 15 June 2022.

Based on the above, the sale price of Tree Inversiones Inmobiliarias SOCIMI, S.A. amounted to EUR 1,987,400 thousand, which after early settlement of the debt associated with Tree and the transaction costs, generating a gain at a consolidated level of EUR 215,452 thousand. In addition, Tree Inversiones Inmobiliarias Socimi, S.A. has contributed EUR 6,279 thousand to the results up to the date of the sale, after considering the effects of the liquidation of derivative financial instruments that it held, and those that it had due to the application of IFRS 9 in past refinancings in previous financial years.

Prior to the sale, on 21 March 2022, Tree Inversiones Inmobiliarias SOCIMI, S.A. agreed to distribute a dividend of EUR 53,908 thousand to Merlin Properties SOCIMI, S.A. charged to profit for 2021.

For this reason, this Net Lease branch of activity was presented as discontinued in these consolidated financial statements as of 31 December 2022.

The impact that the sale of Tree Inversiones Inmobiliarias SOCIMI, S.A. had on the consolidated income statement at 31 December 2022 (in thousands of euros) is shown below:

Item	Net Lease
Profit/(Loss) after tax generated prior to disposal	6,279
Loss from disposal	215,452
Profit for the year from discontinued operations net of tax	221,731

The income, expenses and profit/(loss) before tax for the discontinued operations recognised in the consolidated income statement are as follows (in thousands of euros):

Income statement	2022 (*)
Net Income (Note 18.a)	38,104
Other operating expenses (Note 18.b)	(1,231)
Impairment and gains or losses on disposal of non-current assets	101
Changes in value of investment property (Note 7)	-
PROFIT/(LOSS) FROM OPERATIONS	36,974
Finance costs (Note 18.d)	(53,852)
Changes in fair value in financial instruments (Notes 13.7 and 14.3)	23,157
FINANCIAL PROFIT/(LOSS)	(30,695)
PROFIT BEFORE TAX ON DISCONTINUED OPERATIONS	6,279
Income tax (Note 17)	-
PROFIT/(LOSS) FOR THE PERIOD CORRESPONDING TO DISCONTINUED OPERATIONS	6,279

(*) 5-month and 14-day period

The net cash flows attributable to the operating, investment and financing activities of the discontinued activities are as follows (in thousands of euros):

	2022 (*)
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:	36,596
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:	-
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:	(174,872)

(*) 5-month and 14-day period

- Entrants in the scope of consolidation

On 27 July 2022, Slack Tailwind Systems, S.L.U and Slow Rise Spain, S.L.U. entered into the scope of consolidation. The Parent Company acquired 100% of the shares of both companies for EUR 3 thousand each. Subsequently, on 29 July and 15 September 2022, these companies have purchased, respectively, part of the Serantes building in Madrid (see Note 7), this asset being their most relevant contribution to the consolidated financial statements as of 31 December 2022.

On 3 August 2022, the Parent acquired 100% of the share capital of Generous Profile Unipessoal Lda. for EUR 9 thousand. Subsequently, on 12 August 2022, Generous Profile Unipessoal Lda acquired the Liberdade 195 building (see Note 7), and this asset was the most significant contribution to the consolidated financial statements at 31 December 2022. In 2023, Generous Profile Unipessoal Lda. has changed its corporate name to MPLIB – Investimentos Imobiliários, Unipessoal Lda.

- Liquidation of PK Hoteles 22, S.L.

In 2022 the shareholders at the General Meeting of PK Hoteles 22, S.L. unanimously resolved to liquidate the company, which is 32.50% owned by the Group. This transaction generated EUR 289 thousand in losses in the 2022 income statement.

4. Distribution of the Parent's profit

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

	Thousands of euros
Profit/(Loss) for the year	97,610
Distribution:	
To legal reserves	-
To offset interim dividend	93,673
Dividends	3,937
To voluntary reserves	-

Other dividends distributed

On 16 November 2023, the Parent's Board approved the distribution of an interim dividend charged to earnings for 2023 in the amount of EUR 93,673 thousand.

On 27 April 2023, the General Shareholders Meeting approved the distribution of a supplementary dividend charged to profit for 2022 in the amount of EUR 113,350 thousand.

In the last five years, the Company distributed the following dividends and Share Premium refunds:

	2023	2022	2021	2020	2019
Shareholder remuneration	207,023	561,926	210,099	68,518	232,347

5. Accounting policies

The main accounting policies and measurement bases applied in preparing the Group's consolidated financial statements, which comply with the IFRSs in force at that date, are as follows:

5.1 Investment property

Investment property comprises buildings under construction and development for use as investment property held (by the owner or by the tenant as an asset under usage rights), which are partially or fully held to generate revenue, profits or both, rather than for use in the production or supply of goods or services, or for the Group's administrative purposes or sale in the ordinary course of business.

All assets and usage rights (through the corresponding administrative concession or area right granted by a public body) classified as real estate investments are in operation with various tenants. These properties are earmarked for leasing to third parties. The Parent Company's directors do not plan to dispose of these assets in the coming 12 months and have therefore decided to recognise them as investment property in the consolidated statement of financial position.

Investment property is carried at fair value at the reporting date and is not depreciated. Investment property includes land, buildings, usage rights of concessionaire projects and other constructions held to earn rentals or with the aim of achieving gains on the sale as a result of future increases in the respective market prices.

Gains or losses arising from changes in the fair value of investment property are included in the income statement for the year in which they arise.

While construction work is in progress, the costs of construction work and finance costs are capitalised. The above assets are recognised at fair value when they become operational.

According to IAS 40, the Group periodically determines the fair value of its investment property so that the fair value reflects the actual market conditions of the investment property items at that date. This fair value is determined every six months based on the appraisals undertaken by independent experts.

The market value of the Group's investment property at 31 December 2023, calculated based on appraisals performed by JLL and CBRE, independent appraisers not related to the Group, amounted to EUR 10,566,124 thousand (see Note 7).

5.2 Inventories

Land held for sale or integration into property development is considered as inventories. The Group considers that its inventories do not meet the requirements of IAS 40 for consideration as investment property.

At 31 December 2023, certain land acquired in 2020 was recognised as inventories, which form part of an increased development area and are considered to be inventories as they are intended for sale. Pursuant to the future sale agreement reached with a third party, the land resulting in final residential use will be transferred to said third party, once all the buildable areas corresponding to each of the uses are finally assigned by the approved and registered Reparcelling Project. In accordance with the above, the intended use of the land will be its recovery through sale, and the Group's objective is not to obtain rental income on the land. Therefore, they were recognised as inventories at the end of 2023.

In relation to them, the Group has agreements with third parties for the future sale of those intended for residential use and for which it has received, as of 31 December 2023, advance payments amounting to EUR 18,682 thousand that are recorded in the heading "Trade and other payables" of the consolidated statement of financial position.

The Group values its inventories at acquisition cost (or at market value if the latter is lower), including both the acquisition cost of the land and plots, the urban planning costs, the construction costs and the personnel directly related to the real estate activity, and, where applicable, financial expenses to the extent that those expenses correspond to the period of urban planning and construction, provided that they are inventories that need a period of more than one year to be able to be sold. If the inventories are registered at a cost price higher than their market value, the appropriate valuation adjustments are made, recording the corresponding impairment.

5.3 Investments accounted for using the equity method

At 31 December 2023, this heading in the consolidated statement of financial position included the amount corresponding to the percentage of shareholders' equity of the investee relating to the Parent and accounted for using the equity method once aligned to the accounting criteria applied by the Group. In addition, and after accounting for these investments using the equity method, the Group decides whether or not an additional impairment loss needs to be recognised as regards the Group's net investment in the associate.

5.4 Leases

At the beginning of a contract, the Group assesses whether the contract is or contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group reassesses whether a contract is, or contains, a lease only if the terms of the contract change.

5.4.1 Tenant

For a contract containing a lease component and one or more additional leases or non-leases, the Group will distribute the consideration of the contract to each component of the lease based on the relative price regardless of the lease component and the aggregate price independent of the components that are non-lease components.

The relative price, independent of the lease and non-lease components, will be determined based on the price that the landlord, or a similar supplier, would charge an entity separately for that component or for a similar component. If there is no readily available separate observable price, the Group will estimate the separate price, maximising the use of observable information.

The Group chose not to apply the recognition and measurement requirements indicated in IFRS 16 to short-term leases in which the underlying asset is of low value, recognising the lease payments associated with leases as a straight-line expense over the lease term.

Initial recognition

At the commencement date, a tenant recognises a right-of-use asset and a lease liability. At the commencement date, a tenant will measure a right-of-use asset at cost. The cost of the right-of-use asset includes:

- a. the amount of the initial measurement of the lease liability measured at the commencement date at the present value of the lease payments that were not paid at that date. Lease payments will be discounted using the interest rate specified in the lease, if that rate could be easily determined. If that rate cannot be easily determined, the tenant will use the tenant's incremental loan rate.
- b. lease payments paid before or from the commencement date, less leases received;
- c. the initial direct costs incurred by the tenant; and

- d. an estimate of the costs incurred by the tenant when dismantling and eliminating the underlying asset, restoring the location where it is located or restoring the underlying asset to the condition required by the terms of the lease, unless those costs are incurred to produce inventories. The tenant could incur obligations as a result of these costs either at the commencement date or as a result of using the underlying asset for a specified period.

At the start date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a. fixed payments, less any leases receivable;
- b. variable lease payments, which depend on an index or rate, initially measured using the index or rate at the commencement date;
- c. amounts expected to be paid by the tenant as guarantees of residual value;
- d. the exercise price of a call option if the tenant is reasonably confident of exercising that option;
- e. late lease payments if the lease term reflects that the tenant will exercise an option to terminate the lease.

Subsequent measurement of the right-of-use asset

After the commencement date, the Group will measure its right-of-use assets using the cost model, unless it applies the fair value model of IAS 40 'Investment properties' to its investment properties and rights of use that meet the definition of investment property (see Note 5.1). If the right of use of the assets relates to a class of property, plant and equipment to which the tenant applies the revaluation model of IAS 16, the tenant may choose to use that revaluation model for all right-of-use assets of assets related to that class of property, plant and equipment.

Subsequent measurement of lease liabilities

After the commencement date, the Group will measure a lease liability by:

- a. increasing the carrying amount to reflect interest on the lease liability;
- b. reducing the carrying amount to reflect the lease payments paid; and
- c. re-measuring the carrying amount to reflect the new measurements or changes in the lease and also to reflect the essentially fixed lease payments that have been revised.

5.4.2 Landlord

A landlord will classify each lease as an operating lease or a finance lease.

A lease will be classified as a finance lease when it substantially transfers all the risks and rewards inherent to owning an underlying asset. A lease will be classified as an operating lease if it does not substantially transfer all the risks and rewards inherent to owning an underlying asset.

Finance leases

At the commencement of the lease term, the Group recognises finance leases in the consolidated statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. To calculate the present value of the lease payments the interest rate in the finance lease is used.

The cost of assets acquired under finance leases is presented in the consolidated statement of financial position based on the nature of the leased asset. These assets relate in full to investment property and are measured in accordance with that in Note 5.1.

Operating leases

A landlord recognises lease payments from operating leases as income on a straight-line basis or on another systematic basis. The landlord will apply another systematic basis if it is more representative of the structure with which the profit from the use of the asset is reduced.

The Group will recognise the costs as expenses, including depreciation, incurred to obtain the lease income. It will also add the initial direct costs incurred to obtain an operating lease to the carrying amount of the underlying asset and recognise these costs as an expense over the lease term, on the same basis as the lease income.

5.5 Financial instruments

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. From 1 January 2018, the Group classified its financial assets in accordance with IFRS 9 "Financial Instruments".

The classification of financial assets will depend both on how an entity manages its financial instruments (its business model) and on the existence and characteristics of the contractual cash flows of the financial assets. Based on the above, the asset is measured at amortised cost, at fair value through changes in other comprehensive income or at fair value through changes in profit or loss for the period, as follows:

- If the objective of the business model is to hold a financial asset to collect contractual cash flows and, depending on the terms of the contract, cash flows that are solely payments of principal and interest on that principal are received on specified dates, the financial asset is measured at amortised cost.
- If the objective of the business model is both to collect contractual cash flows and sell financial assets and, depending on the terms of the contract, cash flows that are solely payments of principal and interest on that principal are received on specified dates, the financial asset is measured at fair value through other comprehensive income (equity).

Outside these scenarios, the remaining assets will be measured at fair value through changes in losses and gains. All equity instruments (e.g. shares) are, by default, measured in this category. This is because their contractual flows do not meet the characteristic of being only payments of principal and interest. Financial derivatives are also classified as financial assets at fair value through profit or loss unless they are designated as hedging instruments.

For the purposes of measurement, financial assets should be classified into one of the following categories, with the accounting policies of each category being as follows:

1. Financial assets at amortised cost: these assets are subsequently recognised at their initial cost amortised in accordance with the effective interest method. This amortised cost will be reduced by any impairment loss. They are recognised in the consolidated income statement for the period when the financial asset is de-recognised or impaired, or due to exchange differences. Interest calculated using the effective interest method is recognised in the income statement under the heading 'Financial income'.
2. Financial assets at fair value with profit or loss: financial assets at fair value with profit or loss are recognised initially and subsequently at fair value, excluding transaction costs, which are charged to the income statement. Gains or losses from changes in fair value are presented in the income statement under the heading 'Changes in the fair value of financial instruments' in the period in which they originated. Any dividends and interest also leads to financial results.

3. Debt instruments at fair value with changes in total profit or loss: These instruments are subsequently recognised at fair value, recognising changes in fair value in 'Other comprehensive income'. Interest income, impairment losses and exchange differences are recognised in the consolidated income statement. When sold or derecognised, the accumulated fair value adjustments recognised in "Other comprehensive income" are included in the income statement as 'other financial income/(expenses)'.
4. Equity instruments at fair value with changes in total profit or loss: They are subsequently measured at fair value. Dividends are only recorded in profits and loss, unless the dividends clearly represent a recovery in the cost of the investment. Other gains or losses are recognised as 'Other comprehensive income' and are never reclassified as profit or loss.
5. Financial assets at cost: Financial assets that should be classified in the above category, but their fair value cannot reliably be estimated.

Impairment of financial assets

The impairment model applies to financial assets measured at amortised cost that include the item "Customers and other receivables".

The impairment model is based on a dual measurement approach, under which there will be an impairment provision based on expected losses over the next 12 months or based on expected losses over the entire life of the asset. The fact that determines the transition from the first approach to the second is that there is a significant decline in creditworthiness.

The deterioration of the Group's receivables was not significant, taking into account that the risk of default was less than 1% of turnover and that the Group has deposits from its tenants to secure its loans.

Financial liabilities

The main financial liabilities held by the Group companies are held-to-maturity financial liabilities, which are measured at amortised cost. The financial liabilities held by the Group companies are classified as:

1. Bank loans and other loans: loans from banks and other lenders are recognised by the proceeds received, net of transaction costs.

Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the borrowings using the effective interest method.

Financial debt is eliminated from the consolidated statement of financial position when the obligation specified in the agreement is paid, cancelled or expired. The difference between the carrying amount of a financial liability that has been cancelled or transferred to another party and the consideration paid, including any transferred assets other than the cash or liabilities assumed, is recognised in profit or loss for the year as other financial income or expenses.

Exchanges of debt instruments between the Group and the counterparty or substantial changes in the liabilities initially recognised are accounted for as a cancellation of the original liability and the recognition of a new financial liability, provided that the instruments have substantially different terms. The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least ten per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is recognised as a cancellation of the original financial liability, the costs or fees are recognised in the consolidated income statement as part of the consolidated income

statement. Otherwise, the modified flows are discounted at the original effective interest rate, recognising any difference with the prior carrying amount, in profit or loss. Likewise, the costs or fees adjust the carrying amount of the financial liability and are amortised by the amortised cost method for the remaining life of the modified liability.

The Group recognises the difference between the carrying amount of a financial liability or the part of it cancelled or transferred to a third party and the consideration paid, including any assets transferred other than the cash or liabilities assumed in profit or loss.

The Group will account for exchanges of debt instruments with a lender, provided that the instruments have substantially different conditions, such as a cancellation of the original financial liability and subsequent recognition of a new financial liability. Similarly, a substantial change in the terms of an existing financial liability or a part of it will be recognised as a cancellation of the original financial liability and a subsequent recognition of a new financial liability. The difference between the carrying amount of the cancelled financial liability and the consideration paid, which includes any transferred assets other than cash or any liabilities assumed, will be recognised in profit or loss for the year.

If it is determined that the new terms or changes of a financial liability are not substantially different from the existing ones and it is therefore determined that the change is not substantial, the existing financial liability will not be derecognised. The Group will recalculate the gross carrying amount of the financial liability and recognise a change gain or loss in profit/(loss). The gross carrying amount of the financial liability will be recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate of the financial liability.

2. Trade and other payables: trade payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

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

5.6 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge the risks to which its future activities, transactions and cash flows are exposed. These risks are mainly due to changes in interest rates. Among the various transactions, the Group uses certain financial instruments as economic hedges.

Derivatives are initially recognised at fair value on the date on which the derivative contract is signed and are subsequently measured at fair value at each reporting date. Subsequent changes in fair value are recognised depending on whether the derivative has been designated as a hedging instrument and, if so, on the nature of the item being hedged.

At the beginning of the hedging relationship, the Group documents the economic relationship between the hedging instruments and the hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items. The Group documents its risk management objective and strategy to undertake its hedge transactions.

The effective part of the changes in the fair value of the derivatives that are designated and classified as cash flow hedges is recognised in the cash flow hedge reserve under equity. The loss or gain relating to the ineffective part is immediately recognised in the consolidated income for the year under 'Changes in the fair value of financial instruments' in the consolidated income statement.

Gains or losses relating to the effective part of the change in the intrinsic value of the option agreements are recognised in the cash flow reserve hedge under equity. Changes in the time value of option agreements that relate to the hedged item ('aligned time value') are recognised under other comprehensive income in the costs of the hedge reserve in equity.

When forward contracts are used to hedge expected transactions, the Group generally designates only the change in the fair value of the forward contract related to the cash component as the hedging instrument. Gains or losses related to the effective part of the change in the cash component of forward contracts are recognised in the cash flow hedge reserve under equity. The change in the forward element of the contract related to the hedged item is recognised in other comprehensive income on the costs of the hedge reserve under equity. In some cases, the gains or losses corresponding to the effective part of the change in fair value of the full term contract are recognised in the cash flow hedge reserve under equity.

- Cash flow hedges: In hedges of this nature, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the income statement in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or a non-financial liability, in which case the amounts recognised in equity are included in the initial cost of the asset or liability when it is acquired or assumed.
- Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gains or losses on the hedging instrument recognised in equity are retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and provided that the host contracts are not measured at fair value by recognising changes in fair value in the consolidated statement of comprehensive income.

The fair value of the derivative financial instruments is calculated using the valuation techniques described in Note 5.7 below.

5.7 Valuation techniques and applicable assumptions to measure fair value

The fair value of financial assets and liabilities is calculated as followed:

- The fair value of financial assets and liabilities with standard terms and that are traded on active, liquid markets is calculated by reference to prices quoted in the market.
- The fair value of financial assets and liabilities (except derivative instruments) is calculated in accordance with the generally accepted valuation models based on discounted cash flows using the prices of observable market transactions and the contributor prices of similar instruments.
- The fair value of interest rate swaps is calculated by discounting future settlements between fixed and floating interest rates to their present value, in line with implicit market interest rates, obtained from long-term interest rate swap curves. Implicit volatility is used to calculate the fair values of caps and floors using option valuation models.

Likewise, in the valuation of derivative financial instruments, the risk inherent to the element or position hedged must be effectively eliminated during the entire expected term of the hedge and there must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effectiveness was intended to be achieved and measured. Moreover, pursuant to IFRS 13 and due to the inherent risk, the credit risk of the parties to the contract (both their own risk and that of the counterparty) must be included in the valuation of the derivatives. The Group applied the discounted cash flow method, considering a discount rate affected by the Merlin Group's own credit risk.

Following the sale of the Net Lease branch of activity (see Note 3), the Group no longer holds income derivatives.

Financial instruments measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: those measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: those measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: those measured using valuation techniques, including inputs for the asset or liability that are not based on observable market data (non-observable inputs).

The Group's financial assets and liabilities measured at fair value were as follows at 31 December 2023:

2023

	Thousands of euros			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments (Note 14.3)	-	(9,475)	(14,828)	(24,303)
Financial instruments - assets (Note 14.3)	-	3,804	-	3,804
	-	(5,671)	(14,828)	(20,499)

2022

	Thousands of euros			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments (Note 14.3)	-	(11)	(9,256)	(9,267)
Financial instruments - assets (Note 14.3)	-	18,882	-	18,882
	-	18,871	(9,256)	9,615

In addition, Note 7 includes information regarding the determination of the fair value of investment property.

5.8 Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Parent after deducting all of its liabilities.

Capital instruments issued by the Parent are recognised in equity at the proceeds received, net of issue costs.

The Parent Company's equity instruments acquired by the Group are recognised separately at cost and deducted from equity in the consolidated statement of financial position, regardless of why they were acquired. No gains or losses from transactions involving own equity instruments are recognised in the consolidated income statement.

The subsequent amortisation of the equity instruments of the Parent gives rise to a capital reduction for the nominal amount of said shares and the positive or negative difference between the acquisition price and the nominal value of the shares is charged or credited to accounts of reserves.

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

5.9 Distributions to shareholders

Dividends are paid in cash and recognised as a reduction in equity when the pay-outs are approved by shareholders at the Annual General Meeting.

The Parent Company is subject to the special regime for REITs. As in Article 6 of Law 11/2009, of 26 October 2009, amended by REITs Act 2012 opting to pay tax under the special tax regime are required to distribute the profit generated during the year to shareholders as dividends. Once the corresponding commercial obligations have been fulfilled, said distribution must be agreed within six months from year end, and the dividends paid within 30 days from the date on which the pay-out is agreed.

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

- 100% of the profit from dividends or shares in profits distributed by the entities referred to in section 1, Article 2 of Law 11/2009.
- At least 50% of the profits arising from the transfer of the properties, shares or ownership interests referred to in section 1, Article 2 of Law 11/2009, subsequent to expiry of the time limits referred to in section 2, Article 3 of Law 11/2009, which are used for pursuit of the entities' principal corporate purpose. The remainder of these profits must be reinvested in other property or investments used for the pursuit of said activity within three years after the transfer date. Otherwise these profits should be distributed in full together with any profit arising in the year in which the reinvestment period expires. If the items to be reinvested are transferred prior to the end of the holding period, that profit must be distributed in full together with, if applicable, the profit generated during the year in which the items were transferred. The obligation to distribute profit does not apply to the portion of the profit attributable to prior years in which the Company was not included under the special tax regime in this Act.
- At least 80% of the remaining profits obtained. When dividend distributions are charged to reserves generated from profits in a year in which the special tax regime applied, the distribution must necessarily be approved as set out above.

5.10 Cash and cash equivalents

The Group includes under this heading cash and short-term highly liquid investments maturing in less than three months that are readily convertible to cash and which are subject to an insignificant risk of changes in value. The interest income associated with these transactions is recognised as income when accrued while unmaturing interest is presented in the consolidated statement of financial position as an addition to the balance of the above heading.

5.11 Provisions

When preparing the consolidated financial statements the Parent's directors made a distinction between:

- Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations; and
- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Group's control.

The consolidated financial statements include all the provisions with respect to which it is likely that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements but rather are disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow in settlement is considered to be remote.

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

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

5.12 Revenue recognition

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

Discounts (rent waivers and rebates) granted to lessees are recognised as a reduction in rental income when it is probable that conditions precedent will be fulfilled requiring them to be granted.

Discounts are recognised by expensing the total rent waiver or rebate on a straight-line basis over the term of the lease in force. If a lease is cancelled earlier than expected, any outstanding rent waiver or rebate is recognised in the last period prior to the end of the agreement.

Leasing of investment property to third parties

The Group companies' principal activity comprises the acquisition and leasing of primarily offices, shopping centres, logistics units and data centres. The Group's ordinary income is generated from the leasing of this investment property to third parties.

Ordinary income from the leasing of investment property is recognised taking into account the stage of completion of the transaction at the reporting date, provided the result of the transaction can be reliably estimated. Income from the Group's leases is recognised by Group companies on a monthly basis pursuant to the conditions and amounts agreed with the lessees in the various agreements. This income is only recognised when it can be measured reliably and it is probable that the economic benefits from the lease will be received.

Where the outcome of services rendered cannot be measured reliably, revenue is recognised to the extent that the expenses incurred are deemed recoverable.

Service charges re-billed to lessees are recognised net of other operating expenses.

5.13 Income tax

5.13.1 General regime

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

The current income tax expense is the amount payable by the Group as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

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

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

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

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

5.13.2 REIT regime

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

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

With effect for financial years beginning on or after 1 January 2021, Law 11/2021, of 9 July, on measures to prevent and combat tax fraud amended Article 9 (4) of Spanish Law 11/2009, of 26 October, regulating REITs. Specifically, a special tax of 15% was introduced on the amount of profit obtained in the year which is not distributed, in the portion that arises from: a) income that has not been taxed at the general corporate income tax rate and, b) income that does not arise from the transfer of eligible assets, once the three-year maintenance period has elapsed, which has been included in the three-year reinvestment period in Article 6.1.b) of Law 16/2012, of 27 December. This special tax will be considered corporate income tax and will accrue on the day of the agreement to

apply profit for the year by the general shareholders meeting or equivalent body. The self-assessment and payment of the tax must be performed within two months of the accrual.

5.14 Share-based payments

The Parent Company recognises, on the one hand, the goods and services received as an asset or as an expense, depending on their nature, when they are received and, on the other, the related increase in equity, if the transaction is equity-settled, or the related liability if the transaction is settled with an amount based on the value of the equity instruments.

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

2022 – 2024 Incentive Plan

The General Shareholder Meeting held on 4 May 2022 approved a long-term incentive plan consisting of the delivery of a maximum number of Merlin Properties, SOCIMI, S.A. ordinary shares equal to 3,491,767 shares (representing 0.74% of the share capital), aimed at the members of the management and management team of the MERLIN Group, including the executive directors of the Parent (LTIP 2022-2024).

The LTIP will be implemented through a performance share single cycle plan with a target measurement period of 3 years; beginning on 1 January 2022 and ending on 31 December 2024 and will be payable through the delivery of shares of the Parent in 2025, once (i) compliance with the specific targets established for 2022-2024 has been verified and (ii) the beneficiary has remained in the MERLIN Group.

With respect to the targets or metrics to which the plan is linked (see Note 20), it includes market and non-market conditions.

With respect to the market condition 'Total shareholder profitability,' the Group applied a valuation methodology for the underlying assets on the date of delivery of the incentive associated with the Monte Carlo simulation method. The Monte Carlo simulation is a statistical method applied to the financial modelling on the probability of different results where a random or independent variable comes into play. In this regard, the Monte Carlo simulation method applied by the Group was based on a Brownian motion model, which makes it possible to simulate the possible paths that the underlying asset can follow (price of Merlin's share and EPRA Nareit Development Europe index) from the repetition of random samples to obtain different numerical results. For the development of the simulation, the generation of the random variable was performed by applying a standard normal distribution $N(0,1)$. To this end, the average or expected value corresponding to the spot price of the Merlin share was established at the date of communication of the incentive and a standard deviation to describe the change as regards the average, based on the volatility of the share.

With respect to the non-market conditions of i) EPRA NTA, ii) net carbon and environment emissions and iii) the environment and company, the Group estimated its compliance with them at each measurement date during the term of the plan with the best information available.

In this respect, the Group has recognised an expense of EUR 2,804 thousand in 2023 (EUR 2,804 thousand in 2022) with a balancing entry to reserves.

5.15 Employee obligations

Under current labour legislation, the Group companies are required to pay termination benefits to employees terminated under certain conditions.

When a restructuring plan is approved by the directors, made public and communicated to employees, the Group recognises the provisions required to meet any future payments resulting from their application. These provisions are calculated in accordance with the best estimates available of the foreseeable costs.

In this sense, at 31 December 2023, the Group does not have commitments for this item, and there is no Downsizing Plan in force.

5.16 Current assets and liabilities

The Group classifies its assets and liabilities as current and non-current in the consolidated statement of financial position. To this end, current assets and current liabilities are those that meet the following criteria:

- Assets are classified as current when they are expected to be realised, or are intended for sale or consumption, during the course of the Group's normal operating cycle, when they are held primarily for the purpose of being traded, when they are expected to be realised within twelve months after the reporting date, or when they constitute cash or a cash equivalent, unless they are restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
- Liabilities are classified as current when they are expected to be settled during the course of the Group's normal operating cycle, when they are held primarily for the purpose of being traded, when they are expected to be settled within twelve months after the reporting date, or when the Group does not have an unconditional right to defer repayment of the liability for at least twelve months after the reporting date.
- Derivative financial instruments not held for trading are classified as current or non-current according to the period of maturity or periodic settlement.

5.17 Financial information by branch activity

In relation to IFRS 8 on operating segments, the Group's Management identifies them internally under the definition of branch of activity, an aspect to be considered when reading the attached consolidated financial statements and related financial information.

The Group groups its branches of activity based on the nature of the assets in the various areas in which it implements its strategy. In this sense, each branch of activity is a component of the Group that performs business activities from which it can earn revenue and incur expenses. The operating results of each segment are regularly reviewed by the Group's management to decide on the resources to be allocated to each of them, assess its performance and for which differentiated financial information is available.

5.18 Earnings per share

Basic earnings per share are calculated by dividing net profit or loss attributable to the Parent shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the Parent held by the Group companies.

For the calculation of the diluted profit per share, the Group calculates the amounts of the diluted earnings per share for the profit for the year attributable to the shareholders of the Parent and, where applicable, the profit for the year of the ongoing activities attributable to those holders of equity instruments.

To calculate the diluted earnings per share, the Group takes the profit or loss for the year attributable to the holders of ordinary equity instruments and the weighted average number of shares in circulation for all the dilutive effects inherent to the potential ordinary shares.

5.19 Environment

The Group performs activities whose primary purpose is to prevent, mitigate or repair environmental damage caused by its operations, see climate change management policies in Note 23.

Expenses incurred in connection with these environmental activities are recognised as other operating expenses in the year in which they are incurred. However, because of their nature, the Group's business activities do not have a significant environmental impact.

5.20 Consolidated statements of cash flows

The following terms are used in the consolidated statements of cash flows (prepared using the indirect method) with the meanings specified:

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
2. Operating activities: the principal revenue-producing activities of the entities composing the consolidated Group and other activities that are not investing or financing activities.
3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
4. Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

5.21 Discontinued Business

A discontinued business is any component of the Group that has been sold or otherwise arranged, or that has been classified as held for sale and, among other conditions, represents a significant business line or area that can be considered separate from the rest.

For these types of transactions, the Group included in the consolidated income statement and in a single line item entitled "Profit/(Loss) for the period from discontinued operations net of tax" both the profit/(loss) after tax on discontinued activities and the profit/(loss) after tax recognised by fair value measurement less costs to sell or by the disposal of the items constituting the discontinued activity.

6. Financial information by branch of activities

a) Criteria

Group management has segmented its activities into the branches of activity detailed below according to the type of assets acquired and managed:

- Office buildings
- Shopping centres
- Logistics assets
- Data centers
- Others: Assets not included in the above branches of activity, which mainly correspond to 3 hotels (which are part of other buildings corresponding to the offices and shopping centre branches of activity), non-strategic land and other smaller assets.

Any revenue or expense that cannot be attributed to a specific line of business or relate to the entire Group are attributed to the Parent as a "Corporate unit/Other", as are the reconciling items arising

from the reconciliation of the result of integrating the financial statements of the various branches of activity (prepared using a management approach) and the Group's consolidated financial statements.

The profits of each branch of activity, and each asset within each of them, are used to measure performance as the Group considers this information to be the most relevant when evaluating the results of the branches of activity compared with other groups operating in the same businesses.

The Group performed its business activities in Spain and Portugal in the year ended 31 December 2023.

In fiscal year 2023, the Group has identified the management of Data Center assets as a branch of activity, an aspect to be considered in order to compare the information with the previous fiscal year in which the aforementioned branch of activity was under development.

b) Basis and methodology for information by branch of activity

The information by branch of activity below is based on monthly reports prepared by Group management and is generated using the same computer application that prepares all the Group's accounting information. The branches of activity follow the same accounting policies as the Group, which are described in Note 5.

The ordinary income of the branch of activity relates to ordinary revenue directly attributable to the branch of activity plus the relevant proportion of the Group's general income that can be allocated on a reasonable basis to that segment. The ordinary income of each branch of activity does not include interest or dividend income, gains on the disposal of investment property, debt recoveries or cancellation.

The expenses of each branch of activity are calculated as the directly attributable expenses incurred in the operating activities, plus the corresponding proportion of the expenses that can be reasonably allocated to the branch of activity.

The profit or loss of the branch of activity is presented before any adjustment for non-controlling interests.

The assets and liabilities of the branches of activity are those directly related to each branch of activity's operations, plus the assets and liabilities that can be directly attributed thereto using the above allocation system, and include the proportional part of the assets and liabilities of joint ventures.

Branch of activities information

The information by branch of activity at 31 December 2023 is presented below:

2023	Thousands of euros						
	Office buildings	Shopping centres	Logistics	Data Centers	Other	Corporate Unit	Group total
Revenue from non-Group customers							
Rental income	239,411	116,129	77,399	539	13,729	-	447,207
Services rendered	11,721	2,075	-	2,499	-	1,277	17,572
Net income	251,132	118,204	77,399	3,038	13,729	1,277	464,779
Other operating income	3,643	252	167	-	1	691	4,754
Staff costs	(6,958)	(6,672)	(2,024)	(295)	-	(18,896)	(34,845)
Operating expenses	(30,688)	(14,842)	(2,259)	(5,377)	(3,463)	(16,696)	(73,325)
Gains or losses on disposals of non-current assets	95	(10,376)	399	-	2,859	-	(7,023)
Depreciation and amortisation charge	(642)	-	-	-	(12)	(1,421)	(2,075)
Allocation of grants relating to non-financial assets and others	36	-	-	-	-	-	36
Allocation/Excess provisions	-	-	-	(1,212)	-	(6,198)	(7,410)
Changes in fair value of investment property	(307,108)	(125,127)	51,150	92,081	(46,980)	-	(335,984)
Profit/(Loss) from operations	(90,490)	(38,561)	124,832	88,235	(33,866)	(41,243)	8,907
Changes in fair value of financial instruments - Other	-	-	(660)	-	-	(5,572)	(6,232)
Finance income	-	6	-	-	-	10,100	10,106
Finance expenses	(4,050)	-	(8,708)	(8,885)	(1,606)	(104,537)	(127,786)
Gains on disposal of financial instruments	-	-	-	-	-	-	-
Share of results of companies accounted for using the equity method	-	-	-	-	-	39,923	39,923
Translation differences	-	-	-	-	-	90	90
Profit/(Loss) before tax	(94,540)	(38,555)	115,464	79,350	(35,472)	(101,239)	(74,992)
Income tax	(1,328)	(4,307)	(1,904)	-	-	(966)	(8,505)
Profit/(Loss) for the year	(95,868)	(42,862)	113,560	79,350	(35,472)	(102,205)	(83,497)

At 31 December 2023	Thousands of euros						
	Office buildings	Shopping centres	Logistics	Data Centers	Other	Corporate Unit	Group total
Investment property	6,289,822	2,005,848	1,648,314	350,177	345,602	-	10,639,763
Non-current financial assets-	27,540	25,329	12,827	261	2,150	134,002	202,109
Derivatives	-	-	3,429	-	-	-	3,429
Other financial assets	27,540	25,329	9,398	261	2,150	134,002	198,680
Deferred tax assets	768	22	3,492	-	-	73,291	77,573
Other non-current assets	4,554	1	2	-	1,559	539,884	546,000
Non-current assets	6,322,684	2,031,200	1,664,635	350,438	349,311	747,177	11,465,445
Trade receivables	19,850	17,471	7,888	3,819	4,033	9,537	62,598
Other current financial assets	111	196	(1)	-	63	4,621	4,990
Other current assets	76,197	55,628	9,071	9,222	72	382,188	532,378
Current assets	96,158	73,295	16,958	13,041	4,168	396,346	599,966
Total assets	6,418,842	2,104,495	1,681,593	363,479	353,479	1,143,523	12,065,411
Non-current bank borrowings and debenture issues	285,179	-	68,901	-	75,670	4,077,318	4,507,068
Other non-current liabilities	344,640	253,165	94,596	10,205	19,039	82,988	804,633
Non-current liabilities	629,819	253,165	163,497	10,205	94,709	4,160,306	5,311,701
Current liabilities	54,832	29,980	18,742	18,090	10,746	82,282	214,672
Total liabilities	684,651	283,145	182,239	28,295	105,455	4,242,588	5,526,373

The information by branch of activity at 31 December 2022 is presented below:

2022 (*)	Thousands of euros						
	Office buildings	Shopping centres	Logistics	Data Centers	Other	Corporate Unit	Group total
Revenue from non-Group customers							
Rental income	230,438	114,481	70,877	5	12,353	-	428,154
Services rendered	7,862	1,471	-	-	-	1,551	10,884
Net income	238,300	115,952	70,877	5	12,353	1,551	439,038
Other operating income	934	318	356	-	2	1,040	2,650
Staff costs	(6,962)	(6,880)	(2,449)	(302)	-	(23,080)	(39,673)
Operating expenses	(32,649)	(17,872)	(2,682)	(214)	(3,509)	(16,892)	(73,818)
Gains or losses on disposals of non-current assets	3,985	544	(13)	-	7,045	-	11,561
Depreciation and amortisation charge	(548)	-	-	-	(13)	(1,324)	(1,885)
Allocation/Excess provisions	-	-	-	-	-	(160)	(160)
Changes in fair value of investment property	(149,149)	(81,387)	(16,374)	-	(2,362)	-	(249,272)
Profit/(Loss) from operations	53,911	10,675	49,715	(511)	13,516	(38,865)	88,441
Changes in fair value of financial instruments - Other	-	-	6,965	-	-	34,261	41,226
Finance income	-	-	-	-	-	3,942	3,942
Finance expenses	(295)	-	(4,546)	-	-	(104,362)	(109,203)
Gains on disposal of financial instruments	-	-	-	-	-	(283)	(283)
Share of results of companies accounted for using the equity method	-	-	-	-	-	24,033	24,033
Profit/(Loss) before tax	53,616	10,675	52,134	(511)	13,516	(81,274)	48,156
Income tax	(3,316)	1,174	(253)	-	-	(4,405)	(6,800)
Profit/(Loss) for the year	50,300	11,849	51,881	(511)	13,516	(85,679)	41,356

(*) Restated information to include Data Centers branch of activity

At 31 December 2022 (*)	Thousands of euros						
	Office buildings	Shopping centres	Logistics	Data Centers	Other	Corporate Unit	Group total
Investment property	6,509,874	2,134,503	1,558,011	114,441	397,371	-	10,714,200
Non-current financial assets-	25,990	29,384	14,668	-	394	140,611	211,048
Derivatives	-	-	6,084	-	-	12,798	18,882
Other financial assets	25,990	29,384	8,584	-	394	127,813	192,166
Deferred tax assets	908	78	3,580	-	-	74,080	78,646
Other non-current assets	4,200	18	-	-	1,454	502,697	508,369
Non-current assets	6,540,972	2,163,983	1,576,259	114,441	399,219	717,388	11,512,263
Trade receivables	13,838	15,592	7,273	24	3,487	9,626	49,840
Other current financial assets	111	181	(1)	-	3,748	(1,080)	2,960
Other current assets	38,932	31,750	20,316	103	1,800	393,520	486,420
Current assets	52,881	47,523	27,588	127	9,035	402,066	539,220
Total assets	6,593,853	2,211,506	1,603,847	114,568	408,254	1,119,454	12,051,483
Non-current bank borrowings and debenture issues	13,196	-	68,428	-	-	3,387,577	3,469,200
Other non-current liabilities	336,026	222,558	86,258	212	25,758	111,734	782,547
Non-current liabilities	349,222	222,558	154,686	212	25,758	3,499,311	4,251,747
Current liabilities	48,861	31,526	12,128	17,711	8,518	831,768	950,512
Total liabilities	398,083	254,084	166,814	17,923	34,276	4,331,079	5,202,259

(*) Restated information to include Data Centers branch of activity

C) Geographical segment reporting

When presenting the information by geographic area, branch of activity revenue is grouped according to the geographical location of the assets. Branch of activity assets are also grouped according to their geographical location.

The following tables summarises ordinary income and non-current investment property for each of the assets held by the Group by geographical area:

2023

	Thousands of euros			
	Rental income	%	Investment property	%
Madrid	208,681	48%	5,799,909	54%
Catalonia	68,073	14%	1,498,010	14%
Andalusia	21,600	5%	303,354	3%
Valencia	17,713	4%	282,167	3%
Galicia	17,895	4%	328,731	3%
Castille-La Mancha	26,833	6%	662,635	6%
Basque Country	12,937	3%	362,225	3%
Rest of Spain	9,602	2%	171,101	2%
Portugal	63,873	14%	1,231,631	12%
Total	447,207	100%	10,639,763	100%

2022

	Thousands of euros			
	Rental income	%	Investment property	%
Madrid	208,192	50%	5,954,945	54%
Catalonia	64,914	13%	1,522,841	14%
Andalusia	19,951	5%	298,314	3%
Valencia	16,662	4%	294,782	3%
Galicia	16,823	4%	302,041	3%
Castille-La Mancha	23,757	6%	631,589	6%
Basque Country	11,926	3%	273,138	3%
Rest of Spain	8,755	2%	196,049	2%
Portugal	57,174	13%	1,240,501	12%
Total	428,154	100%	10,714,200	100%

D) Main customers

The table below lists the most important tenants as of 31 December 2023 and 2022, and the primary characteristics of each of them:

2023

Position	Name	Type	% of total of Income	% accumulated	Maturity
1	Endesa	Offices	4.2%	4.2%	2024-2030
2	Inditex	Shopping centres / Logistics	3.3%	7.5%	2024-2025
3	Comunidad de Madrid	Offices	2.5%	10.0%	2024-2031
4	Técnicas Reunidas	Offices	2.4%	12.4%	2025
5	Hotusa	Hotels	1.6%	14.0%	2028
6	PWC	Offices	1.5%	15.5%	2028
7	BPI	Offices	1.5%	17.0%	2031
8	Logista	Logistics	1.4%	18.4%	2025-2040
9	Indra	Offices	1.3%	19.7%	2030
10	IBM	Offices	1.3%	21.0%	2030

Position	Name	Type	% of total of Income	% accumulated	Maturity
1	Endesa	Offices	4.2 %	4.2%	2024-2030
2	Inditex	Shopping centres / Logistics	3.3 %	7.5%	2023-2025
3	Comunidad de Madrid	Offices	2.5 %	10.0%	2023-2031
4	Técnicas Reunidas	Offices	2.4 %	12.4%	2025
5	PwC	Offices	1.8 %	14.2%	2028
6	Hotusa	Hotels	1.5 %	15.7%	2028
7	BPI	Offices	1.5 %	17.2%	2031
8	Indra	Offices	1.5 %	18.7%	2024
9	FNAC	Shopping centres	1.4 %	20.1%	2023-2025
10	XPO	Logistics	1.3 %	21.4%	2024-2025

7. Investment property

The breakdown of and changes in items included under the Investment Property heading in the consolidated statement of financial position in 2023 and 2022 were as follows:

	Thousands of euros	
	2023	2022
Beginning balance	10,714,200	12,297,257
Additions for the financial year	308,172	370,161
Disposals	(46,625)	(1,703,946)
Changes in value of investment property	(335,984)	(249,272)
Closing balance	10,639,763	10,714,200

Investment property is recognised at fair value. Expense recognised in the 2023 consolidated income statement from measuring investment property at fair value amounted to EUR 335,984 thousand (EUR 249,272 thousand in 2022).

Investment property comprises property assets mainly in the offices, shopping centres, logistics and data centres branches of activity.

Additions and assets acquired in the 2023 and 2022 financial years are as follows:

	Thousands of euros	
	2023	2022
Purchases	23,756	144,077
Offices	-	136,861
Shopping centres	15,451	-
Logistics	8,305	7,216
Additions	284,416	226,084
	308,172	370,161

The acquisitions made during 2023 relate to the purchase of a space next to the Marineda Shopping Centre in La Coruña, premises in a shopping centre and the acquisition of land for logistics use in Valencia.

The additions for 2023 mainly relate to the development of data centres, as well as the improvement and adaptation work performed on certain properties owned by the Group, highlighting, among others, certain logistics warehouses in Cabanillas del Campo and office buildings such as Plaza Ruiz Picasso.

Derecognitions in 2023 mainly relate to the sale of two shopping centres in Barcelona and Valencia, as well as a logistics warehouse in Zaragoza. The accounting result of those derecognitions was a loss of EUR 9,995 thousand recognised under "Gain/(loss) on disposal of assets" in the accompanying consolidated income statement.

The additions made in 2022 related to the purchase of an office building in Lisbon amounting to EUR 113 million, a plant in an office building in Barcelona amounting to EUR 5 million and several plants in an office building in Madrid amounting to EUR 19 million and the acquisition of land in the Basque Country for the construction of a Data Centre amounting to EUR 7 million.

The other additions for 2022 related to the improvement and adaptation work performed on certain properties owned by the Group, highlighting, among others, certain logistics warehouses in Cabanillas del Campo and office buildings such as Castellana 85 and the Cerro de lo Gamos Business Park in Madrid, and the development of data centres.

The divestments in 2022 related mainly to the sale of the leased premises to BBVA through the sale of all the shares that the Parent held by the subsidiary Tree Inversiones Inmobiliarias, SOCIMI, S.A. (see Note 3), the result of which is presented in the discontinued activities line item.

Also in 2022, the Group sold two business parks and premises held for non-strategic purposes in Madrid, an office building in Zaragoza and premises in Catalonia. As a result of these divestments, the Group obtained a gain of EUR 11,561 thousand recognised under 'Gain/(loss) on disposal of assets' in the accompanying consolidated income statement.

At 31 December 2023, the Group had real estate assets amounting to EUR 1,046,328 thousand (EUR 265,443 thousand in 2022) to guarantee various loans. At 31 December 2023, the balance of those loans amounted to EUR 433,364 thousand (EUR 84,987 thousand at the end of 2022) (see Note 14). The Group holds no rights of use, seizure or similar situations as regards its investment property. The Group did not hold financial leases in 2023 or 2022.

All properties included under "Investment property" were insured as of 31 December 2023.

At 31 December 2023, the Group had no firm purchase commitments for investment property, without considering the investments committed in constructions and improvements.

In 2023 and 2022 no finance costs were capitalised in the cost of constructing the properties.

Fair value measurement and sensitivity

All investment property leased or to be leased through operating leases are classified as investment property.

According to IAS 40, the Group periodically determines the fair value of its investment property so that the fair value reflects the actual market conditions of the investment property items at that date. This fair value is determined each year based on the appraisals undertaken by independent experts.

The market value of the Group's investment property as of 31 December 2023 and 2022, calculated based on appraisals performed by Savills Consultores Inmobiliarios, S.A., CBRE Valuation Advisory, S.A. and Jones Lang LaSalle, S.A. independent appraisers not related to the Group, amounted to EUR 10,566,124 thousand (EUR 10,558,975 in 2022). This measurement does not include the value

of the use rights recognised by the application of IFRS 16 for EUR 51,903 thousand (EUR 37,152 thousand in 2022) or the amounts relating to advances paid by the Group to third parties for the purchase of assets or other non-valued assets amounting to EUR 21,736 thousand (EUR 118,072 thousand in 2022). The valuation was performed in accordance with the Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors (RICS) of the United Kingdom and the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC). In relation to the fair value of the rights of use, the Group also obtained valuations from independent third parties.

The method used to calculate the market value of the investment property involves drawing up ten-year projections of income and expenses for each asset, adjusted at the reporting date using a market discount rate. The residual amount at the end of year 10 is calculated by applying an exit yield to the net income projections for year 11. The market values obtained are analysed by calculating and assessing the capitalisation of the returns implicit in these values. In the case of data centres, 7-year projections were used, which is the period considered for the stabilisation of the market. The projections are designed to reflect the best estimate of future income and expenses from the investment properties. Both the exit yield and discount rate are determined taking into account the national market and institutional market conditions.

Fees paid by the Group to valuers for appraisal services rendered up to 31 December 2023 and 2022 were as follows:

	Thousands of euros	
	2023	2022
Valuation services	651	459
Total	651	459

Breakdown of fair value of investment property

A breakdown of assets measured at fair value by their level in the fair value hierarchy is as follows:

2023

	Thousands of euros			
	Total	Level 1	Level 2	Level 3
Fair value measurement				
Investment property:				
Offices				
Land	2,172,572	-	-	2,172,572
Buildings	4,117,250	-	-	4,117,250
Shopping centres				
Land	379,805	-	-	379,805
Buildings	1,626,043	-	-	1,626,043
Logistics-				
Land	405,689	-	-	405,689
Buildings	1,242,625	-	-	1,242,625
Data Centers-				
Land	31,852	-	-	31,852
Buildings	318,325	-	-	318,325
Other-				
Land	148,680	-	-	148,680
Buildings	196,922	-	-	196,922
Total assets measured at fair value	10,639,763	-	-	10,639,763

2022

	Thousands of euros			
	Total	Level 1	Level 2	Level 3
Fair value measurement				
Investment property:				
Offices				
Land	2,238,869	-	-	2,238,869
Buildings	4,271,005	-	-	4,271,005
Shopping centres				
Land	433,159	-	-	433,159
Buildings	1,701,344	-	-	1,701,344
Logistics-				
Land	374,180	-	-	374,180
Buildings	1,183,830	-	-	1,183,830
Data Centers (*) -				
Land	21,889	-	-	21,889
Buildings	92,552	-	-	92,552
Other-				
Land	175,439	-	-	175,439
Buildings	221,933	-	-	221,933
Total assets measured at fair value	10,714,200	-	-	10,714,200

(*) Valued at cost

No assets were reclassified from one level to another during 2023 or 2022. At 31 December 2023 and 2022, the gross surface areas and occupancy rates of the assets were as follows:

2023

	Square metres (*)										Occupancy rate (%)
	Gross leasable area										
	Comm. of Madrid	Catalonia	Comm. of Valencia	Galicia	Andalusia	Basque Country	Castille-La Mancha	Rest of Spain	Portugal	Total	
Offices	812,916	205,506	-	-	15,078	-	-	-	123,832	1,157,332	92.5%
Shopping centres	74,606	31,905	49,897	118,105	37,956	25,922	-	32,869	60,089	431,349	96,2% (**
Logistics	330,375	132,100	61,604	-	139,218	99,491	633,841	21,579	45,171	1,463,379	99.0%
Data Centers	22,508	22,131	-	-	-	17,600	-	-	-	62,239	n.a. (1
Other	38,161	16,472	-	5,898	-	46	-	-	-	60,577	98.0%
Total surface area	1,278,566	408,114	111,501	124,003	192,252	143,059	633,841	54,448	229,092	3,174,876	96.2%
% weight	40.3%	12.9%	3.5%	3.9%	6.1%	4.5%	20.0%	1.7%	7.2%	100.0%	

(*) Not including square metres of ongoing projects or land.

(**) Excluding vacant units acquired for refurbishment.

(1) The market standard for data centres is to measure occupancy on the basis of processing capacity, and not in relation to leasable surface area. At 31 December 2023, the Group's 3 data centres currently in operation had a processing available capacity of 9 MW, with 6.2 MW (68.9%) committed at that date. The Group considers as committed capacity the capacity physically occupied at the reference date or with respect to which, without being occupied at that date, there are contractual commitments reserving that capacity to ensure the future growth of the Group's customers.

2022

	Square metres (*)										Occupancy rate (%)
	Gross leasable area										
	Comm. of Madrid	Catalonia	Comm. of Valencia	Galicia	Andalusia	Basque Country	Castille-La Mancha	Rest of Spain	Portugal	Total	
Offices	814,938	205,312	-	-	15,078	-	-	-	137,547	1,172,875	92.5 %
Shopping centres	75,685	64,096	64,352	100,577	37,956	25,922	-	32,758	60,049	461,395	95.0 %
Logistics	330,375	132,100	61,604	-	138,777	99,491	633,926	42,343	45,171	1,483,787	97.0 %
Data Centers	-	-	-	-	-	-	-	-	-	-	n.a. (1)
Other	38,043	20,540	-	5,898	-	46	-	-	-	64,527	97.3 %
Total surface area	1,259,041	422,048	125,956	106,475	191,811	125,459	633,926	75,101	242,767	3,182,584	95.1 %
% weight	39,6%	13,3%	4,0%	3,3%	6,0%	3,9%	19,9%	2,4%	7,6%	100,0%	

(*) Not including square metres of ongoing projects or land

(1) During 2022, the Group's data centres were under construction.

Hypotheses used in the valuation

In relation to the determination of the fair value of investment property, the significant non-observable input data used in the measurement of fair value corresponds to the rental income, the future exit yields and the rate used to discount the cash flows of the projections.

The quantitative information on the significant non-observable input data used in measuring fair value is shown below.

2023

	Exit yield	Discount rate
Offices	3.70% - 7.35%	5.20% - 10.10%
Shopping centres	3.92% - 7.75%	6.25% - 9.75%
Logistics	4.75% - 6.25%	6.25% - 9.50%
Data Centers	5.50% - 6.25%	12.00%
Other	4.50% - 7.50%	5.25% - 16.00%

2022

	Exit yield	Discount rate
Offices	3.15% - 7.25%	5.15% - 10.25%
Shopping centres	3.75% - 8.50%	6.25% - 11.50%
Logistics	4.25% - 6.75%	5.50% - 15.00%
Data Centers (*)	n.a.	n.a.
Other	4.00% - 7.75%	4.00% - 15.50%

(*) Valued at cost in 2022

Market rents: the amounts per square metre used in the valuation have ranged between 61.79 and 2.41 euros depending on the type of asset and location. The growth rates of the rents used in the projections are mainly based on the CPI. It should be noted that the minimum range relates to a logistics asset and the maximum range is a retail asset located in a prime zone.

Analysis of the sensitivity of the hypotheses

The effect of one-quarter, half and one point change in the required rates of return (the "IRR", the rate used to discount the cash flows of the projections) on the consolidated assets and in the consolidated income statement with respect to investment properties, would be as follows:

31 December 2023

	Thousands of euros					
	31.12.2023					
	Assets			Consolidated profit/(loss) before tax		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Increase in IRR	(206,813)	(408,786)	(798,719)	(206,813)	(408,786)	(798,719)
Decrease in IRR	211,785	428,677	878,346	211,785	428,677	878,346

31 December 2022

	Thousands of euros					
	31.12.2022					
	Assets			Consolidated profit/(loss) before tax		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Increase in IRR	(209,672)	(414,387)	(809,469)	(209,672)	(414,387)	(809,469)
Decrease in IRR	214,765	434,763	891,041	214,765	434,763	891,041

The effect of a 1%, 5% and 10% change in the rents considered has the following impact on investment property in consolidated assets and in the consolidated income statement:

31 December 2023

	Thousands of euros					
	Assets			Consolidated profit/(loss) before tax		
	1%	5%	10%	1%	5%	10%
Increase in rents	83,131	415,654	831,308	83,131	415,654	831,308
Decrease in rents	(83,131)	(415,654)	(831,308)	(83,131)	(415,654)	(831,308)

31 December 2022

	Thousands of euros					
	Assets			Consolidated profit/(loss) before tax		
	1%	5%	10%	1%	5%	10%
Increase in rents	84,038	420,192	840,385	84,038	420,192	840,385
Decrease in rents	(84,038)	(420,192)	(840,385)	(84,038)	(420,192)	(840,385)

The effect of the quarter, half, and one point change in the considered exit yield, in the assumption based on return calculated as the result of dividing the net operating income of the last year of the period analysed by the estimated exit yield, on investment property in the consolidated asset and in the consolidated income statement, would be as follows:

31 December 2023

	Thousands of euros					
	Assets			Consolidated profit/(loss) before tax		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Increase in exit yield	(293,554)	(562,416)	(1,037,559)	(293,554)	(562,416)	(1,037,559)
Decrease in exit yield	321,810	676,164	1,504,467	321,810	676,164	1,504,467

31 December 2022

	Thousands of euros					
	Assets			Consolidated profit/(loss) before tax		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Increase in exit yield	(324,196)	(619,262)	(1,136,413)	(324,196)	(619,262)	(1,136,413)
Decrease in exit yield	357,865	754,929	1,695,592	357,865	754,929	1,695,592

Details of the "Change in value of investment property" in the accompanying consolidated income statement are as follows:

Type of asset	Thousands of euros	
	2023	2022
Offices	(307,108)	(149,149)
Shopping centres	(125,127)	(81,387)
Logistics	51,150	(16,374)
Data Centers	92,081	-
Other	(46,980)	(2,362)
	(335,984)	(249,272)

8. Operating leases

8.1 Operating Leases - Tenant

The Group, in its position as a tenant, only maintains short-term and low-value leases, which, following an analysis of the application of IFRS 16, recognises them as a straight-line expense over the lease term. In 2023, the Group recorded an expense of EUR 751 thousand (EUR 705 thousand in 2022) included under "Other operating expenses" in the accompanying consolidated income statement.

8.2 Operating leases – Landlord

The occupancy rates of the leased buildings at 31 December 2023 and 2022 were as follows:

	% occupancy	
	2023	2022
Offices	92.5	92.5
Shopping centres	96.2	95.0
Logistics	99.0	97.0
Data Centers	68.9 (1)	n.a. (2)
Other	98.0	97.3

(1) The market standard for data centres is to measure occupancy on the basis of processing capacity, and not in relation to leasable surface area. At 31 December 2023, the Group's 3 data centres currently in operation had a processing available capacity of 9 MW, with 6.2 MW (68.9%) committed at that date. The Group considers as committed capacity the capacity physically occupied at the reference date or with respect to which, without being occupied at that date, there are contractual commitments reserving that capacity to ensure the future growth of the Group's customers.

(2) During 2022, the Group's data centres were under construction.

At 31 December 2023 and 2022, gross lease income and the fair value of each of the assets were as follows:

2023

	Thousands of euros	
	Rent Gross (a)	Value Fair
Offices	254,831	6,289,822
Shopping centres	125,776	2,005,848
Logistics	80,273	1,648,314
Data Centers	539	350,177
Other	14,196	345,602
Total	475,615	10,639,763

(a) The gross income indicated in the table above refers to income from leases (Note 6) of the properties accrued since their incorporation into the Group, without taking into account credits or rent straight-lining.

2022

	Thousands of euros	
	Rent Gross (a)	Value Fair
Offices	242,716	6,509,875
Shopping centres	123,840	2,134,503
Logistics	73,558	1,558,010
Data Centers (b)	5	114,441
Other	12,723	397,371
Total	452,842	10,714,200

(a) The gross income indicated in the table above refers to income from leases (Note 6) of the properties accrued since their incorporation into the Group, without taking into account credits or rent straight-lining.

(b) Valued at cost

The leases agreements entered into between the Group and its customers include a fixed rent and, where applicable, a variable rent linked to the lessee's performance.

At 31 December 2023 and 2022, the future minimum lease payments under non-cancellable operating leases (calculated at the nominal amount) are as follows:

	Thousands of euros	
	2023	2022
Up to a year	443,771	384,244
1 to 5 years	893,441	759,723
Over 5 years	202,804	186,838
Total	1,540,016	1,330,805

In 2023, the Group recorded EUR 8,224 thousand (EUR 6,707 thousand in 2022) due to lease income relating variable lease payments not benchmarked against a rate or index.

9. Investments accounted for using the equity method

The changes in 2023 and 2022 in investments in companies accounted for using the equity method are as follows:

	Thousands of euros	
	2023	2022
Beginning balance	500,300	482,784
Additions made during the year	6,678	1,824
Payments made in the financial year	-	(4,189)
Transfers	(110)	-
Dividends	(9,503)	(4,152)
Profit/(Loss) for the year	39,923	24,033
Closing balance	537,288	500,300

In relation to investments accounted for using the equity method, the additions in 2023 related mainly to the subscription of the capital increase carried out by Crea Madrid Nuevo Norte, S.A., which led to an increase of EUR 3,040 thousand, the distribution in shares of a dividend of Silicius Real Estate SOCIMI, S.A. amounting to EUR 1,554 thousand and the purchase of 7.32% of Moregal Hotels, S.L. (Note 3) for EUR 1,585 thousand.

The remaining change in 2023 corresponded to the result obtained by the investees.

The investee Silicius Real Estate SOCIMI, S.A. holds a purchase option on its shares held by the Group, the fair value of which is recognised in "Other current financial liabilities". Its final settlement will not be in cash but will affect, where appropriate, the adjustment of the final value of the ownership interest (see Note 14.3).

In relation to the shares held using the equity method, the additions in 2022 related mainly to the subscription of the capital increase made by Crea Madrid Nuevo Norte, S.A. as a result of the capital increase performed in the year, which has resulted in an increase of EUR 1,511 thousand for the Group. For its part, the decreases related mainly to the liquidation of the investee PK Hoteles 22, S.L.. (Note 3) and the return of contributions to G36 Developments, S.L.

The remaining change in 2022 corresponded to the result obtained by the investees.

A breakdown of investments in companies accounted for using the equity method and the profit or loss attributable to the Group at 31 December 2023 and 2022 is as follows:

2023

Associate	Line of business	Registered office	Percentage of ownership	Thousands of euros	
				Investment	Profit/(loss) attributed to the Group
Crea Madrid Nuevo Norte, S.A	"Operación Chamartín" construction development and property operation	Madrid	14.46%	175,269	(565)
Silicius Real Estate SOCIMI, S.A.	Sale and lease of property	Madrid	17.91%	93,089	(3,264)
Centro Intermodal de Logística, S.A.	Management of the port concession of the logistics activity area	Barcelona	48.50%	237,221	50,119
Paseo Comercial Carlos III, S.A.	Lease of shopping centre	Madrid	50.00%	26,868	(5,337)
Provitae Centros Asistenciales, S.L.	Healthcare services	Madrid	50.00%	2,320	(996)
Other investments				2,521	(34)
				537,288	39,923

2022

Associate	Line of business	Registered office	Percentage of ownership	Thousands of euros	
				Investment	Profit/(loss) attributed to the Group
Crea Madrid Nuevo Norte, S.A	"Operación Chamartín" construction development and property operation	Madrid	14.46%	172,794	(616)
Silicius Real Estate SOCIMI, S.A.	Sale and lease of property	Madrid	17.80%	95,855	2,667
Centro Intermodal de Logística, S.A.	Management of the port concession of the logistics activity area	Barcelona	48.50%	194,982	18,556
Paseo Comercial Carlos III, S.A.	Lease of shopping centre	Madrid	50%	32,205	2,487
Provitae Centros Asistenciales, S.L.	Healthcare services	Madrid	50%	3,316	(198)
Other investments				1,148	1,137
				500,300	24,033

All companies detailed in the table above are accounted for using the equity method.

The key business indicators at 100% for the Group's associates (standardised using the regulatory framework applicable to the Group) are as follows:

2023

	Thousands of euros					
	Provitae Centros Asistenciales, S.L.	Paseo Comercial Carlos III, S.A.	Centro Intermodal de Logística, S.A. (CILSA)	Madrid Nuevo Norte, S.A.	Silicius Real Estate SOCIMI, S.A.	Other
Non-current assets	7,036	125,673	753,103	6,055	612,201	7,213
Current assets	8	7,859	40,584	193,141	29,774	14,451
Non-current liabilities	-	69,185	169,518	1,027	279,652	12
Current liabilities	2,404	4,403	25,583	8,981	26,691	12,359
Revenue	-	8,719	84,898	-	34,554	1,586
Operating profit/(loss)	(1,992)	(10,674)	87,092	(3,907)	(26,901)	(448)

2022

	Thousands of euros					
	Provitae Centros Asistenciales, S.L.	Paseo Comercial Carlos III, S.A.	Centro Intermodal de Logística, S.A. (CILSA)	Madrid Nuevo Norte, S.A.	Silicius Real Estate SOCIMI, S.A.	Other
Non-current assets	9,090	142,316	653,500	5,349	727,972	6,956
Current assets	2	5,861	31,070	175,060	11,569	3,987
Non-current liabilities	192	60,615	101,289	984	300,388	896
Current liabilities	2,268	3,275	19,695	7,356	48,302	1,974
Revenue	-	8,359	79,272	-	40,044	579
Operating profit/(loss)	(396)	4,974	32,990	(4,258)	15,467	(453)

At the end of the year, there were no indications of impairment on the recoverable value of the investments held, in addition to those already recorded.

10. Current and non-current financial assets

The breakdown, by type, of the balance of this heading in the consolidated statement of financial position at 31 December 2023 and 2022 is as follows:

Classification of financial assets by category:

	Thousands of euros	
	2023	2022
Non-current:		
At fair value-		
Interest rate derivatives	3,429	18,882
At cost-		
Equity instruments	9,915	9,191
At amortised cost-		
Loans to third parties	130,107	126,230
Loans to associates	3,303	3,268
Deposits and guarantees	55,355	53,477
	202,109	211,048
Current:		
At cost-		
Investments in associates	3,148	2,498
At amortised cost-		
Loans to third parties	236	236
Other financial assets	1,606	226
Trade and other receivables	62,598	49,840
	67,588	52,800

The carrying amount of financial assets recognised at amortised cost does not differ from their fair value.

Derivatives

At year-end 2023 and 2022, the measurement of interest rate derivatives with a debit balance was recognised under 'Derivatives' (see Note 14).

Loans to third parties

"Other non-current financial assets" included the loan granted to Desarrollos Urbanísticos Udra, S.A.U., shareholder of Crea Madrid Nuevo Norte, S.A., amounting to EUR 86,397 thousand, which accrues market interest. At 31 December 2023, due to the annual capitalisation of interest, the outstanding amount was EUR 92,219 thousand in principal and EUR 318 thousand in interest. In relation to this loan, the Group has guarantees from the creditor associated with 10% of shares in Crea Madrid Nuevo Norte, S.A., and no credit risk has been identified for the debtor.

Likewise, this heading also includes rental straight lining, marketing expenses and tenant set-up expenses amounting to 37,571 thousand euros (35,189 thousand euros in 2022).

Deposits and guarantees

"Deposits and guarantees" primarily includes the guarantees provided by lessees as security amounting to EUR 53,796 thousand (EUR 51,988 thousand at 31 December 2022), which the Group has deposited with the housing authority (Instituto de la Vivienda) in each region. At 31 December 2023, guarantees provided by lessees as security amounted to EUR 64,567 thousand (EUR 62,964

thousand at 31 December 2022) and were recognised under "Non-current liabilities – Other financial liabilities" on the liability side of the accompanying consolidated statement of financial position for 2023 (see Note 15).

Classification of financial assets by maturity:

The classification of financial assets by maturity at 31 December 2023 and 2022 is as follows:

2023

	Thousands of euros				
	Less than 1 year	From 1 to 5 years	Over 5 years	Undetermined maturity	Total
Interest rate derivatives	-	-	3,429	-	3,429
Equity instruments	-	-	-	9,915	9,915
Loans to third parties and associates	236	22,089	111,321	-	133,646
Deposits and guarantees	-	-	-	55,355	55,355
Investments in Group companies and associates	3,148	-	-	-	3,148
Other financial assets	1,606	-	-	-	1,606
Trade and other receivables	62,598	-	-	-	62,598
Total financial assets	67,588	22,089	114,750	65,270	269,697

2022

	Thousands of euros				
	Less than 1 year	From 1 to 5 years	Over 5 years	Undetermined maturity	Total
Interest rate derivatives	-	6,084	12,798	-	18,882
Equity instruments	-	-	-	9,191	9,191
Loans to third parties and associates	236	20,863	108,635	-	129,734
Deposits and guarantees	-	-	-	53,477	53,477
Investments in Group companies and associates	2,498	-	-	-	2,498
Other financial assets	226	-	-	-	226
Trade and other receivables	49,840	-	-	-	49,840
Total financial assets	52,800	26,947	121,433	62,668	263,848

11. Trade and other receivables

At 31 December 2023 and 2022, the heading "Trade and other receivables" included the following items:

	Thousands of euros	
	2023	2022
Trade and notes receivable	45,820	34,411
Sales debentures	6,186	6,718
Associates	589	549
Sundry accounts receivable	1,263	1,523
Remuneration payable	184	184
Other receivables from public authorities (Note 17)	19,515	17,849
Impairment of trade receivables	(10,959)	(11,394)
	62,598	49,840

"Trade and notes receivable" in the accompanying consolidated statement of financial position at 31 December 2023 mainly included the balances receivable from leasing investment property. In general these receivables are interest free and the terms of collection range from immediate payment on billing to payment at 30 days, while the average collection period is approximately 5 days (5 days in 2022).

At 31 December 2023 and 2022, a breakdown by age of overdue receivables not considered impaired is as follows:

	Thousands of euros	
	2023	2022
Less than 30 days	7,927	1,947
31 to 60 days	1,748	1,987
61 to 90 days	1,002	1,469
Over 90 days	286	17
	10,963	5,420

At 31 December 2023 and 2022, no collection rights had been transferred to financial institutions.

In accordance with IFRS 9, the Group periodically analyses the risk of insolvency of its accounts receivable by updating the related provision for impairment losses. The Group's directors consider that the amount of trade and other receivables approximates their fair value.

The changes in the impairment losses and bad debt in 2023 and 2022 were as follows:

	Thousands of euros
Balance at 31 December 2021	(13,324)
Charges for the year	(1,408)
Reversals/amounts used	3,279
Other	59
Balance at 31 December 2022	(11,394)
Charges for the year	(939)
Reversals/amounts used	1,320
Other	54
Balance at 31 December 2023	(10,959)

Losses from bad debts amounted to EUR 58 thousand in 2023. The majority of impaired receivables are overdue by more than six months.

Details of the concentration of customers (customers that account for a significant share of business) are included in the branches of activity information in Note 6.

12. Cash and cash equivalents

"Cash and cash equivalents" includes the Group's cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets does not differ from their fair value.

At 31 December 2023 and 2022, the amount included under "Cash and cash equivalents" was unrestricted, except for EUR 5,527 thousand and EUR 4,720 thousand, respectively.

13. Equity

A breakdown of "Equity" and of the changes therein is presented in the consolidated statement of changes in equity.

13.1 Share capital

As of 31 December 2023, the share capital of Merlin Properties SOCIMI, S.A., amounted to EUR 469,771 thousand, represented by 469,770,750 fully subscribed and paid shares of EUR 1 par value each, all of which are of the same class and confer the holders thereof the same rights.

All the Parent's shares can be publicly traded and are listed on the Madrid, Barcelona, Bilbao and Valencia and Lisbon Stock Exchanges. The market price of the Parent's shares at 31 December 2023 and the average market price for the fourth quarter amounted to EUR 10.06 and EUR 8.72 per share, respectively.

At 31 December 2023, according to information extracted from the CNMV, in relation to Royal Decree 1362/2007, of 19 October and Circular 2/2007, of 19 December, the shareholders with significant holdings in the share capital of Merlin Properties SOCIMI, S.A., both direct and indirect, in excess of 3% of the share capital, are the following according to public information:

	Shares			% of share capital
	Direct	Indirect	Total	
Banco Santander, S.A.	89,400,553	26,072,123	115,472,676	24.58 %
Nortia Capital Investment Holding, S.L.	38,371,083	-	38,371,083	8.17 %
BlackRock, INC	-	23,488,538	23,488,538	5.00 %

Information from Banco Santander and Nortia Capital Investment Holding, S.L. was obtained from the Register of Members book at year-end 2023.

13.2 Share premium

The Consolidated Text of the Corporate Enterprises Act expressly permits the use of the share premium to increase capital and establishes no specific restrictions as to its use.

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

On 4 May 2022, the General Meeting approved the distribution of an interim dividend charged to share premium in the amount of EUR 106,497 thousand.

13.3 Other reserves

A breakdown of reserves at 31 December 2023 and 2022 is as follows:

	Thousands of euros	
	2023	2022
Legal reserve	93,954	74,094
Reserves of consolidated companies	2,286,573	2,935,532
Other reserves	348,876	14,004
Total other reserves	2,729,403	3,023,630

During the financial year 2023, the increase in "Other reserves" is mainly due to the undistributed profit from the transfer of properties and shares or holdings referred to in section 1 of Article 2 of Law 11/2009, of 26 October, regulating REITs. This amount corresponds to the undistributed profits from the divestment of the Net Lease branch of activity in 2022 and must be reinvested in other properties or holdings assigned to the fulfilment of the Parent's main corporate purpose within three years of the date of transfer.

Legal reserve

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

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

At 31 December 2023, the Group had reached the legally required minimum in the Consolidated Text of the Corporate Enterprises Act for this reserve.

The legal reserve of companies which have chosen to avail themselves of the special tax regime in Law 11/2009, , governing REITs, must not exceed 20% of share capital. The bylaws of these companies may not establish any other type of restricted reserves.

Reserves in consolidated companies

The changes in 2023 and 2022 in "Reserves in consolidated companies" are as follows:

	Thousands of euros				
	31/12/2022	Incorporation of prior year's results	Distribution of reserves	Other changes	31/12/2023
Reserves in consolidated	2,935,532	263,087	(910,716)	(1,330)	2,286,573

	Thousands of euros				
	31/12/2021	Incorporation of prior year's results	Distribution of reserves	Other changes	31/12/2022
Reserves in consolidated	2,467,203	512,217	(89,608)	45,720	2,935,532

The distribution mainly corresponds to the amount of interim dividends for 2022 and 2023, as well as the reclassification of the reserves subject to reinvestment as indicated in the previous section.

Dividends

On 16 November 2023, the Board approved the distribution of an interim dividend charged to earnings for 2023 in the amount of EUR 93,673 thousand.

On 27 April 2023, the General Shareholders Meeting approved the distribution of a supplementary dividend charged to profit for 2022 in the amount of EUR 113,350 thousand.

On 4 May 2022, the General Meeting approved the distribution of a dividend charged to "share premium" in the amount of EUR 106,497 thousand, and the distribution of an additional dividend charged to 2021 profit for EUR 10,614 thousand, both dividends being paid on 27 May 2022.

On 28 July 2022, the Board approved the distribution of an interim dividend charged to earnings for 2022 in the amount of EUR 351,169 thousand.

On 10 November 2022, the Board approved the distribution of a dividend of EUR 93,646 thousand charged to the profit for 2022.

13.4 Treasury shares

At 31 December 2023, the Parent held treasury shares amounting to EUR 15,410 thousand.

The changes in 2023 and 2022 were as follows:

	Number of Shares	Thousands of euros
Balance at 1 January 2022	2,885,491	32,305
Additions	6,625	122
Disposals	(1,355,932)	(15,261)
Balance at 31 December 2022	1,536,184	17,166
Additions	83,106	689
Disposals	(220,166)	(2,445)
Balance at 31 December 2023	1,399,124	15,410

The General Meeting held on 27 April 2023 revoked the authorisation granted by the General Meeting of 10 April 2019 in the part not used and then authorised the acquisition of shares by the Company itself or by a Group company, under Article 146 and related provisions of the Corporate Enterprises Act, in accordance with the requirements and restrictions under the current law during the five-year period.

The retirements of 220,166 treasury shares (average cost of EUR 11.10 per share) relate mainly to the delivery of shares to employees under the flexible remuneration plan in the amount of EUR 1,338 thousand and to sales under the Group's liquidity agreement for securities listed on the Lisbon Stock Exchange. This liquidity agreement has made net sales of 16,840 shares (EUR 418 thousand) in 2023.

At 31 December 2023, the Parent held treasury shares representing 0.298% of its share capital.

13.5 Capital management

The Group's capital management objectives are to safeguard its capacity to continue operating as a going concern so that it can continue to provide returns to shareholders and to benefit interest groups, and to maintain an optimum financial structure to reduce the cost of capital.

In line with the practices of other groups present in the sector, the Group controls its capital structure through the debt ratio, calculated as net debt divided by total capital. Net debt is determined as the sum of financial liabilities less cash and cash equivalents. Total capital is calculated as the sum of equity plus net debt.

	Thousands of euros	
	2023	2022
Total financial debt (b)	4,526,244	4,238,774
Less - Cash and cash equivalents and Other current financial assets (a)	(476,633)	(446,615)
Net debt	4,049,611	3,792,159
Equity	6,539,038	6,849,224
Total capital	10,588,649	10,641,383
Debt-to-equity ratio	38%	36%

1. In both 2023 and 2022, the amount in treasury shares is included as Other current financial assets
2. Gross debt amounts without considering debt arrangement expenses and interest accrued and unpaid.

13.6 Earnings per share

Basic

Basic earnings per share are calculated by dividing net profit attributable to common equity holders of the Parent by the weighted average number of outstanding shares during the period, excluding treasury shares.

A breakdown of the calculation of basic earnings per share is as follows:

	2023	2022
Weighted average number of shares outstanding (thousands)	468,324	467,891
Continuing operations		
Profit (Loss) for the period attributable to the Parent (thousands of euros)	(83,497)	41,356
Basic earnings/ Loss per share (euros)	(0.18)	0.09
Discontinued Activities		
Profit (Loss) for the period attributable to the Parent (thousands of euros)	-	221,731
Basic earnings/ Loss per share (euros)	-	0.47

The average number of ordinary shares outstanding is calculated as follows:

	Number of Shares (Thousands)	
	2023	2022
Ordinary shares at beginning of period	469,771	469,771
Treasury shares	(1,399)	(1,536)
Average adjustment of outstanding shares	(48)	(344)
Weighted average number of ordinary shares outstanding at 31 December (thousands of shares)	468,324	467,891

Diluted

In accordance with paragraph 41 of IAS 33, potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares could reduce the earnings per share of the continuing activities. At 31 December 2023, there was no potential dilutive effect arising from the variable remuneration that the Group had granted to its executives and key staff (see Note 20), basic profit being in line with diluted profit/loss.

13.7 Valuation adjustments

This heading of the consolidated statement of financial position includes changes in the value of financial derivatives designated as cash flow hedges. The changes in the balance of this heading in 2023 and 2022 are as follows:

	Thousands of euros
Balance at 31 December 2021	(67,420)
Changes in the fair value of hedges in the year	80,218
Balance at 31 December 2022	12,798
Changes in the fair value of hedges in the year	(22,273)
Balance at 31 December 2023	(9,475)

The balance at year-end 2023 relates to the valuation of the interest rate hedges that the Parent subscribed in 2023 and 2022 to cover the new syndicated and mortgage financing for April 2023 to July 2030 (see Note 14).

14. Current and non-current financial liabilities

At 31 December 2023 and 2022 current and non-current liabilities were as follows:

	Thousands of euros	
	2023	2022
Non-current:		
Measured at amortised cost-		
Syndicated loan	665,000	-
Syndicated loan arrangement expenses	(3,889)	-
Total syndicated loan	661,111	-
Non-mortgage loan	127,880	111,000
Mortgage loans	431,735	83,256
Loan arrangement expenses	(6,470)	(4,390)
Total other loans	553,145	189,866
Debentures and bonds	3,300,000	3,300,000
Debenture issue expenses	(16,663)	(20,666)
Total debentures and bonds	3,283,337	3,279,334
Total amortised cost	4,497,593	3,469,200
Measured at fair value		
Derivative financial instruments	9,475	-
Total at fair value	9,475	-
Total non-current	4,507,068	3,469,200
Current:		
Measured at amortised cost		
Syndicated loan	1,144	195
Debentures and bonds	20,966	775,152
Mortgage loans	2,943	1,843
Revolving credit facility	525	410
Non-mortgage loan	291	347
Loan arrangement expenses	-	(116)
Total amortised cost	25,869	777,831
Measured at fair value		
Derivative financial instruments	(375)	11
Total at fair value	(375)	11
Total current	25,494	777,842

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

The details of the Parent's rating are as follows:

AGENCY	RATING	OUTLOOK	LAST REVIEW	PREVIOUS
Standard & Poor's	BBB	Positive	30/05/2023	BBB Positive
Moody's	Baa2	Positive	24/07/2023	Baa2 Positive

14.1 Loans

The breakdown of mortgage loans at 31 December 2023 and 2022 is as follows:

2023

	Thousands of euros				
	Bank borrowings				
	Initial loan/Limit	Expenses incurred from formalising loans (Note 14.5)	31.12.2023		Short-term interest
			Long-term	Short-term	
Syndicated loan	665,000	(3,889)	665,000	-	1,144
Non-mortgage loan	220,225	(283)	127,880	-	291
Revolving credit facilities	740,000	(3,191)	-	-	525
Mortgage loans - other assets	441,000	(2,996)	431,735	1,629	1,314
Total	2,066,225	(10,359)	1,224,615	1,629	3,274

2022

	Thousands of euros				
	Bank borrowings				
	Initial loan/Limit	Expenses incurred from formalising loans (Note 14.5)	31.12.2022		Short-term interest
			Long-term	Short-term	
Syndicated loan	600,000	-	-	-	195
Non-mortgage loan	220,225	(271)	111,000	-	347
Revolving credit facilities	700,000	(2,486)	-	-	410
Mortgage loans - other assets	91,000	(1,633)	83,256	1,731	112
Total	1,611,225	(4,390)	194,256	1,731	1,064

Syndicated loans and revolving credit facility - Parent

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

The initial maturity date for this revolving credit facility was 2024, with the possibility of two optional one-year extensions. The second one-year extension was approved on 30 June 2021, and the new maturity date is 9 May 2026.

The EUR 850 million syndicated loan accrued an interest rate of the one-month EURIBOR + 120 basis points, while the revolving credit facility yielded an interest rate of the one-month EURIBOR + 90 basis points, and both incorporated a cost adjustment mechanism based on four sustainability criteria.

On 21 June 2022, the Group performed an early cancellation of the syndicated loan for EUR 850 million.

In 2022, as a result of the early cancellation of this facility, the application of amortized cost in relation to IFRS 9 represented a financial cost of EUR 4,213 thousand.

On 18 November 2022, the Parent arranged a new senior syndicated loan for EUR 600 million with the possibility of being arranged before 24 April 2023 for the repayment of the bond maturing in 2023. This facility has a maturity of 5 years from its disposal and accrues a market rate of EURIBOR plus 130 basis points. For the period in which the facility is not drawn down, a commission for the

unarranged balance of 26 basis points applies. As of, 20 April 2023 the Parent had drawn down this facility in full.

In addition, on the same date, a novation agreement was entered into for the senior syndicated loan including a Tranche B corresponding to a revolving credit line with a limit of EUR 700,000 thousand .

This new credit line has a maturity of 5 years with the possibility of two optional one-year extensions. The revolving credit line accrues interest at a rate of EURIBOR + 100 basis points and incorporates a cost adjustment mechanism based on four sustainability criteria.

On 18 July 2023, the novation of the syndicated loan and the credit line was signed. The senior syndicated loan was increased to EUR 665 million with the incorporation of the amounts of the bilateral loans from Kutxabank and Unicaja described in the following section. In addition, the credit line limit was increased to EUR 740 million. At the end of December 2023 this line was not drawn down.

These funds have the same commitment to maintain certain coverage ratios as the Group bonds and in the facilities from Banco Sabadell and the European Investment Bank. These ratios are defined as the ratio between the value of the assets over the outstanding debt ("Loan to Value"), the ratio between the Group's revenue and the debt service ("ICR") and the ratio between assets and debt, both without mortgage guarantee ("Unissued Ratio"). The Parent's directors have confirmed that these ratios were met at 31 December 2023 and do not expect that they will not be fulfilled in the coming years.

Unsecured loans of the Parent

On 18 November 2022, the Parent arranged a loan without mortgage guarantee with Banco Sabadell for EUR 60 million, maturing in January 2028 and accruing a market rate of EURIBOR 120 basis points.

This facility includes commitments to maintain the coverage ratios described in the previous point. The Parent's directors have confirmed that these ratios were met at 31 December 2023 and do not expect that they will not be fulfilled in the coming years.

On 31 March 2023, the Parent arranged a loan without mortgage guarantee with Kutxabank, S.A. for EUR 30 million, maturing 5 years after drawdown and accruing a market rate of EURIBOR + 130 basis points. For the period in which the facility is not drawn down, a commission for the unarranged balance of 26 basis points applies. As of 20 April 2023, this facility has been fully drawn down.

On 24 April 2023, the Parent arranged and drew down a loan without mortgage guarantee with Unicaja Banco, S.A. for EUR 35 million, maturing 5 years after drawdown and accruing a market rate of EURIBOR + 130 basis points.

On 18 July 2023, both entities (Kutxabank, S.A. and Unicaja Banco, S.A.) assented the senior syndicated loan, becoming part of it.

Loans from the European Investment Bank

On 20 December 2018, the Parent arranged a mortgage-free loan with the European Investment Bank for EUR 51 million. On 4 November 2019, the Parent arranged the second tranche of the mortgage-free loan with the European Investment Bank for EUR 64 million, with both tranches amounting to EUR 115 million. This financing can be arranged through several loans with a maturity of 10 years on each drawdown. This credit facility must be allocated to the development of logistical assets in the Castilla-La Mancha region.

On 10 March 2020 and 26 October 2020, the Group drew down EUR 23.4 million and EUR 5.6 million corresponding to the first tranche of the facility. This loan accruals a fixed interest rate of 60 basis

points. On 20 December 2022, the Group drew down EUR 22 million at a rate of 358 basis points, meaning the first tranche of EUR 51 million was drawn down in full.

On 20 December 2023, the Group had drawn down EUR 16.9 million at a rate of 386 basis points. This loan corresponds to the first drawdown of the second tranche of EUR 64 million.

On 16 December 2021, the Parent arranged a mortgage-free loan with the European Investment Bank for EUR 45.2 million and maturing in 10 years. This financing will be used to make investments in energy efficiency. At year-end, this loan was not drawn down.

This financing includes commitments to maintain certain coverage ratios. These ratios are defined as the ratio between the value of the assets over the outstanding debt ("Loan to Value"), the ratio between the Group's revenue and the debt service ("ICR") and the ratio between assets and debt, both without mortgage guarantee ("Unissued Ratio"). The Parent's directors have confirmed that these ratios were met at 31 December 2023 and do not expect that they will not be fulfilled in the coming years.

"Senior" syndicated mortgage loan (Tree):

The senior syndicated mortgage loan of the subsidiary, Tree Investments Inmobiliarias SOCIMI, S.A., was signed on 29 July 2010 and novated for the first time on 30 December 2014.

The refinancing for 2014 and the first application of IFRS 9 'Financial Instruments' resulted in an increase in reserves and a decrease in debt amounting to EUR 30,592 thousand at 1 January 2018, and an increase in financial expenditure amounting to EUR 10,083 thousand in 2018.

On 29 November 2018, the senior syndicated loan was novated so that the initially scheduled maturity in 2024 was postponed until 31 March 2031 with the possibility of extending the maturity annually for the next 3 years until 31 March 2034. The third of these extensions was approved in 2022. This financing accrues interest at a rate of 3-month EURIBOR + 120 basis point.

On 15 June 2022, as a result of the sale of the shares of TREE Inversiones Inmobiliarias S.A. to BBVA, the Group repaid in advance the mortgage financing associated with the bank branches.

Mortgage loans - other assets

At 31 December 2023 and 2022, the Group's subsidiaries had taken out the following mortgage loans:

2023

Financial institution	Thousands of euros				Collateral
	Original Loan	Long-term Term	Short-term Term	Interest	
Caixabank	21,000	11,735	1,629	182	Mortgage
ING	70,000	70,000	-	29	Mortgage
BBVA	180,000	180,000	-	99	Mortgage
Allianz	170,000	170,000	-	1,004	Mortgage
Total	441,000	431,735	1,629	1,314	

Financial institution	Thousands of euros				Collateral
	Original Loan	Long-term Term	Short-term Term	Interest	
Caixabank	21,000	13,256	1,731	100	Mortgage
ING	70,000	70,000	-	12	Mortgage
Total	91,000	83,256	1,731	112	

On 26 March 2015, the Group subrogated a mortgage-backed loan taken out with Caixabank, S.A. with a mortgage guarantee on the Alcalá 38-40 office building. This loan has a principal of EUR 21 million, a term of 15 years, an interest rate of 3-month EURIBOR + 150 basis points, a 4-year grace period for the principal, and the principal is repayable in full using the French method over the following 11 years.

On 26 April 2019, the Group entered into a novation agreement modifying the mortgage loan subscribed on 4 December 2015 with ING Bank N.V. by the subsidiary Merlin Logística S.L.U. The due date for this financial arrangement, originally set to be in 2020, was extended until 2026. This financial arrangement accrues an interest rate of EURIBOR at three months + 100 basis points; it includes a financial cost adjustment mechanism based on meeting four sustainability criteria. On 26 March 2021, the mortgage financing agreement was changed, extending the loan amount by EUR 2.1 million to a total of EUR 70 million.

This loan requires that the company maintain and comply with certain coverage ratios, such as the loan-to-value ratio and the ratio of the company's income used to service the debt (interest coverage ratio, ICR). It also envisages certain conditions linked to compliance with the following factors associated with the environment and sustainability: i) sustainable capex, ii) LEED and BREAM certifications, iii) AIS certifications and iv) green energy consumption, which can lead to certain savings in the financial burden. The Parent's directors have confirmed that these ratios were met at 31 December 2023 and do not expect that they will not be fulfilled in the coming years.

In accordance with IFRS 9, the Group evaluated the nature of the refinancing undertaken of the previous ING loan and concluded that it did not represent a material change (10% test). Therefore, the difference between the value of the old debt at amortised cost and the new debt discounted at the effective interest rate of the old debt was recognised as a lower financial expenses of EUR 2,291 thousand under "Financial expenses" on the 2019 consolidated income statement. This amount will revert to the consolidated income statement for subsequent years in accordance with the effective interest rate of the debt.

In 2023, the application of the amortised cost in relation to these concepts involved a financial cost of EUR 362 thousand (EUR 363 thousand in 2022).

On 27 July 2023, the Parent arranged a loan with BBVA secured by a mortgage on the Torre Castellana. The loan is for EUR 180 million, with a term of 7 years, and accrues interest at a market rate of EURIBOR + 110 basis points.

On 15 November 2023, the Parent entered into a loan with Allianz secured by a mortgage on a portfolio of 4 office buildings in Madrid. The loan is for EUR 170 million, with a term of 10 years, and accrues interest at a fixed rate of 4.523%.

These facilities require that the company maintain and comply with certain coverage ratios, such as the loan-to-value ratio and the ratio of the company's income used to service the debt (interest coverage ratio, ICR). The Parent's directors have confirmed that these ratios were met at 31 December 2023 and do not expect that they will not be fulfilled in the coming years.

Maturity of debt

The breakdown by maturity of these loan principals is as follows:

2023

	Thousands of euros			
	Syndicated loans and other loans	Secured Loans	Revolving line of credit	Total
2024	-	1,629	-	1,629
2025	-	1,721	-	1,721
2026	-	71,808	-	71,808
2027	-	1,900	-	1,900
2028	725,000	1,996	-	726,996
Over 5 years	67,880	354,310	-	422,190
	792,880	433,364	-	1,226,244

2022

	Thousands of euros			
	Syndicated loans and other loans	Secured Loans	Revolving line of credit	Total
2023	-	1,731	-	1,731
2024	-	1,654	-	1,654
2025	-	1,743	-	1,743
2026	-	71,818	-	71,818
2027	-	1,890	-	1,890
Over 5 years	111,000	6,151	-	117,151
	111,000	84,987	-	195,987

The Group had undrawn loans and credit facilities at 31 December 2023 with a number of financial institutions totalling EUR 832.3 million (EUR 1,409 million at 31 December 2022).

None of the Group's debt was denominated in non-euro currencies at 31 December 2023 or 2022.

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

The finance cost for interest on the loans totalled EUR 37,901 thousand in 2023 (EUR 8,595 thousand in 2022) and is recognised in the accompanying consolidated income statement for 2023.

At 31 December 2023 and 2022, the debt arrangement expenses had been deducted from the balance of "Bank borrowings". During the 2023 financial year, the Group has allocated an expense of EUR 4,286 thousand (in 2022 EUR 8,827 thousand were allocated) under the heading "Financial expenses" of the attached consolidated income statement (see Note 18.d). This allocation in the accompanying consolidated income statement includes both the first application of IFRS 9 and the allocation of the debt to the income statement at amortised cost.

14.2 Debenture issues

On 12 May 2017, the Parent subscribed a Euro Medium Term Notes (EMTN) issue programme of up to EUR 4,000 million, which will replace the original bond issue programme and its supplement subscribed on 6 April 2016 and 14 October 2016, respectively, for an overall maximum amount of EUR 2,700 million.

On 18 May 2018, the Parent extended that bond-issue scheme (Euro Medium Term Notes - EMTN) up to an amount of EUR 5,000 million.

On 17 June 2020, the General Meeting approved the extension of this bond issuance programme up to an amount of EUR 6,000 million, the increase being performed on 21 March 2021. On 27 April 2023, the General Meeting authorised the bond-issue programme up to the same amount. On 4 August 2022 and 11 May 2023, the programme was updated for another year.

On 30 June 2021, the Parent issued a 9-year bond of EUR 500 million at 99.196% of the par value and a coupon of 1.375%. These funds were used to prepay the bond maturing in May 2022 on 23 February 2022.

On 25 April 2023, the Group repaid the bond at its maturity in an amount of EUR 742.8 million.

On 1 June 2022, the Group obtained the conversion of all its bonds into green bonds in accordance with the Green Financing Framework published on 25 April 2022. The reclassification of bonds to green bonds does not entail any changes in any other characteristics of the bonds, irrespective of their terms, interest or maturities.

The terms of the bonds issued by the Group abide by UK laws and are traded on the Luxembourg Stock Exchange. The bond issue scheme has the same guarantees and ratio compliance obligations as the syndicated loan and the revolving credit facility.

The breakdown at 31 December 2023 and 2022 of the bonds issued by Parent is as follows:

2023

Maturity	Face value (Millions of Euros)	Coupon	Listed price	Return	Market
may-25	600	1.750%	MS +82 b.p.s.	3.94%	Luxemburg
nov-26	800	1.875%	MS +74 b.p.s.	3.32%	Luxemburg
jul-27	500	2.375%	MS +105 b.p.s.	3.54%	Luxemburg
sep-29	300	2.375%	MS +102 b.p.s.	3.44%	Luxemburg
jun-30	500	1.375%	MS +176 b.p.s.	4.18%	Luxemburg
dic-34	600	1.875%	MS +184 b.p.s.	4.35%	Luxemburg
	3,300	1.898%			

2022

Maturity	Face value (Millions of Euros)	Coupon	Listed price	Return	Market
April 2023	743	2.225%	MS +98 b.p.s.	3.32%	Luxembourg
May 2025	600	1.750%	MS +115 b.p.s.	4.44%	Luxembourg
November 2026	800	1.875%	MS +168 b.p.s.	4.88%	Luxembourg
July 2027	500	2.375%	MS +183 b.p.s.	5.01%	Luxembourg
September 2029	300	2.375%	MS +210 b.p.s.	5.24%	Luxembourg
June 2030	500	1.375%	MS +205 b.p.s.	5.18%	Luxembourg
December 2034	600	1.875%	MS +232 b.p.s.	5.46%	Luxembourg
	4,043	1.958%			

These bond issues include commitments to maintain certain coverage ratios. These ratios are defined as the ratio between the value of the assets over the outstanding debt ("Loan to Value"), the ratio between the Group's revenue and the debt service ("ICR") and the ratio between assets and debt, both without mortgage guarantee ("Unissued Ratio"). The Parent Company's directors have confirmed that these ratios were met at 31 December 2023 and do not expect that they will not be fulfilled in the coming years.

The finance cost for interest on the debenture issues amounted to EUR 67,755 thousand (EUR 81,040 thousand in 2022) and is recognised in the accompanying consolidated income statement for 2023. The accrued interest payable at 31 December 2023 amounted to EUR 20,966 thousand (EUR 32,366 thousand in 2022). Debt arrangement expenses taken to the consolidated income statement in 2023 amounted to EUR 4,119 thousand (EUR 4,901 thousand in 2022).

14.3 Derivatives

A breakdown of the financial instruments as of 31 December 2023 is as follows:

	Thousands of euros	
	2023	2022
Non-current:		
Asset interest rate	(3,429)	(18,882)
Liability interest rate	9,475	-
Other (Note 9)	14,828	9,256
Total non-current	20,874	(9,626)
Current:		
Interest rate derivatives	(375)	11
Total current	(375)	11

To determine the fair value of the interest rate derivatives, the Group discounts the cash flows based on the embedded derivatives determined by the EURIBOR interest rate curve in accordance with market conditions on the measurement date.

These financial instruments were classified as level 2 according to the calculation hierarchy in IFRS 7, except for those related to the investment in Silicius (see Note 9) classified as level 3.

A breakdown of the derivative financial instruments included in the consolidated statement of financial position at 31 December 2023 and 2022 is as follows:

2023

	Thousands of euros	
	Assets Financial	Liabilities Financial
Non-current:		
Interest rate derivatives	(3,429)	9,475
Current:		
Interest rate derivatives	-	(375)
Total derivatives recognised	(3,429)	9,100

2022

	Thousands of euros	
	Assets Financial	Liabilities Financial
Non-current:		
Interest rate derivatives	18,882	-
Current:		
Interest rate derivatives	-	11
Total derivatives recognised	18,882	11

On 26 April 2019, the subsidiary Merlin Logistics S.L.U., in the framework of the refinancing of the mortgage loan with ING Bank N.V., signed a new interest rate swap (IRS) to hedge the extension of the maturity of the financing from 2020 to 2026. The notional contract amounts to EUR 67,900 thousand at a cost of 0.31%.

In addition to the early repayment of the EUR 850 million syndicated loan, in June 2022, the Group cancelled the interest rate hedging instruments associated with this corporate syndicated loan.

In 2023 and 2022, the Group subscribed new interest rate hedges to cover the new syndicated financing for April 2023 to April 2028. The notional contract amounts to EUR 665,000 thousand at a fixed cost of 2.537%.

In 2022, an interest rate hedge was contracted to cover Sabadell's mortgage loan until its maturity in January 2028 for a notional amount of EUR 60,000 thousand and a fixed cost of 2.512%.

In addition, in 2023, an interest rate hedge was contracted to cover BBVA's mortgage loan until its maturity in July 2030 for a notional amount of EUR 180,000 thousand and a fixed cost of 2.363%.

The interest rate derivatives contracted by the Group and their fair values are as follows:

2023

Interest rate	Interest Contracted	Thousands of euros					
		Fair Value	Outstanding notional amount at each date				
			2023	2024	2025	2026	Subsequent years
Syndicated Parent Company	2.537%	7,546	665,000	665,000	665,000	665,000	665,000
Non-mortgage - Parent Company	2.512%	562	60,000	60,000	60,000	60,000	60,000
Mortgage - Parent Company	2.363%	1,012	180,000	180,000	180,000	180,000	180,000
Other subsidiaries	0.310%	(3,449)	67,900	67,900	67,900	67,900	67,900
		5,671	972,900	972,900	972,900	972,900	972,900

2022

Interest rate	Interest Contracted	Thousands of euros					
		Fair Value	Outstanding notional amount at each date				
			2022	2023	2024	2025	Subsequent years
Syndicated Parent Company (starting 2023)	2.574%	(11,394)	-	500,000	500,000	500,000	500,000
Non-mortgage - Parent Company	2.512%	(1,386)	60,000	60,000	60,000	60,000	60,000
Other subsidiaries	0.310%	(6,091)	67,900	67,900	67,900	67,900	67,900
		(18,871)	127,900	627,900	627,900	627,900	627,900

The Group has opted for hedge accounting, suitably designating the hedging relationships in which these financial instruments are hedging instruments of the financing used by the Group. In this manner, the Group has neutralized flow variations stemming from interest payments and fixed the rate to be paid for said financing. The derivatives that are highly effective prospectively and retrospectively, cumulatively, since the date of designation, are those associated with the Banco Sabadell new syndicated financing and bilateral loan and the BBVA mortgage loan, so their changes in value are recognised in equity.

The Group has recognised in equity the fair value of the derivatives that meet the effectiveness requirements, without considering any tax effect due to adhering to the REIT regime. Under the heading 'Changes in fair value in financial instruments' of the consolidated income statement, the Group has registered as a result of derivative financial instruments that have not met the hedge requirements due to inefficiency and due to cancellation of expense in the amount of EUR 660 thousand in 2023 (income of EUR 35,348 thousand in 2022).

On adopting IFRS 13, the Group adjusted the measurement techniques for calculating the fair value of its derivatives. The Group includes a bilateral credit risk adjustment to reflect both the own credit risk and the counterpart party risk in the measurement of the fair value of the derivatives. The Group applied the discounted cash flow method, considering a discount rate affected by its own credit risk.

To calculate the fair value of the financial derivatives, the Group used generally accepted measurement techniques in the market, which account for current and future expected exposure, adjusted by the probability of default and the potential loss given default affecting the contract. The CVA (Credit Value Adjustment) or counterparty credit risk and DVA (Debt Value Adjustment) or own credit risk were therefore estimated.

Current and expected exposure in the future is estimated using simulations of scenarios of fluctuations in market variables, such as interest rate curves, exchange rates and volatilities as per market conditions at the measurement date.

Furthermore, for the credit risk adjustment, the Group's net exposure has been taken into account with regards to each of the counterparties, if the financial derivatives arranged with them are within a financial transaction framework agreement that provides for netting positions. For counterparties for whom credit information is available, the credit spreads have been obtained from the CDS (Credit Default Swaps) quoted in the market; whereas for those with no available information, references from peers have been used. The Group hired an independent expert to measure the fair value of the derivatives.

The impact of interest rate derivatives on liabilities and profit or loss before tax of a 5% in the estimated credit risk rate at 31 December 2023 and 2022 would be as follows:

2023

Scenario	Thousands of euros		
	Liabilities	Equity	Consolidated profit before tax
5% rise in credit risk rate	(20,530)	19,887	643
5% reduction in credit risk rate	19,948	(19,317)	(631)

2022

Scenario	Thousands of euros		
	Liabilities	Equity	Consolidated profit before tax
5% rise in credit risk rate	(13,030)	12,130	901
5% reduction in credit risk rate	13,446	(12,524)	(921)

14.4 Reconciliation of the carrying amount of the liabilities arising from financing activities

The breakdown of the financing activities and their impact on the Group's cash flows in 2023 and 2022 was as follows:

2023

		Thousands of euros					
		Impact on cash		No impact on cash			
		Principal Debt	Interest paid	Reclasification	Accrued interest	Other adjustments	
	31/12/2022						31/12/2023
Long-term loans	194,256	1,031,880	-	(1,629)	-	108	1,224,615
Short-term loans	2,385	(1,623)	(33,457)	1,629	35,444	-	4,378
Short-term revolving credit facilities	410	-	(2,342)	-	2,457	-	525
L/T bonds	3,300,000	-	-	-	-	-	3,300,000
S/T bonds	775,152	(742,786)	(79,152)	-	67,755	(3)	20,966
	4,272,203	287,471	(114,951)	-	105,656	105	4,550,484

		Thousands of euros							
		Impact on cash			No impact on cash				
		Principal Debt	Interest paid	Discontinued Ops	Principal Debt	Accrued interest	Interest accrued Discontinued Ops	Other adjustments	
	31/12/2021								31/12/2022
Long-term loans	1,623,758	(768,000)	-	(659,771)	(1,731)	-	-	-	194,256
Short-term loans	13,154	(1,750)	(6,574)	(13,482)	1,731	6,398	2,908	-	2,385
Short-term revolving credit facilities	410	-	(2,198)	-	-	2,197	-	1	410
L/T bonds	4,042,786	-	-	-	(742,786)	-	-	-	3,300,000
S/T bonds	588,622	(548,300)	(88,999)	-	742,786	81,040	-	3	775,152
	6,268,730	(1,318,050)	(97,771)	(673,253)	-	89,635	2,908	4	4,272,203

In addition, under the interest rate hedging agreements signed (see Note 14.3), the net balance of the settlements amounted to EUR 5,652 thousand in 2023 (negative balance of EUR 2,819 thousand in 2022).

14.5 Debt arrangement expenses

Changes in debt arrangement expenses during 2023 and 2022 are as follows:

Thousands of euros					
	31/12/2022	Allocation to profit and loss account – Amortised cost	Impact of IFRS 9 on income statement	Capitalisations of arrangement expenses	31/12/2023
Non-mortgage financing	2,757	(3,730)	-	8,336	7,363
Mortgage loans - other assets	1,633	(194)	(362)	1,919	2,996
Debentures and bonds	20,782	(4,119)	-	-	16,663
	25,172	(8,043)	(362)	10,255	27,022

Thousands of euros						
	31/12/2021	Allocation to profit and loss account – Amortised cost	Impact of IFRS 9 on income statement	Discontinued Ops	Capitalisations of arrangement expenses	31/12/2022
Non-mortgage financing	10,855	(4,125)	(4,213)	-	240	2,757
Senior syndicated loan (Tree)	48,106	-	-	(48,106)	-	-
Mortgage loans - other assets	2,123	(127)	(363)	-	-	1,633
Debentures and bonds	25,683	(4,901)	-	-	-	20,782
	86,767	(9,153)	(4,576)	(48,106)	240	25,172

15. Other current and non-current liabilities

Details of this heading at 31 December 2023 and 2022 are as follows:

	Thousands of euros			
	2023		2022	
	Non-current	Current	Non-current	Current
Other provisions	20,181	-	12,670	-
Guarantees and deposits received	84,190	1,976	86,407	3,791
Deferred tax liabilities	613,190	-	613,479	-
Other payables	71,794	5,393	58,485	5,229
Other (Note 9)	14,828	-	9,256	-
Borrowings from Group companies and associates	450	-	2,250	-
Other current liabilities	-	10,210	-	11,566
Total	804,633	17,579	782,547	20,586

"Other provisions" includes provisions for the risk assessment associated with a series of litigation and third-party claims arising from the exercise of the Group's activity, which have been recognised in accordance with the best existing estimates, and the provision corresponding to the variable remuneration that will be paid in the long term for EUR 4,510 thousand (EUR 4,619 thousand in 2022).

"Other provisions" also includes liabilities for tax debts for which there are uncertainties as to their amount or timing, whereby it is likely that the Group may have to dispose of resources to cancel these obligations as the result of a present obligation. On February 10, 2022, the tax authorities notified the Parent Company of the commencement of verification and investigation proceedings relating to corporate income tax, value added tax and withholdings on account for various years. In this regard and based on the best estimates of the amounts to be paid in the tax assessments and supplementary tax returns for the years subsequent to those inspected, in 2023 the Group recorded a provision of EUR 5,862 thousand under "Provisions" in the accompanying consolidated income statement (see Notes 17.f and 24).

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

The Parent and the majority of its subsidiaries adhere to the REIT regime. Under this regime, gains from the sale of assets are taxed at 0%, provided that certain requirements are met (basically, the assets must have been held by the REIT for at least three years). Any gains from the sale of assets acquired prior to joining the REIT tax regime will be distributed on a straight-line basis (unless proven to be distributed otherwise) over the period during which the REIT owned them. Any gains generated prior to joining the REIT tax regime will be taxed at the general rate, while a rate of 0% will be applied for the other years. In this regard, the Parent's directors estimated the tax rate applicable to the tax gain on the assets acquired prior to their inclusion to the REIT regime (calculated in accordance with the fair value of the assets obtained from expert appraisals at the date of the business combination and as of 31 December 2023), recognising the related deferred tax liability.

The Parent's directors do not envisage disposing of any of the investment property acquired after the Parent and its subsidiaries adhered to the REIT regime within three years, and have therefore not recognised the deferred tax liability corresponding to the changes in fair value since the assets were acquired as the applicable tax rate is 0%.

16. Trade and other payables

Details of this heading at 31 December 2023 and 2022 are as follows:

	Thousands of euros	
	2023	2022
Current:		
Suppliers	84,585	74,814
Payables to suppliers - Group companies and associates	1,800	1,800
Various creditors	8,660	9,341
Pendings remunerations	12,612	16,190
Other payables to public authorities (Note 17)	31,392	27,044
Advances from customers	24,959	17,661
	164,008	146,850

The carrying amount of the trade payables is similar to their fair value.

Information on the average period of payment to suppliers. Final Provision Two of Law 31/2014, of 3 December

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

	Days	
	2023	2022
Average period of payment to suppliers	39	25
Ratio of transactions settled	39	24
Ratio of transactions not yet settled	35	33

	Thousands of euros	
	2023	2022
Total payments made	478,960	345,878
Total payments outstanding	41,125	71,590

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions relating to the supply of goods or services for which payment has accrued since the date of entry into force of Law 31/2014, of 3 December.

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

"Average period of payment to suppliers" is taken to be the period that elapses from the delivery of the goods or the provision of the services by the supplier to the effective payment of the transaction.

The maximum legal period applicable to the Group in accordance with Law 11/2013, of 26 July was 30 days following the publication of the above law to date (unless the terms established therein are met that would enable the above maximum period to be extended up to 60 days).

The monetary volume and number of invoices paid within the established legal period of 60 days are detailed below.

	2023	2022
Monetary volume (thousands of euros)	446,079	345,129
<i>Percentage of total payments made</i>	93.1%	99.7%
Number of invoices	34,949	36,196
<i>Percentage of total invoices</i>	79.9%	99.9%

17. Tax situation

a) Tax receivables and tax payables

The breakdown of the main tax receivables and payables at 31 December 2023 and 2022 is as follows:

2023

	Thousands of euros			
	Tax assets		Tax liabilities	
	No Current	Current	No Current	Current
Public Treasury for withholdings and other items	-	17,530	-	24,365
VAT	-	1,985	-	6,712
Tax assets	77,573	-	-	-
Corporate income tax	-	-	-	7,591
Payable to the Social Security	-	-	-	315
Deferred tax liabilities	-	-	613,190	-
	77,573	19,515	613,190	38,983

	Thousands of euros			
	Tax assets		Tax liabilities	
	No Current	Current	No Current	Current
Public Treasury for withholdings and other items	-	14,572	-	21,095
VAT	-	3,277	-	5,650
Tax assets	78,646	-	-	-
Corporate income tax	-	-	-	5,234
Payable to the Social Security	-	-	-	300
Deferred tax liabilities	-	-	613,479	-
	78,646	17,849	613,479	32,279

b) Reconciliation of the accounting profit/loss to the taxable profit/tax loss

At 31 December 2023, the taxable profit was calculated as the accounting profit for the year plus the effect of changes in the fair value of investment property, and temporary differences due to the existing limitations. At the reporting date of these financial statements, the Group did not recognise any deferred tax assets in this regard, as it is generally subject to a tax rate of 0% as the Parent and the majority of the subsidiaries adhere to the REIT regime.

The reconciliation of the accounting profit to consolidated income tax expense for 2023 and 2022 is as follows:

	Thousands of euros	
	2023	2022
Profit/(Loss) before tax	(74,992)	48,156
Permanent differences:		
- Consolidation adjustments to profit or loss	(12,658)	5,847
- Tax adjustments Operating profit	(41,471)	786,007
- Non-deductible finance costs	-	-
- Profit and loss accounted for using the equity method	(39,923)	(24,033)
- Other permanent differences	(6,873)	19,972
Temporary differences:		
- Changes in the value of investment property	335,984	249,272
- Adjustments to depreciation and amortisation	(52,005)	(50,308)
Tax loss carryforwards	-	(1,469)
Adjusted taxable profit	108,062	1,033,444

The Parent and a significant number of its subsidiaries adhere to the REIT regime. As indicated in Note 5.13, the taxation of this scheme is constructed at a rate of 0%, provided that certain requirements are met.

In relation to the permanent differences/consolidation adjustments to profit or loss, the results of the companies integrated by the equity method are mainly included, and, in 2022 the tax income obtained from the divestment of Tree Inversiones Inmobiliarias, SOCIMI, S.A. (see Note 3) and the incorporation of the amortisation expenses of the real estate investments not included under Income before taxes on the accompanying consolidated income statement.

Temporary differences arose from the change in value of investment property (IAS 40 - Fair value model). As the Parent's directors plan and state that investment property acquired by subsidiaries already subject to the REIT tax regime will not be sold within three years, the fair value adjustment in 2023 and 2022 is taxed at 0% and therefore the deferred tax liability is also zero.

c) Reconciliation of accounting profit and tax expense

	Thousands of euros	
	2023	2022
Income/(Expense):		
Expense for change in value of investment property (a)	209	(1,684)
Expense for disposal of properties within the REIT regime (b)	-	(1,102)
Expense for disposal of properties outside the REIT regime	-	-
Expense for gain/(loss) at standard rate	(7,737)	(5,836)
Other items	(977)	1,822
Total corporate income tax expense	(8,505)	(6,800)
Current tax	(7,737)	(5,836)
Deferred tax and other adjustments to taxation	(768)	(964)
Total corporate income tax expense	(8,505)	(6,800)

- (a) This corresponds to the increase in the value of the assets of the non-REIT subsidiaries (resident in Portugal, which meet the requirements of article 2.1 [c] of the REITs Act to be considered as eligible assets for the purposes of the above tax regime). The amount is the result of applying the tax rate that the directors consider will be applicable to the capital gains.
- (b) In 2022, adjustment corresponding to the profit arising in the Parent's individual financial statements for the sale of an asset from the integration of Metrovacesa, the portion of which is taxed at the general tax regime despite being sold within a period exceeding 3 years of its acquisition.

d) Deferred tax assets recognised

A breakdown of the tax loss carryforwards at 31 December 2023 is as follows:

	Thousands of euros	
	Recognised Tax base	Fiscal credit
<i>Tax loss carryforwards:</i>		
2009	134,567	33,642
2010	1,650	413
2011	86,402	21,600
2014	13,313	3,328
2015	-	-
2018	718	180
2019	1,374	343
2022	1,337	335
2023	-	-
Total tax loss carryforwards	239,361	59,841
Other deferred taxes recognised	70,928	17,732
Total capitalised deferred tax assets	310,289	77,573

The "Other deferred taxes recognised" heading mainly includes the timing differences caused by the limitation of the depreciation of the assets generated by the acquisition of the Testa and Metrovacesa subgroup and the tax deductions pending application mainly due to reinvestment, and credits for losses from companies absorbed in previous years.

The above deferred tax assets were recognised in the consolidated statement of financial position since the Group's directors consider that, based on the best estimates of the Group's future results, including certain tax planning measures, it is likely that these assets will be recovered.

A breakdown of the tax assets not recognised at 31 December 2023 is as follows:

	Thousands of euros
	Not recognised Tax base
<i>Tax loss carryforwards:</i>	
2009	52,955
2010	5,673
2011	1,214
2012	1,676
2013	440
2014	17,987
2015	-
2016	456
2017	2,199
2018	505
2019	3,603
2020	14,815
2021	6,828
2022	6,096
2023	59,796
Total tax loss carryforwards	174,243

e) *Deferred tax liabilities*

As indicated above, the deferred tax liabilities arise mainly from the business combinations performed in recent years and the non-REIT subsidiaries (resident in Portugal, which meet the requirements of article 2.1 (c) of the REIT Law to be considered as eligible assets for that regime).

The changes at 31 December 2023 and 2022 are as follows:

	Thousands of euros
Total deferred tax liabilities at 31 December 2021	681,013
Increase in value of investment property	1,684
Reductions due to disposals	(68,944)
Temporary differences	(274)
Total deferred tax liabilities at 31 December 2022	613,479
Increase (decrease) in value of investment property	(209)
Reductions due to disposals	-
Temporary differences	(80)
Total deferred tax liabilities at 31 December 2023	613,190

In 2022, derecognitions due to sale related mainly to the sale of the leased premises to BBVA through the sale of all the shares held by the Parent from the subsidiary Tree Inversiones Inmobiliarias, SOCIMI, S.A. (see Note 3).

As stipulated in Note 17.b, the increase in value of investment property acquired by subsidiaries subject to the REIT tax regime generate temporary differences at a tax rate of 0%, whereby no deferred tax liability has been recognised.

f) Years open to audit and tax inspections

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute of limitations has expired. At year-end 2022, the Parent was open for income tax audit for the periods 2020 to 2022, VAT and income tax withholdings for 2020 to 2023, and Business Tax (IAE) and Property Tax (IBI) for 2021 to 2024. The subsidiaries was open for income tax audit for the periods 2019 to 2022, VAT and income tax withholdings for 2020 to 2023, and Business Tax (IAE) and Property Tax (IBI) for 2021 to 2024. In accordance with Additional Provision Nine of Royal Decree Law 11/2020 of 31 March and Additional Provision One of Royal Decree Law 15/2020 of 21 April, the period between 14 March and 30 May 2020 will not count for the purposes of the limitation periods in Law 58/2003 of 17 December, on General Taxation, so that the usual deadlines are extended by 78 additional days.

The Parent's directors consider that the tax returns for the above taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements. Also, Law 34/2015, of 21 September, partially amending Law 58/2003, of 17 December, on General Taxation establishes the right of the tax authorities to initiate a review and investigation procedure of the tax losses offset or carried forward or tax credits taken or carried forward, which will become statute barred after ten years from the day on which the regulatory period established for filing the tax return or self-assessment relating to the year or the tax period in which the right to offset the tax loss or to apply the tax credits arose.

On the other hand, on February 10, 2022, the Tax Agency notified the Parent Company of the commencement of verification and investigation proceedings relating to Corporate Income Tax for the financial years 2016 to 2019, Value Added Tax and withholdings on account of Non-Resident Income Tax and capital gains tax for the financial years 2018 to 2019. These actions have been finalized by signing in conformity on February 21, 2024 and the amounts payable have been recorded under "Provisions" in the accompanying consolidated income statement (Notes 15 and 24).

g) Disclosure requirements arising from REIT status, Law 11/2009, amended by Law 16/2012 and 11/2021

The disclosure requirements arising from the Parent and certain subsidiaries being considered REITs are included in the related notes of the separate financial statements.

18. Revenue and expenses

a) Net income

The breakdown of ordinary income of the Group relating to 2023 and 2022 is as follows:

	Thousands of euros	
	2023	2022
Rental income	447,207	428,154
Income from services rendered	17,572	10,884
	464,779	439,038

b) Other operating expenses

The breakdown of the balance of this heading of the consolidated income statement corresponding to the 2023 and 2022 financial years is as follows:

	Thousands of euros	
	2023	2022
Non-recoverable expenses of leased properties	43,823	49,096
Overheads-		
Professional services	11,304	11,821
Travel expenses	1,061	976
Insurance	703	794
Other	4,583	2,856
Costs associated with asset acquisitions and financing	2,166	2,112
Losses on, impairment of and change in provisions	(323)	180
Other current operating expenses	9,708	5,652
Other exceptional expenses	300	331
	73,325	73,818

c) Staff costs and average headcount

The detail of the staff costs in 2023 and 2022 was as follows:

	Thousands of euros	
	2023	2022
Wages, salaries and similar expenses	27,711	32,056
Termination benefits	282	-
Social security costs	3,548	3,085
Other employee benefit costs	500	518
Long-term incentive plan	2,804	4,014
	34,845	39,673

The average number of employees at the various Group companies in 2023 and 2022 was 257 and 250 respectively.

A breakdown of the headcount at 2023 and 2022 year-end, by category, is as follows:

2023

	Women	Men	Total
Senior management	1	27	28
Middle management	28	52	80
Other professionals	97	61	158
	126	140	266

2022

	Women	Men	Total
Senior management	1	27	28
Middle management	27	55	82
Other professionals	89	61	150
	117	143	260

The average number of employees at the Group in 2023 and 2022 with a disability equal to or greater than 33%, by category, was as follows:

Categories	2023	2022
Senior management	-	-
Middle management	1	1
Other professionals	5	6
	6	7

d) Finance income and costs

The breakdown of these items in the consolidated income statement is as follows:

	Thousands of euros	
	2023	2022
Finance income:		
Interest on loans	1,880	2,098
Interest on deposits and current accounts	8,226	1,844
	10,106	3,942
Finance costs:		
Interest on loans and other credits	(109,516)	(103,382)
Other finance costs	(18,270)	(5,821)
	(127,786)	(109,203)
Net finance expense	(117,680)	(105,261)

In 2023 finance costs include mainly the interest corresponding to the bank borrowings and obligations detailed in the Note 14 amounting to EUR 37,901 thousand and EUR 67,755 thousand, respectively (EUR 8,595 and EUR 81,040 thousand in 2022 respectively). The amounts above does not include amortisation of debt formalisation costs amounting to EUR 8,405 thousand (EUR 13,729 thousand in 2022), from application of the effective interest rate on financial debt (see Note 14.5), and the financial incomes associated with interest rate derivatives amounting to EUR 4,545 thousand (losses of EUR 18 thousand in 2022).

e) Contribution to consolidated profit

The contribution of each company included in the scope of consolidation to profit for 2023 and 2022 was as follows:

Company	Thousands of euros	
	2023	2022
Full consolidation:		
Merlin Properties SOCIMI, S.A. (1)	(277,112)	122,450
Tree Inversiones Inmobiliarias, SOCIMI, S.A.	—	6,279
Merlin Retail, S.L.	12,481	11,975
Merlin Oficinas, S.L.	(44,034)	(5,279)
Merlin Logística, S.L.	93,112	26,363
Varitelia Distribuciones, S.L.U.	(10,445)	3,489
Metroparque, S.A. (2)	—	1,366
La Vital Centro Comercial y de Ocio, S.L.	2,222	3,355
Global Carihuela Patrimonio Comercial, S.L.U.	15,203	2,258
Parques Logísticos de la Zona Franca, S.A.	31,194	(2,548)
Sevisur Logística, S.A.	11,452	10,931
The Exhibitions Company, S.A.	(1,218)	(1,467)
Innovación Colaborativa, S.L.U.	4,795	1,715
Promosete Invest. Inmobiliaria, S.A.	3	1,072
Praça do Marqués - Servicios auxiliares, S.A.	968	2,515
MPCVI - Compra e Venda Imobiliária, S.A.	(157)	1,340
MPEP - Properties Escritórios Portugal, S.A.	38	681
MP Monumental, S.A.	499	20,296
MP Torre A, S.A.	(360)	(657)
Forum Almada – Gestao Centro Comercial, Lda	13,339	18,870
Torre dos Oceanus Investimentos Imobiliarios,S.A.	248	1,377
Torre Arts Investimentos Imobiliarios,S.A.	(3,321)	3,970
Torre Fernão Magalhães Investimentos Imobiliarios,S.A.	64	1,418
VFX Logística, S.A.	27,919	7,210
Other companies	(310)	75
Equity method:		
Paseo Comercial Carlos III, S.A.	(5,337)	2,487
Centro Intermodal de Logística, S.L.	50,119	18,556
Provitae, S.L.	(996)	(198)
Sicilius Real Estate SOCIMI S.A.	(3,264)	2,667
Crea Madrid Nuevo Norte, S.A.	(565)	(616)
Other investments	(34)	1,137
Total	(83,497)	263,087

(1) In 2022, it includes EUR 215,452 thousand associated with discontinued activity disposed of

(2) Company split up in 2023 (See Note 3)

19. Related party transactions

Related transactions performed by the Parent or its Subsidiaries with directors, with a holding of 10% or more of the voting rights or represented on the Parent's Board, or with any other persons that must be considered related parties in accordance with International Accounting Standards, adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, are considered related transactions.

At 31 December 2023 and 2022, a breakdown of any significant transactions, given their amount or importance, performed between the Parent or its Group companies, and related parties, is as follows:

2023

Related party	Nature of relationship	Thousands of euros			
		Revenue	Expense	Assets	Liabilities
Banco Santander, S.A. (a)	Financing	2,559	382	-	100,000
Banco Santander, S.A. (a)	Cash	-	-	130,728	-
Banco Santander, S.A. (b)	Lease	825	-	-	391
Banco Santander, S.A. (b)	Services	-	144	-	-
Banco Santander, S.A. (c)	Asset disposal	8,600	-	-	-
Pº Comer. Carlos III, S.A. (d)	Financing	29	-	2,619	-
Provitae Centros Asistenciales, S.L. (e)	Financing	39	-	1,198	-
Silicius Real Estate SOCIMI, S.A. (f)	Financing	-	-	-	2,250
		12,052	526	134,545	102,641

2022

Related party	Nature of relationship	Thousands of euros			
		Revenue	Expense	Assets	Liabilities
Banco Santander, S.A. (a)	Financing	5,860	2,326	-	-
Banco Santander, S.A. (a)	Cash	-	-	201,077	-
Banco Santander, S.A. (b)	Lease	752	23	-	392
Banco Santander, S.A. (b)	Services	-	75	-	-
Pº Comer. Carlos III, S.A. (d)	Financing	29	-	2,590	-
Provitae Centros Asistenciales, S.L. (e)	Financing	-	-	1,131	-
Silicius Real Estate SOCIMI, S.A. (f)	Financing	-	-	-	4,050
		6,641	2,424	204,798	4,442

Transactions executed with significant shareholders

During 2023, only the shareholder Banco Santander, S.A. held the status of significant shareholder pursuant to the regulations in force.

a) Financing transactions

At 31 December 2023, the Group had no loans taken out with shareholders except for a corporate credit line of EUR 740 million, which was not drawn down at 31 December 2023, in which Banco Santander, S.A.'s share was EUR 100 million (see Note 14).

At 31 December 2023, the Group had bank balances deposited with Banco Santander, S.A. amounting to EUR 130,728 thousand (which included the accounts on behalf of the associate Edged Spain, S.L.U. for EUR 469 thousand).

In 2023, the finance costs incurred in transactions with Santander, S.A. amounted to EUR 382 thousand, which included EUR 61 thousand in guarantee fees and EUR 18 thousand in current account management costs.

The Group has guarantee lines granted to MERLIN Properties SOCIMI, S.A. by the shareholder Banco Santander, S.A. for EUR 3,069 thousand .

The income of EUR 2,559 thousand corresponds to ordinary remuneration from current accounts held by MERLIN Properties SOCIMI, S.A. at Banco Santander.

b) Leases and services rendered

In 2023 the Group had 5 leases with Banco Santander Group in various office properties and shopping centres. The duration of the lease contracts covers a period of up to 4 years, and in 2023 they generated income of EUR 825 thousand (EUR 752 thousand in 2022) including income from leasing, and parking spaces and transfers of cash machine space in shopping centres. The guarantees deposited to secure these agreements amounted to EUR 391 thousand (EUR 392 thousand in 2022).

In addition, the Group has contracted General Meeting and shareholder registration organisational services amounting to EUR 64 thousand, in addition to listing agent services on the Euronext Lisbon stock exchange and dividend agent for EUR 80 thousand.

c) Asset sale transactions

On 28 June 2023, the Group sold a logistics warehouse in Zaragoza to Santander Lease S.A. EFC, a company of the Banco Santander Group, for EUR 8,600 thousand, generating a consolidated profit of EUR 409 thousand.

Transactions with companies accounted for using the equity method

d) Paseo Comercial Carlos III S.A.

At 31 December 2023, the Parent, together with the other shareholder of the associate and as a condition of bank financing, had a loan of EUR 2,619 thousand in force, including EUR 80 thousand of accrued interest (EUR 51 thousand in 2022), granted on 27 July 2020 to the associate Paseo Comercial Carlos III, S.A. Which manages a shopping centre in Madrid.

e) Provitae Centros Asistenciales, S.L.

At 31 December 2023, the Parent had an existing loan amounting to EUR 1,198 thousand (EUR 1,131 thousand at 31 December 2022), which included EUR 182 thousand of accrued interest (EUR 144 thousand in 2022), granted on 10 January 2002 to the associate Provitae Centro Asistenciales, S.L. with a land holding in Villajoyosa.

f) Silicius Real Estate SOCIMI, S.A.

The Parent had outstanding obligations to pay amounting to EUR 2,250 thousand, recorded as "Other current and non-current financial liabilities".

Dividends and other profits distributed to related parties (thousands of euros)

	Thousands of euros	
	2023	2022
Significant shareholders	50,290	136,701
Banco Santander, S.A.	50,290	136,701
Directors and managers	3,002	8,245
Directors	1,806	4,806
Executives	1,196	3,439
	53,292	144,946

20. Information on Directors

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

Directors' compensation and other benefits

At 31 December 2023 and 2022, salaries, per diem attendance fees and any other type of compensation paid to members of the Parent's managing bodies totalled EUR 6,239 thousand and EUR 7,917 thousand, as detailed below:

	Thousands of euros	
	2023	2022
Fixed and variable remuneration	6,010	7,673
Statutory compensation	-	-
Termination benefits	-	-
Per diems	218	234
Life and health insurance	11	10
	6,239	7,917

In relation to the above amounts, the executive directors have received payments totalling EUR 3,618 thousand corresponding to the variable remuneration for 2022, the deferred variable remuneration for 2021 and the extraordinary incentive for 2022. At 31 December 2023, unpaid accrued amounts are maintained, associated with the variable remuneration for 2021 to 2023 for the amount of EUR 4,447 thousand, of which EUR 1,886 thousand are recognised under "Non-current provisions" and EUR 2,561 thousands under "Trade and other accounts payable" in the accompanying balance sheet.

Also, in accordance with the 2017-2019 Incentive Plan, described in this same Note, in 2022 the Executive Directors received 538,460 net shares corresponding to the second 50% of the amount of the incentive referenced to the EPRA NAV, with the 2017-2019 Incentive Plan settled.

In regards to the "golden parachute" clauses for executive directors and other senior executives of the Company or its Group in the event of dismissal or takeover, these clauses provide for compensation that represented a total commitment of EUR 9,058 thousand at 31 December 2023.

The breakdown, by board member, of the amounts disclosed above is as follows:

		Thousands of euros	
		2023	2022
Director:			
Remuneration of board members			
Javier García Carranza Benjumea	Chairman - Proprietary director	-	-
Ismael Clemente Orrego	CEO	2,686	3,507
Miguel Ollero Barrera	Executive director	1,843	2,679
María Luisa Jordá Castro	Independent director	187	189
Ana García Fau	Independent director	207	207
George Donald Johnston	Independent director	187	172
Fernando Ortiz Vaamonde	Independent director	142	142
Juan María Aguirre Gonzalo	Independent director	177	182
Pilar Cavero Mestre	Independent director	152	152
Francisca Ortega Hernández Agero	Proprietary director	167	169
Emilio Novela Berlín	Independent director	185	187
María Ana Forner Beltrán	Proprietary director	78	177
Ignacio Gil-Casares Satrustegui	Proprietary director	142	144
Juan Antonio Alcaraz García	Proprietary director	75	-
		6,228	7,907

The Company has granted no advances, loans or guarantees to any of its directors.

The Parent's directors are covered by the "Corporate Third-Party Liability Insurance Policies for Directors and Executives" taken out by the Parent to cover possible damages that may be claimed, and that are evidenced as a result of a management error committed by its directors or executives, and those of its subsidiaries, in discharging their duties. The premium amounted to an annual total of EUR 320 thousand (EUR 400 thousand in 2022).

Remuneration and other benefits of senior executives

The remuneration of the Parent's senior executives, including the Head of Internal Audit, excluding those who are also Board members (whose remuneration is disclosed above) in 2023 and 2022, is summarised as follows:

2023

Thousands of euros			
Number of persons	Fixed and variable remuneration	Other remuneration	Total
9	5,800	32	5,832

2022

Thousands of euros			
Number of persons	Fixed and variable remuneration	Other remuneration	Total
9	7,324	31	7,355

In relation to the above amounts, Senior Management received payments totalling EUR 4,516 thousand corresponding to the variable remuneration for 2022, the deferred variable remuneration for 2021 and the extraordinary incentive for 2022. At 31 December 2023, unpaid accrued amounts are maintained, associated with the variable remuneration for 2021 to 2023 for the amount of EUR 6,361

thousand, of which EUR 2,624 thousand are recognised under "Non-current provisions" and EUR 3,737 thousand under "Trade and other accounts payable" in the accompanying balance sheet.

Also, in accordance with the 2017-2019 Incentive Plan, described in this same Note, in the first half of 2022, Senior Management received 444,950 shares corresponding to the second 50% of the amount of the incentive referenced to the EPRA NAV, with the 2017-2019 Incentive Plan settled.

2017 – 2019 Incentive Plan

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

In this regard, as of 31 December 2022, the Group recognised the expense in the amount of EUR 1,210 thousand, corresponding to the vested portion of the 2017-2019 Incentive Plan, with a balancing entry in reserves.

In 2022, a total of 1,262,398 net shares were paid corresponding to the second payment of the incentive referenced to the EPRA NAV. With this payment, the 2017-2019 Incentive Plan was fully settled and paid.

2022 – 2024 Incentive Plan

The General Shareholder Meeting held on 4 May 2022 approved a long-term remuneration plan consisting of the delivery of a number of ordinary shares of the Parent equal to 3,491,767 shares (representing 0.74% of the share capital), aimed at the management team and other relevant members of the Group's workforce (the 2022-2024 Incentive Plan).

The 2022-2024 Incentive Plan consists of a single cycle with a target measurement period of 3 years, beginning on 1 January 2022 and ending on 31 December 2024. If the targets are met, the shares will be delivered in 2025, once the corresponding accounts for 2024 have been prepared and audited. All shares delivered under the 2022-2024 Incentive Plan to executive directors will be subject to a 2-year vesting period. The maximum number of shares assigned to the Executive Directors is 1,088,082 shares.

The specific number of shares of the Parent that, within the maximum established, will be delivered to the Beneficiaries of the 2022-2024 Incentive Plan at the end of the Plan will be conditional on the fulfilment of the following objectives related to the creation of value for shareholders and sustainability:

Metrics	Definition	Weighting
Absolute TSR Relative TSR	Absolute Total Shareholder Return (TSR) is the return on the share taking into account the cumulative change in the quoted value of the Company's share, including dividends and other similar concepts received by the shareholder in 2022-2024. The Relative TSR measures the evolution of the TSR of the Company's share in 2022-2024, in relation to the TSR experienced in the EPRA Nareit Developed Europe Index during the same period.	50%
EPRA NTA 31/12/24 Dividends (2022-2024)/share	EPRA NTA is calculated based on the Company's consolidated equity and by adjusting certain items following the recommendations of the EPRA. On the other hand, the dividends paid and other similar concepts received by the shareholder during the period of measurement of targets (financial years 2022, 2023 and 2024) are taken into account.	35%
Net carbon issues	Level of reduction of the Company's CO2 emissions at 31 December 2024, compared to 31 December 2021, calculated for the comparable asset portfolio over which the Company has operational control (scope of the Company's zero net path).	10%
Environment and Company	Progress on initiatives linked to improving the environment and society. In this sense, the economic and social impact of the Company's assets on the local communities located around said assets and the different interest groups will be assessed.	5%

In 2023, the Company recognised the expense in the amount of EUR 2,804 thousand (EUR 2,804 thousand in 2022), corresponding to the vested portion of the 2022-2024 Incentive Plan, with a balancing entry under reserves.

21. Auditors' remuneration

The fees for financial audit services provided to the various companies composing the Merlin Group and subsidiaries by the principal auditor, Deloitte, S.L., and entities related to the principal auditor and other auditors is as follows:

	Thousands of euros	
	2023	2022
Audit services	680	658
Other audit-related services:		
Other attest services	147	141
Total audit and related services	827	799
Services required by applicable law		
Tax advisory services	-	-
Other services	-	-
Total other services	-	-
Total	827	799

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

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

22. Environmental information

Given the activity in which the Group engages, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a material impact on its equity, financial position and results of its operations.

Therefore, no specific environmental disclosures have been included in these notes to the consolidated financial statements.

23. Risk exposure

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme is based on the uncertainty of financial markets and aims to minimize the adverse effects of such risks on the financial profitability of the Group.

Risk management is undertaken by the Group's Senior Management in accordance with the policies approved by the Board. Senior Management identifies, evaluates and mitigates financial risks in close collaboration with the Group's operating units. The Board issues the written global risk management policies and the policies for specific areas, including those for covering market risk, interest rate risk and liquidity risk and investing cash surpluses.

Market risk

Given the current status of the real-estate sector and to mitigate the effects thereof, the Group has specific measures in place to minimize said impact on its financial position.

These measures are applied pursuant to the results of sensitivity analyses performed by the Group on a regular basis. These analyses involve:

- Assessing the economic environment in which the Group operates: Designing different economic scenarios and modifying the key variables potentially affecting the Group. Identifying interdependent variables and the extent of their relationship; and
- Taking into account the time frame of the analyses: consideration is given to the periods over which analyses are performed and any possible deviations thereof.

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

However, market risk is mitigated by the customer acquisition and selection policies and the mandatory lease compliance deadlines negotiated with them, and the guarantees that the Group has associated with the leases. Therefore, at 31 December 2023, the average occupancy rate of the asset portfolio was 96.2%, with a weighted average unexpired lease term of 3.2 years (weighted by GRI).

Credit risk

Credit risk is defined as the potential risk of loss in earnings to which the Group is exposed if a customer or counterparty breaches its contractual obligations.

As a general rule, the Group places cash and cash equivalents with financial institutions with high credit ratings.

The Group does not have significant concentrations of credit risk, having policies to limit the volume of risk posed to customers and exposure to credit recovery risk is managed as part of normal activities through, among other things, funds or guarantees deposited as collateral.

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

Details of the estimated maturities of the Group's financial assets in the consolidated statement of financial position at 31 December 2023 are as follows.

2023

	Thousands of euros				
	Less than 3 months	More than 3 and less than o 6 months	6 months to 1 year	Over 1 year (*)	Total
Loans to third parties	-	-	236	133,410	133,646
Equity instruments	-	-	-	9,915	9,915
Investments in associates	-	-	3,148	-	3,148
Guarantees and deposits	-	-	-	55,355	55,355
Trade and other receivables	28,169	25,039	9,390	-	62,598
Other current financial assets	1,606	-	-	-	1,606
Cash and cash equivalents	461,223	-	-	-	461,223
Total	490,998	25,039	12,774	198,680	727,491

(*) derivatives are not included

2022

	Thousands of euros				
	Less than 3 months	More than 3 and less than o 6 months	6 months to 1 year	Over 1 year (*)	Total
Loans to third parties	-	-	236	129,498	129,734
Equity instruments	-	-	-	9,191	9,191
Investments in associates	-	-	2,498	-	2,498
Guarantees and deposits	-	-	-	53,477	53,477
Trade and other receivables	22,428	19,936	7,476	-	49,840
Other current financial assets	226	-	-	-	226
Cash and cash equivalents	429,449	-	-	-	429,449
Total	452,103	19,936	10,210	192,166	674,415

(*) derivatives are not included

Cash and cash equivalents

The Group has cash and cash equivalents of EUR 461,223 thousand, which represents its maximum exposure to the risk posed by these assets.

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

Liquidity risk

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

To manage liquidity risk and meet its various funding requirements, the Group uses an annual cash budget and a monthly cash projection, the latter being detailed and updated daily. At 31 December 2023, the Group's working capital amounted to EUR 385,294 thousand

At the date of preparation of the consolidated financial statements, taking into account the foregoing, the Group had covered all its funding requirements to fully meet its commitments to suppliers, providers of financing, employees and the authorities based on the cash flow forecast for 2024. Likewise, the type of sector in which the Company operates, the investments it makes, the financing it

obtains to make such investments, the EBITDA they generate and the occupancy rates of the properties, enables the liquidity risk to be mitigated and excess cash to be produced.

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

Details of the Group's exposure to liquidity risk at 31 December 2023 are provided in the table below. The tables present the results of the analysis of gross financial liabilities, excluding the cost of bond issuance, by remaining contractual maturity date:

2023

	Thousands of euros				
	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
Bank borrowings	395	-	1,234	1,224,615	1,226,244
Other non-current liabilities and guarantees	-	-	-	84,190	84,190
Trade and other payables (excluding payables to public authorities)	30,735	70,360	31,521	-	132,616
Total	31,130	70,360	32,755	1,308,805	1,443,050

2022

	Thousands of euros				
	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
Bank borrowings	421	-	1,309	194,257	195,987
Other non-current liabilities and guarantees	-	-	-	86,407	86,407
Trade and other payables (excluding payables to public authorities)	26,538	66,052	27,216	-	119,806
Total	26,959	66,052	28,525	280,664	402,200

Cash flow interest rate risk and fair value risk

The Group manages its interest rate risk by borrowing at fixed and floating rates of interest. The Group's policy is to ensure non-current net financing from third parties is at a fixed rate. To manage this, the Group enters into interest rate swaps which are designated as hedges of the respective loans. At 31 December 2023, the percentage of debt the interest rate of which is covered by the above financial instruments was 99.7%. The impact of interest rate fluctuations is explained in Note 14.3.

Exchange rate risk

The Company's policy is to borrow in the same currency as that of the cash flows of each business. Consequently, currently there is no foreign currency risk. However, noteworthy in this connection are the exchange rate fluctuations arising in translating the financial statements of foreign companies whose functional currency is not the euro. At 31 December 2023, the functional currency of all subsidiaries and associates of the MERLIN Group was the euro.

Tax risk

As mentioned in Note 1, the Parent and part of its subsidiaries are subject to the special tax regime for Real Estate Investment Trusts (REITs). The transitional period of the Parent ended in 2017 and, therefore, compliance with all requirements established by the regime (see Notes 1 and 5.13) became mandatory. Some of the more formal obligations that the Parent must meet involve the inclusion of the term REIT in its company name, the inclusion of certain information in the notes to its separate

financial statements, the share price on the stock market, etc., and other obligations that require estimates to be made and judgements to be applied by management that may become fairly complex, especially considering that the REIT regime is relatively recent and was developed by the Directorate-General of Taxes mainly in response to the queries posed by various companies. Group management, based on the opinion of its tax advisers, assessed compliance with the requirements of the regime, concluding that such requirements were met at 31 December 2023.

Accordingly, and also for the purpose of taking into consideration the financial effect of the regime, it should be noted that, as in Article 6 of Law 11/2009, of 26 October 2009, amended by REITs Act (Ley 16/2012 de 27 de diciembre), and in the percentages in it, companies that have opted for the special tax regime are required to distribute the profit generated during the year to their shareholders in the form of dividends, once the related corporate obligations have been met. This distribution must be approved within six months from each year-end, and the dividends paid in the month following the date on which the pay-out is agreed (see Note 5.13).

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

Climate change management

Within the framework of the European Green Pact and the UN Sustainable Development Goals, the Group is performing various actions on sustainability.

First, the Parent of the Group, in 2021, formed a Sustainability and Innovation Committee under the Board whose main functions are to advise the Board, among other aspects, on environmental and sustainability issues, and the development of the Group's strategy on sustainability in its relationships with stakeholders and in its publication and public communication; and to supervise the communication and information to the market of any information that refers to sustainability issues and non-financial information and to keep the ESG risk map updated (Environmental Social and Governance).

In this regard, the Group included decision factors in relation to non-financial KPIs in its investment and financing policies. In this line, the investment studies of real estate acquisitions and investments in repositioning of the Group's assets take into account, among other factors, elements such as obtaining energy efficiency certificates with the highest rating (see Note 7), air conditioning, lighting, solar energy, irrigation of green areas, accessibility, etc.

When certifying assets, the Group selects the most appropriate framework and modality based on the asset's phase, the characteristics of the building, its occupancy rate at the time of certification or the tenants who occupy it.

We are continuing the process of certifying the portfolio under the standards of the leaders in this market, BREEAM and LEED. In 2023 the Group certified or obtained the renewal of 36 assets. The Group considers the certification process of its assets as an early response to the demands that the market will place on property lessors in the medium term and which will enable it to maintain its current competitive position.

Additionally, the Group obtained a 83% rating in the 2023 edition of GRESB, a platform that makes it possible to harmonise and compare information related to sustainability criteria (environmental, social and corporate governance - ESG) in real estate investments.

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

From 2015, the Group performed plan for ISO 14001 (environmental management) and ISO 50001 (energy management) certifications to maintain and expand the number of real estate assets that have at least ISO 14001 certification, and subsequently ISO 50001 certification (based on the understanding that it is a natural step to obtain ISO 14001 certification before aspiring to ISO 50001). This plan includes office buildings, shopping centres and logistics warehouses. ISO 14001, in 2023, 91 buildings composing a surface area of 1,232,053 m² were certified, 3 more buildings than in 2022.

Since 2017, the Group has also performed a process of implementing an Energy Management System under the ISO 50001 standard, which began in 2017. Currently, 88 buildings are certified composing a surface area of 1,232,053 m², 3 more than in 2022. The assets included in this system aim to reduce total energy consumption, measured in kilowatt hours for the square metres occupied, by 8% in 2026 compared with by 8% compared to 2022, based on the implementation of MAEs (energy saving measures).

In 2023, the Group continued to perform an analysis of the entire portfolio to determine the carbon footprint of each of its assets, and the additional measures necessary to reduce the above carbon footprint. The Group's progress over the last few years has enabled the Company to meet its emissions reduction objective and its "Pathway to Net Zero" for 2030, thus getting a head start on the European strategy for decarbonisation of the economy and ensuring the present and future survival of the Company and its assets.

The Group's Path to Net Zero is a road map that includes improving the performance not only of the Company itself and of those assets over which it has operational control, but of the main stakeholder responsible for the Group's issues throughout its entire value chain, including suppliers and tenants.

The Group's financing policies are also aligned with the Group's sustainability objectives through the Green Financing Programme published in April 2022 and the conversion of 100% of its bonds in circulation into green bonds.

Currently, 98.2% of the Group's debt with credit and bond institutions is linked to the Green Financing Programme or ESG criteria (see Note 14).

The Green Financing Programme, in line with best market practices, includes the following eligibility criteria:

1. Green assets with the best LEED/BREEAM certification levels or energy efficiency certificates and/or minimum carbon emission levels
2. Investments in Energy Efficiency
3. Investments in renewable energy
4. Investments in pollution control and prevention mechanisms
5. Investments in transport mechanisms with low carbon emissions

Financing linked to ESG targets includes a cost adjustment mechanism linked, in the Group's opinion, to own credit risk, based on management indicators calculated based on four sustainability criteria that must be met at least three times annually and cumulatively over the 2019-2025 period.

In addition, the Group in its commitment to climate responsibility incorporated qualitative factors related to the Group's sustainability strategy into the measurement targets for short-term variable compensation for its staff and management team (see Note 20).

The above initiatives, while increasing the Group's operating costs, are aimed at anticipating regulatory developments and building customer loyalty.

It has also committed to report in the Statement of Non-Financial Information (SNFI) in accordance with TCFD recommendations¹.

Finally, the Group has also made progress in publishing its Path to Net Zero. The Group's Path to Net Zero is a road map that includes improving the performance not only of the Company itself and of those assets over which it has operational control, but of the main stakeholder responsible for the Group's issues throughout its entire value chain, including suppliers and tenants. This strategy has 5 axes of action:

1. Operational carbon reduction: 85% of operational carbon reduction from baseline (2018) to target (2028).
2. Reduction of embodied carbon: Embodied carbon footprint calculated in all new developments and repositions.
3. Offset of residual emissions: The inevitable footprint will be mostly offset by duly certified own initiatives.
4. Reduction in tenant emissions: Green clauses in all new contracts and reduction in the rental price associated with their own credit risk for net zero tenants.
5. Renewable energy: Acquisition of 100% renewable energy and on-site generation of energy through solar power panels (Sun Project).

All of the above is part of the Group's net zero path or commitment to combating climate change. In 2022, the decarbonisation targets included in its "Road to Net Zero" were validated and approved by the SBTi initiative.

24. Events after the reporting period

In January, the Group signed a € 150M secured bank loan maturing in 2034 @130 bps margin. The loan is expected to be drawn in March 2024.

In January, the Group issued a € 100M tap on the 2.375% note due in September 2029 (3.93% cost).

In relation to the verification and investigation actions that during the year 2022, the Tax Agency communicated to the Parent Company (Note 17), on February 21, 2024, the following acts in accordance have been signed:

- Corporate Income Tax (CIT) for the years 2016 to 2019, by virtue of which an amount of 13,984 thousand euros was determined to be returned to the Parent Company, which includes tax liability and interest on arrears. This recognizes the effects of the Constitutional Court ruling of January 19th, 2024, which annuls certain provisions of Royal Decree-Law 3/2016 that had an impact on the tax base of the CIT for the years 2016 to 2019.
- Value Added Tax (VAT) for the years 2018 to 2019, by virtue of which an amount of 799 thousand euros was determined to be paid, which includes tax liability and interest on arrears.
- Withholdings on account of the Income Tax for Non-Residents for the years 2018 to 2019, by virtue of which an amount of 834 thousand euros was determined to be paid, which includes tax liability and interest on arrears.
- Withholdings and payments on account on the Income from Capital for the years 2018 and 2019, by virtue of which no amount was determined to be paid or returned.

The resulting amounts to be paid have been recorded in the fiscal year 2023, under the heading "Provisions" of the attached consolidated income statement (Note 15).

¹ Taskforce on Climate related Financial Disclosure

Appendix I - Group companies and associates 2023

Company	Line of business/Location	Ownership interest	Thousands of euros								Consolidation method	Auditor
			Share capital	Profit/(Loss)		Other	Total	Dividends	Carrying amount			
				From operations	Net	Shareholder s' Equity	Equity	Received	Cost	Impairment		
Merlin Retail, S.L.U.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	24,212	7,231	5,718	378,597	408,527	13,330	390,432	-	Global Integration	Deloitte
Merlin Oficinas, S.L.U.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	32,797	16,763	16,097	768,987	817,881	22,377	824,488	-	Global Integration	Deloitte
Merlin Logística, S.L.U.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	34,290	32,352	15,841	319,496	369,628	43,842	353,842	-	Global Integration	Deloitte
Sevisur Logística	Urban development, construction and operation of logistics and common services buildings. Ctra. de la Esclusa, 15. 41011, Seville.	100%	17,220	4,954	4,285	10,335	31,840	3,906	37,629	-	Global Integration	Deloitte
Parques Logísticos de la Zona Franca, S.A.	Real estate acquisition and development for leasing, Avda. 3 del Parc Logistic, nº 26, Barcelona	100%	15,701	1,720	925	105,845	122,471	-	118,310	-	Global Integration	Deloitte
The Exhibitions Company , S.A.U.	Provision of all kinds of technical, commercial or economic services/ Paseo de la Castellana 257, Madrid	100%	180	(1,218)	(1,158)	2,044	1,066	-	4,287	(3,221)	Global Integration	N/A
Gescentesta, S.L.U.	Provision of Services / Paseo de la Castellana 257, Madrid	100%	3	249	250	1,054	1,307	-	3	-	Global Integration	N/A
La Vital Centro Comercial y de Ocio, S.L.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	14,846	3,742	4,130	19,302	38,278	2,896	56,788	-	Global Integration	Deloitte
Desarrollo Urbano de Patraix, S.A.	Land management / Avda. Barón de Carcer, 50, Valencia	100%	2,790	(2)	(341)	22,186	24,635	-	25,090	(455)	Global Integration	N/A
Sadorma 2003, S.L.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	73	598	1,608	19,016	20,696	-	25,485	(4,788)	Global Integration	N/A
Global Murex Iberia, S.L.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	14	(1)	88	(15,438)	(15,336)	-	-	-	Global Integration	N/A
Varitelia Distribuciones, S.L.U.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	15,443	(10,613)	(19,604)	6,110	1,949	1,150	172,979	(171,031)	Global Integration	Deloitte
Global Carihuela, Patrimonio Comercial S.L.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	3,303	15,127	12,766	4,510	20,579	1,371	34,102	(13,524)	Global Integration	Deloitte

Innovación Colaborativa, S.L.	Selection, contracting, fitting out, organization and management of coworking spaces / Paseo de la Castellana 257, Madrid	100%	15	(2,719)	(3,021)	(1,087)	(4,093)	-	15,868	(15,868)	Global Integration	N/A
Milos Asset Development,	Acquisition, ownership, administration, disposal and development of land located within the "Distrito Castellana Norte" project / Paseo de la Castellana 257, Madrid	100%	3	(3)	(407)	136	(268)	-	3	(2)	Global Integration	N/A
Slack Tailwind Systems, S.L.U	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	1,014	(14)	(75)	(10)	930	-	1,014	(74)	Global Integration	Deloitte
Slow Rise Spain, S.L.U.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	7,724	312	33	1	7,757	-	7,724	-	Global Integration	Deloitte
Merlin Edged, S.L.U.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	3	-	-	-	3	-	3	-	Global Integration	N/A
MPCVI – Compra e Venda Imobiliária, S.A.	Real estate acquisition and development for leasing /Avda. Dom João, 45, Lisbon	100%	1,050	1,162	198	5,980	7,228	198	6,418	-	Global Integration	Deloitte Portugal
MPEP – Properties Escritórios Portugal, S.A.	Real estate acquisition and development for leasing /Avda. Dom João, 45, Lisbon	100%	50	684	(248)	662	464	-	1,085	-	Global Integration	Deloitte Portugal
MP Monumental, S.A.	Real estate acquisition and development for leasing /Avda. Dom João, 45, Lisbon	100%	50	2,498	12	25,554	25,616	214	41,570	-	Global Integration	Deloitte Portugal
MP Torre A, S.A.	Real estate acquisition and development for leasing /Avda. Dom João, 45, Lisbon	100%	50	874	(137)	9,498	9,410	404	20,101	-	Global Integration	Deloitte Portugal
VFX Logística, S.A.	Real estate acquisition and development for leasing /Avda. Dom João, 45, Lisbon	100%	5,050	21,837	21,562	19,873	46,486	-	30,182	-	Global Integration	Deloitte Portugal
Promosete, Invest. Imobil. SA.	Real estate acquisition and development for leasing /Avda. Dom João, 45, Lisbon	100%	200	1,976	1,221	7,515	8,936	837	10,384	-	Global Integration	Deloitte Portugal
Praça Do Marquês serviços Auxiliares, SA	Real estate acquisition and development for leasing /Avda. Dom João, 45, Lisbon	100%	15,893	3,566	886	61,273	78,052	1,982	56,361	-	Global Integration	Deloitte Portugal
Torre Dos Oceanus Investimentos Imobiliários,S.A.	Real estate acquisition and development for leasing /Avda. Dom João, 45, Lisbon	100%	50	2,018	838	3,319	4,207	827	15,912	-	Global Integration	Deloitte Portugal
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	Real estate acquisition and development for leasing /Avda. Dom João, 45, Lisbon	100%	5	20,714	9,914	83,801	93,720	-	89,453	-	Global Integration	Deloitte Portugal
Forum Almada II, S.A.	Real estate acquisition and development for leasing /Avda. Dom João, 45, Lisbon	100%	10,000	13,374	9,594	75,471	95,065	-	325,660	-	Global Integration	Deloitte Portugal

Torre Arts Investimentos Imobiliarios, S.A.	Real estate acquisition and development for leasing /Avda. Dom João, 45, Lisbon	100%	100	2,971	2,267	78,153	80,520	2,097	80,281	-	Global Integration	Deloitte Portugal
Torre Fernao Magalhaes Investimentos Imobiliarios, S.A.	Real estate acquisition and development for leasing /Avda. Dom João, 45, Lisbon	100%	100	1,537	1,193	25,370	26,663	673	26,055	-	Global Integration	Deloitte Portugal
MPLIB – Investimentos Imobiliários, Unipessoal Lda.	Real estate acquisition and development for leasing /Avda. Dom João, 45, Lisbon	100%	2,000	(1,079)	(3,562)	54,252	52,690	-	56,808	(4,118)	Global Integration	Deloitte Portugal
Paseo Comercial Carlos III, S.A.	Real estate acquisition and development for leasing / Avda. San Martín Valdeiglesias, 20 28922 Madrid	50%	8,698	4,328	491	25,902	35,091	-	25,668	-	Equity method	Deloitte
Provitae Centros Asistenciales, S.L.	Real estate acquisition and development for leasing / C. Fuencarral, 123. Madrid	50%	6,314	(1,340)	(1,417)	(258)	4,639	-	5,061	(2,742)	Equity method	Deloitte
G36 Development, S.L.	Real estate acquisition and development for leasing / Paseo de la Castellana 93, Madrid	50%	3	21	21	8	32	-	2	-	Equity method	N/A
Centro Intermodal de Logística S.A. (CILSA)	Development, management and implementation of logistics activities in the port system / Avenida Ports d'Europa 100, Barcelona	48.5%	18,920	26,942	17,443	124,043	160,406	7,880	95,688	-	Equity method	EY
Pazo de Congressos de Vigo, S.A.	Execution project, construction and operation of the Vigo Conference Center / Avda. García Barbón, I. Vigo	44.44%	n.d	n.d	n.d.	n.d.	-	-	3,600	(3,600)	Equity method	N/A
Parking del Palau, S.A.	Real estate acquisition and development for leasing / Paseo de la Alameda, s/n. Valencia	33%	1,698	22	24	440	2,162	66	2,137	(1,265)	Equity method	BDO
Araba Logística, S.A.	Real estate acquisition and development for leasing / Avda. Álava s/n Rivabellosa (Álava)	25.14%	1,750	911	391	2,925	5,066	-	2,257	(2,257)	Equity method	Mazars
Crea Madrid Nuevo Norte, S.A.	Performing all types of real estate activities / Paseo de la Castellana 216, Madrid	14.46%	227,535	(5,858)	(3,907)	(34,440)	189,188	-	177,485	(2,216)	Equity method	KPMG
Moregal Hotels, S.L.	Real estate acquisition and development for leasing / Alameda de Colón , 9, Málaga	7.32%	5,307	(34)	(26)	1,205	6,486	-	1,585	(2)	Equity method	n.d
Silicius Real Estate, SOCIMI, S.A.	Performing all types of real estate activities / Calle de Velázquez, 123, Madrid	17.8%	31,394	(7,558)	(26,900)	331,139	335,633	1,554	88,572	-	Equity method	PWC
Edged Spain, S.L.U	Provision of Data Center services / Paseo de la Castellana 257, Madrid	50%	3	223	223	(224)	2	-	2	-	Equity method	Deloitte

Appendix I - Group companies and associates 2022

Company	Line of business/Location	Ownership interest	Thousands of euros								Consolidation method	Auditor
			Share capital	Profit/(Loss)		Other	Total	Dividends	Carrying amount			
				operations	Net	Equity	Equity	Received	Cost	nt		
Merlin Retail, S.L.U.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	17,963	13,998	13,330	236,491	267,784	42,922	251,408	-	Global Integration	Deloitte
Merlin Oficinas, S.L.U.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	29,674	22,934	22,377	718,601	770,652	16,130	771,345	-	Global Integration	Deloitte
Merlin Logística, S.L.U.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	28,166	29,978	33,842	274,082	336,090	31,544	292,304	-	Global Integration	Deloitte
Sevisur Logística	Urban development, construction and operation of logistics and common services buildings. Ctra. de la Esclusa, 15. 41011, Seville.	100%	17,220	4,438	4,249	9,910	31,379	3,455	37,629	-	Global Integration	Deloitte
Parques Logísticos de la Zona Franca, S.A.	Real estate acquisition and development for leasing, Avda. 3 del Parc Logistic, nº 26, Barcelona	100%	15,701	(1,253)	(1,172)	107,017	121,546	5,903	118,310	-	Global Integration	Deloitte
The Exhibitions Company , S.A.U.	Provision of all kinds of technical, commercial or economic services/ Paseo de la Castellana 257, Madrid	100%	180	(1,452)	(1,430)	3,474	2,224	-	4,287	(2,063)	Global Integration	N/A
Gescentesta, S.L.U.	Provision of Services / Paseo de la Castellana 257, Madrid	100%	3	177	121	933	1,057	-	3	-	Global Integration	N/A
Metroparque, S.A.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	56,194	8,477	8,808	33,086	98,088	8,186	231,557	-	Global Integration	Deloitte
La Vital Centro Comercial y de Ocio, S.L.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	14,846	3,152	3,218	18,980	37,044	2,245	56,788	-	Global Integration	Deloitte
Desarrollo Urbano de Patraix, S.A.	Land management / Avda. Barón de Carcer, 50, Valencia	100%	2,790	(3)	(83)	22,270	24,977	-	25,090	(114)	Global Integration	N/A
Sadorma 2003, S.L.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	73	(2)	231	18,785	19,089	-	25,485	(6,396)	Global Integration	N/A
Global Murex Iberia, S.L.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	14	—	21	(15,459)	(15,424)	-	-	-	Global Integration	N/A
Varitelia Distribuciones, S.L.U.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	15,443	3,344	1,150	6,110	22,703	333	172,979	(150,277)	Global Integration	Deloitte
Global Carihuela, Patrimonio Comercial S.L.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	3,303	2,123	1,578	4,358	9,239	-	34,102	(24,863)	Global Integration	Deloitte

Innovación Colaborativa, S.L.	Selection, contracting, fitting out, organization and management of coworking spaces / Paseo de la Castellana 257, Madrid	100%	15	(3,049)	(3,092)	2,005	(1,072)	-	15,868	(15,868)	Global Integration	N/A
Milos Asset Development,	Acquisition, ownership, administration, disposal and development of land located within the "Distrito Castellana Norte" project / Paseo de la Castellana	100%	3	-	(114)	250	139	-	3	-	Global Integration	N/A
Slack Tailwind Systems, S.L.U	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	3	(10)	(10)	-	(7)	-	3	(3)	Global Integration	Deloitte
Slow Rise Spain, S.L.U.	Real estate acquisition and development for leasing / Paseo de la Castellana 257, Madrid	100%	3	82	82	-	85	-	3	-	Global Integration	Deloitte
MPCVI – Compra e Venda Imobiliária, S.A.	Real estate acquisition and development for leasing / Av. Fontes Pereira de Melo, N° 51, Lisbon	100%	1,050	1,095	208	5,969	7,227	277	6,418	-	Global Integration	Deloitte Portugal
MPEP – Properties Escritórios Portugal, S.A.	Real estate acquisition and development for leasing / Av. Fontes Pereira de Melo, N° 51, Lisbon	100%	50	677	(241)	903	712	-	1,085	-	Global Integration	Deloitte Portugal
MP Monumental, S.A.	Real estate acquisition and development for leasing / Avda. Dom João, 45, Lisbon	100%	50	2,502	214	6,632	6,896	-	22,648	-	Global Integration	Deloitte Portugal
MP Torre A, S.A.	Real estate acquisition and development for leasing / Avda. Dom João, 45, Lisbon	100%	50	1,538	414	73	537	-	10,686	-	Global Integration	Deloitte Portugal
VFX Logística, S.A.	Real estate acquisition and development for leasing. Av. Fontes Pereira de Melo, N° 51, Lisbon	100%	5,050	6,406	5,614	11,060	21,724	-	25,153	(2,417)	Global Integration	Deloitte Portugal
Promosete, Invest. Imobil. SA.	Real estate acquisition and development for leasing. Av. Fontes Pereira de Melo, N° 51, Lisbon	100%	200	1,554	837	7,385	8,422	1,323	10,384	-	Global Integration	Deloitte Portugal
Praça Do Marquês serviços Auxiliares, SA	Real estate acquisition and development for leasing. Av. Fontes Pereira de Melo, N° 51, Lisbon	100%	15,893	3,178	2,086	61,169	79,148	2,008	56,361	-	Global Integration	Deloitte Portugal
Torre Dos Oceanus Investimentos Imobiliarios,S.A.	Real estate acquisition and development for leasing / Avda. Dom João, 45, Lisbon	100%	50	1,933	827	3,319	4,196	593	15,912	-	Global Integration	Deloitte Portugal
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	Real estate acquisition and development for leasing / Avda. Dom João, 45, Lisbon	100%	5	16,556	10,013	16,908	26,926	-	32,573	-	Global Integration	Deloitte Portugal
Forum Almada II, S.A.	Real estate acquisition and development for leasing / Avda. Dom João, 45, Lisbon	100%	10,000	13,028	9,153	66,132	85,285	-	325,660	-	Global Integration	Deloitte Portugal
Torre Arts Investimentos Imobiliarios, S.A.	Real estate acquisition and development for leasing / Avda. Dom João, 45, Lisbon	100%	100	2,755	2,097	78,153	80,350	2,177	80,281	-	Global Integration	Deloitte Portugal

Torre Fernal Magalhaes Investimentos Imobiliarios, S.A.	Real estate acquisition and development for leasing / Avda. Dom João, 45, Lisbon	100%	100	869	673	25,370	26,143	995	26,055	-	Global Integration	Deloitte Portugal
Generous Profile , Unipessoal LDA.	Real estate acquisition and development for leasing / Avda. Dom João, 45, Lisbon	100%	2,000	(27)	(547)	54,799	56,252	-	56,808	(556)	Global Integration	Deloitte Portugal
Paseo Comercial Carlos III, S.A.	Real estate acquisition and development for leasing / Avda. San Martín Valdeiglesias, 20 28922 Madrid	50%	8,698	2,864	3,978	21,915	34,591	-	25,668	-	Equity method	Deloitte
Provitae Centros Asistenciales, S.L.	Real estate acquisition and development for leasing / C. Fuencarral, 123. Madrid	50%	6,314	944	944	(1,202)	6,056	-	5,061	(1,746)	Equity method	Deloitte
G36 Development, S.L.	Real estate acquisition and development for leasing / Paseo de la Castellana, 93 Madrid	50%	3	21	21	8	32	1,040	2	-	Equity method	N/A
Centro Intermodal de Logística S.A. (CILSA)	Development, management and implementation of logistics activities in the port system / Avenida Ports d'Europa 100, Barcelona	49%	18,920	25,289	17,079	123,701	159,700	2,556	95,688	-	Equity method	EY
Pazo de Congressos de Vigo, S.A.	Execution project, construction and operation of the Vigo Conference Center / Avda. García Barbón, I. Vigo	44%	n.d	n.d	n.d.	n.d.	-	-	3,600	(3,600)	Equity method	n.d
Parking del Palau, S.A.	Real estate acquisition and development for leasing / Paseo de la Alameda, s/n. Valencia	33%	1,698	42	40	459	2,197	-	2,137	(1,052)	Equity method	BDO
Araba Logística, S.A.	Real estate acquisition and development for leasing / Avda. Álava s/n Rivabellosa (Álava)	25%	1,750	911	391	2,925	5,066	-	2,257	(2,257)	Equity method	Mazars
Crea Madrid Nuevo Norte, S.A.	Performing all types of real estate activities / Paseo de la Castellana 216, Madrid	14%	206,509	(6,081)	(4,058)	(36,574)	165,877	-	174,445	(1,651)	Equity method	KPMG
Silicius Real Estate, SOCIMI, S.A.	Performing all types of real estate activities / Calle de Velázquez, 123, Madrid	18%	30,955	13,299	15,017	341,871	387,843	307	87,018	-	Equity method	PWC
Edged Spain, S.L.U	Provision of Data Center services / Paseo de la Castellana 257, Madrid	50%	3	96	88	(211)	(120)	-	2	(2)	Equity method	Deloitte
											Equity	



MANAGEMENT REPORT

Statement of Non-Financial Information

31/12/2023



Table of contents

Letter from the CEO	5
1. Our business model	8
1.1 MERLIN Properties. At the forefront of Tertiary Asset Management on the Iberian Peninsula	8
1.2 Our Mission, Vision and Values	10
1.3 Structure of Merlin	11
1.4 Business activities	11
1.5 Main milestones and corporate objectives	18
2. Our Strategic Proposal for sustainable development	20
2.1 Environment (sector)	20
2.2 MERLIN's strategic horizon	22
2.3 Outlook	22
2.4 MERLIN's commitment to sustainable management	23
2.5 A Deep Dive into the Materiality of Sustainability	27
3. Foundations and practices of responsible management	31
3.1 Governance structure	32
3.2 Proactive risk management	38
3.3 Ethics and compliance: Pillars of Exemplary Business conduct	51
4. Climate change management and operational efficiency, our ecological footprint	57
4.1 Key environmental performance reporting criteria and concepts	58
4.2 Environmental and energy management systems	61
4.3 Development and operation of sustainable assets	62
4.4 Sustainability advances in MERLIN's portfolio	65
4.5 Descarbonisation of MERLIN Properties portfolio	71
4.5.1 Scope 1 and scope 2 greenhouse gas (GHG) emissions	72
4.5.2 Scope 3 greenhouse gas (GHG) emissions	77
4.6 Carbon footprint certification	78
4.7 Validation of MERLIN's commitments by independent third parties	79
4.8 Sustainability ratings	82
4.9 Protection of biodiversity	83
5. Talent creation	85
5.1 Employee loyalty	86
5.1.1 Composition of the workforce	88
5.1.2 Average contracts	91

5.1.3	Departures by type, sex, age and professional classification	92
5.1.4	Training	93
5.2	Employee compensation	94
5.2.1	Wage gap analysis	95
5.2.2	Remuneration of non-executive directors	97
5.3	Organisation of work	98
5.3.1	Organization of work	98
5.3.2	Total hours of absenteeism	98
5.3.3	Work-life balance measures	99
5.3.4	Implementation of work disconnection policies	99
5.4	Safety, health and well-being of employees	100
5.5	Labour relations	101
5.5.1	Organisation of social dialogue	101
5.5.2	Balance of collective bargaining agreements	101
5.5.3	Mechanisms to promote employee involvement in management	102
5.5.4	Employees with disabilities	103
5.6	Diversity and equal opportunities	103
6.	Management of stakeholders	106
6.1	Stakeholder management model	106
6.1.1	Shareholder return	108
6.1.2	Treasury shares	108
6.1.3	Stock market performance	109
6.1.4	Dividends policy	109
6.2	Supply chain	110
6.3	Maximising the well-being of users of the assets	111
6.4	Development and relationship with the environment	117
6.4.1	Improving cities	117
6.4.2	Social initiatives	120
6.4.3	Measuring the distribution of contributions to the MERLIN community	122
7.	Capital management	125
7.1	Tax information	126
7.1.1	Tax Strategy	126
7.1.2	Profits earned by country and income tax paid	127
7.1.3	Total Tax Contribution	128
7.2	Green financing	134
7.2.1	Financial strategy	134

7.2.2	Liquidity and capital resources	134
7.2.3	Green financing framework	137
8.	About this report	140
8.1	Basis of preparation of this report	140
8.2	Information on MERLIN properties' sustainability performance	143
8.3	Table of contents of 11/2018 Law	146
a.	GRI Content Index	155
b.	EPRA sBPR Table of Contents	171
	Appendix I. Environmental performance reporting in accordance with the EPRA Sustainability Best Practices Recommendations (sBPR)	173
	Appendix II. Methodology for calculating scope 3 GHG emissions	194
	Appendix III. Breakdown of the environmental performance reporting scope	199
	Appendix IV. Climate risk reporting in accordance with TCFD methodology	208
	Governance	209
	Strategy	211
	Risk Management	212
	Appendix V. Reconciliation of Alternative Performance Measures	217
	Appendix VI. Significant events after the reporting date	234
	Appendix VII. Independent review report	235

The minimum content of the Consolidated Directors' Report, as required by Spanish Law 1/2010, of 2 July, on Corporate Enterprises (Ley 1/2010, de 2 de julio, de Sociedades de Capital) and by the Spanish Commercial Code (Código de Comercio), is included in this Statement of Non-Financial Information.

Annual Corporate Governance Report

The Annual Corporate Governance Report is available in full on the website of the Spanish Securities Market Commission (www.cnmv.es) and the Company's website (www.merlinproperties.com)

In addition, the Annual Corporate Governance Report has been filed as Other Relevant Information (ORI) with the Spanish Securities Market Commission (CNMV).

Annual Board Remuneration Report

The Annual Board Remuneration Report in full on the website of the CNMV (www.cnmv.es) and the Company's website (www.merlinproperties.com)

In addition, the Annual Board Remuneration Report has been filed as Other Relevant Information (ORI) with the CNMV.

Letter from the CEO



Dear MERLIN Properties shareholders and stakeholders,

This year has provided MERLIN Properties Socimi, S.A. ("MERLIN Properties", "MERLIN" or the "Company") with the opportunity to demonstrate its strength, returning to pre-Covid levels in its key figures. Throughout 2023 MERLIN's key financial and operating metrics followed an upward trajectory, with year-on-year growth in all of them.

MERLIN Properties has achieved gross rents of 476 million euros in 2023, as a result of growth in both like-for-like rents (6.5% vs. 2022) and the occupancy of

the asset portfolio (+110 basic points vs. 2022), standing at 96.2% at 31 December 2023. The year was also noteworthy in terms of cash flow generation, with FFO at EUR 284 million, down 2.1% on a like-for-like basis (+9.6% excluding the sale of Tree). Finally, the Company's level of debt remains low, standing at 35.0% at 31 December.

I am pleased to present to you the Management Report and Statement of Non-Financial Information 2023 in which we provide all relevant information for our stakeholders on environmental, corporate governance and social issues for the year and disclose our main plans for the future.

Progress in environmental matters

MERLIN continues to aspire to the highest levels of sustainability and efficiency in its portfolio. It does so by integrating sustainability into the entire life cycle of the asset and supporting this commitment by obtaining sustainability certifications.

In April 2022, MERLIN launched its "Pathway to Net Zero" strategy, a roadmap that outlines the way to improve not only the environmental performance of the Company and its assets under operational control, but also the behaviour of the key agents responsible for MERLIN's emissions throughout its value chain, including suppliers and tenants. This strategy has 5 main lines of action:

- Reduction of operational carbon: 85% reduction in operational carbon from baseline (2018) to 2028.
- Reduction of embodied carbon in all new developments and refurbishments.
- Offsetting of residual emissions: offsetting of the unavoidable footprint through own certified initiatives.
- Reduction of scope 3 emissions: engage tenants through green clauses in new leases and pioneering initiatives such as rent reduction for tenants who certify that their operations are net zero.
- Renewable energy: 100% renewable energy supply and photovoltaic power generation through the "SUN" project, which consists of installing photovoltaic panels on the roofs of the assets.

Progress in the implementation of the "Pathway to Net Zero" is very notable. Operational carbon footprint reduction targets have already been achieved in 2023 and the Company is working on reformulating long-term targets, also taking advantage of the addition of data centers. As for embodied carbon footprint, the Company has measured this footprint originating from the construction process in all developments and major refurbishments during the year and we have set maximum limits for future developments, fulfilling our commitment to our shareholders. In offsetting, we have already analysed the forest mass and type to offset MERLIN's future footprint, and 2024 is set to be a key year to find a forest that meets these requirements. In 2023, we also

launched our pioneering "green clause" in all new leases and renewals, rewarding our tenants with a rent reduction if they operate their private space efficiently. And we continue to make progress in the rooftop photovoltaic panels installation project, having closed the year with 14.9 MW of installed capacity and self-produced 3.2% of the energy consumed by the Company.

In terms of environmental performance data, 2023 has been a good year. The energy consumption of the asset portfolio on a like-for-like basis was 109,126 MWh, a reduction of 2.2% compared with 2022. We also made significant progress on the portfolio's decarbonisation targets, with the corporation's carbon footprint at 2,422 tonnes of CO₂ equivalent, a decrease of 6% compared with 2022. We successfully completed the portfolio certification programme under the most demanding LEED or BREEAM standards. We also verified our environmental management systems and energy management system, achieving ISO 14.001 and ISO 50.001 for 36% of the portfolio.

These good data have been endorsed by sustainability ratings or "scorings". Specifically, in 2023, MERLIN participated and obtained excellent ratings in seven sustainability indexes: GRESB (real estate sector), CDP (climate change), S&P Global (general), Sustainalytics (ESG risks), MSCI (general), Vigeo Eiris (general) and ISS ESG (general). It should be highlighted that MERLIN Properties has been included in one of the world's most prestigious sustainability ratings, the Dow Jones Sustainability World Index, and has maintained its inclusion in the Dow Jones Sustainability Europe Index for the third consecutive year.

Progress in corporate governance

MERLIN has a robust governance system in line with its commitment to ethics, compliance and transparency, which is backed by independent third-party validation. The main milestones achieved in 2023 were as follows:

- MERLIN continued with the process of constant improvement of the Corporate Governance system by simplifying it. In this sense, policies have been merged and others have been eliminated because they are considered to have a similar content or to be repetitive of the legislation in force or other internal regulations.
- Approval of an Information Security Policy
- Outsourcing of the management of the internal reporting system (ethical channel).
- For the second consecutive year, the documentation and verification of the controls of the Internal Control System of Non-Financial Information (ICNFR) was carried out.

With regard to risk management, in 2023, MERLIN's Board of Directors approved the list of the most significant financial and non-financial risks and the tolerance level established for each one based on the information provided by the Audit and Control Committee.

Progress on social issues

MERLIN creates value for society by supporting various initiatives and activities that ultimately have a positive impact on the development of the surrounding communities. This contribution is approached from a dual perspective. On the one hand, at the corporate level and on the other hand, at the level of its various assets.

In 2023 the Group donated a total of EUR 230,850 in direct contributions, with a multiplier effect of EUR 189,866 through the collaboration of 42 employees and directors.

Together, these contributions have supported 83 foundations. MERLIN also contributes to local development through its assets, supporting different initiatives and activities in four key areas: training; social action; promotion of culture and local development; and awareness-raising.

After joining the internationally recognised London Benchmarking Group (LBG) in Spain, MERLIN measures its contribution to society using the LBG model.

At the end of 2023, MERLIN's workforce comprised 266 employees. In its relationship with employees MERLIN adheres to the strictest labour standards, complying with the principles set out in the ILO Declaration on Fundamental Principles and Rights at Work. The Human Capital Policy, the Equality Plan and the Human Resources Processes Handbook and Employee Handbook currently set out the guiding principles for human capital management at the Company.

It is to this team that we owe the milestones achieved by the Company in 2023. It was a year of great progress on the Company's path to decarbonisation, of strengthening the corporate governance structure and of advances in social matters, through the various initiatives implemented on a daily basis at corporate, asset and local level.

Sincerely,



Ismael Clemente Orrego

CEO

MERLIN PROPERTIES SOCIMI, S.A.

1. Our business model

1.1 MERLIN Properties. At the forefront of Tertiary Asset Management on the Iberian Peninsula.

MERLIN Properties is the leading REIT in Spain and Portugal, and among the 10 largest REITs in Europe

MERLIN Properties SOCIMI, S.A. (“MERLIN”, “MERLIN Properties” or “the Group”) is one of the leading real estate groups listed on the Spanish Stock Exchange (IBEX-35) and mainly engages in the acquisition and management of commercial real estate assets in the Iberian Peninsula.

The Group is a public limited company applying the REIT regime. It mainly engages in the acquisition, active management, operation and selective rotation of quality commercial real estate assets in the “Core” and “Core Plus” investment segment, mainly in Spain and, to a lesser extent, in Portugal. The Group focuses on the office, logistics warehouse, shopping centre and data center markets.

MERLIN Properties has a team of professionals who manage the portfolio of assets that it owns with the aim of maximising the operational efficiency and profitability of each asset.

MERLIN Properties’ objective regarding returns is based on sustainable shareholder remuneration consisting of annual dividend payouts and value creation¹ by increasing the Company’s EPRA NTA.

Performance in 2023. Main Figures

In its firm commitment to transparency and accountability to its stakeholders, in this report, MERLIN presents a detailed record of its sustainability performance, covering three aspects: economic, environmental and social. This update reaffirms our commitment to accountability and open communication on the impact and progress in these key areas.

During the year, MERLIN took the opportunity to strengthen its resilience by identifying growth opportunities and mitigating the effects of immediate challenges such as inflation, the energy crisis or the weakening of the economy on its business, through its focus on digitalisation and sustainability as a driver of transformation. Throughout 2023 MERLIN’s key financial and operating metrics confirmed its path to recovery, with year-on-year growth in all of them. Examples of this include occupancy (+110 pbs vs 2022), LfL rents (6.5% vs 2022) and cash flow generation (EUR 284M FFO, -2.1% vs 2022, +9.6% proforma excluding Tree portfolio).

¹ Note: MERLIN Properties, as a member of the EPRA (European Public Real Estate Association), follows best practice standards in reporting that enables investors to more easily compare certain measures that are specific to the real estate sector. The measures are published every six months and are detailed in Appendix V. In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA), the alternative performance measures are described in Appendix V.

MERLIN defines value creation as the increase in shareholder return as a result of increasing the EPRA NTA and operating profit as a result of increasing the occupancy or rent of the assets in the portfolio.

Economic performance

0.61 € p.s.	15.08 € p.s.	35%
(-2.1% vs 2022) (+9.6% PF excl. Tree)	(-3.8% vs 2022)	(234 pbs vs 2022)
FFO	EPRA NTA	LOAN TO VALUE (LTV)

Environmental performance

Dow Jones Sustainability Index	171 ASSETS	0.001 tCO₂eq/sqm
	(+6.2% vs 2022)	(-11.7% vs 2022)
EUROPE INDEX MEMBER FOR THE THIRD CONSECUTIVE YEAR AND FOR THE FIRST TIME IN THE WORLD INDEX	LEED or BREEAM CERTIFIED ²	MARKET-BASED INTENSITY OF SCOPE 1 AND SCOPE 2 GREENHOUSE GAS EMISSIONS IN <i>LIKE-FOR-LIKE</i> ASSETS UNDER MANAGEMENT
392,853 GJ	668,306 m3	6,100 t
(-2.2% vs 2022)	(+1.3% vs 2022)	(-9.8% vs 2022)
ENERGY CONSUMPTION IN LIKE FOR LIKE ASSETS UNDER MANAGEMENT	WATER CONSUMPTION IN LIKE-FOR-LIKE ASSETS UNDER MANAGEMENT	WASTE GENERATED IN LIKE-FOR-LIKE ASSETS

Social performance

266	511 M€	6.6 M€
(+2.3% vs 2022)	(-40.9% vs 2022)	(+79.6% vs 2022)
EMPLOYEES	VALUE DISTRIBUTED TO STAKEHOLDERS ³	ECONOMIC IMPACT ⁴

² The certified assets of Barcelona-Zal Port are not included

³ This includes the payment of salaries, payments to suppliers, payments to governments, investments in communities and operating costs. It corresponds to indicator 201-1 included in the GRI Standards. The decrease is due to the extraordinary dividend in 2022 from the sale of Tree for an amount of 351M€

⁴ In accordance with London Benchmarking Group methodology

MERLIN Properties' portfolio

MERLIN manages a diversified portfolio of around 3.2 million sqm of leasable space in the office, logistics warehouse, shopping centre and data center markets.

GLOBAL PORTFOLIO

11,270 M€	3,174,876 sqm	96.2%
(LfL -3.4% vs 2022)	92.8% SPAIN	(+110 bps vs 2022)
GROSS ASSET VALUE (GAV)	7.2% PORTUGAL	OCCUPANCY
476 M€	284 M€	3.2 years
(+5.0% vs 2022)	(-2.1% vs 2022)	AVERAGE LEASE PERIOD
GROSS RENTAL INCOME	(+9,6% PF excl. Tree)	

1.2 Our Mission, Vision and Values

MERLIN's mission is to stand out as the leading REIT in the Iberian Peninsula. We are committed to creating long-term value and generating sustainable and growing dividends for our shareholders. All this takes place in a context where the values of transparency, ethics and corporate and social responsibility are fundamental.



1.3 Structure of MERLIN

The Group's strategy and operation are characterized by:

1. Focusing on Core and Core Plus assets in Spain and Portugal
2. An investment grade capital structure
3. Distribution, via dividends or premium refunds, of 80% of the AFFO generated in the financial year
4. Being one of the most cost-efficient REITs in Europe
5. Implementing best practices in corporate governance

Its internal organisational structure can be summarised as follows:

- A Board of Directors (Board) composed of 13 directors and advised by the Audit and Control Committee (ACC), the Appointments and Remuneration Committee (ARC) and the Sustainability and Innovation Committee (SIC). The Company also has a Planning and Coordination Committee (PCC).

MERLIN's Board of Directors, subject to individual re-election every two years and composed mainly of independent directors, defines, oversees and monitors the policies, strategies and general guidelines for the management of the Group. The Board is responsible for long-term strategy and for monitoring its implementation.

- General Management, composed of the Chief Executive Officer (CEO) and the Chief Operating Officer (COO), who report directly to the Board and are also Board members.
- An Investment Committee made up of the management team⁵.

1.4 Business activities

MERLIN Properties owns a portfolio of property assets valued at over EUR 11,270 million, mainly comprising 107 office buildings, 98 logistics warehouses, 13 shopping centers centres, 3 data centers and land for the development of logistics warehouses and data centers. The portfolio has a gross leasable area (GLA) of more than 3.2 million square metres that generates EUR 476 million in gross rental income

⁵ The Management Team means: <https://ir.merlinproperties.com/en/corporate-governance/management-team/>



OFFICES

6,191 M€ GAV
107 ASSETS
1,157 m sqm GLA
255 M€ GRI⁶



LOOM

12 SPACES⁷ and 2,703 desks
26,748 sqm GLA
OCCUPANCY: 84.3%



LOGISTICS

1,410 M€ GAV
98 ASSETS
1,463 m sqm GLA
80 M€ GRI



ZAL PORT (48,5%)⁸

44 ASSETS
757 k sqm GLA
75 M€ GRI



SHOPPING CENTERS

2,006 M€ GAV
13 ASSETS
431 m sqm GLA
126 M€ GRI



TRES AGUAS (50%)⁸

1 ASSET
68 k sqm GLA
9 M€ GRI

DATA CENTERS

3 ASSETS
9 MW - Already installed
60 MW - Total capacity

⁶ Gross rental income Note 8.2 Operating leases-lessor.

⁷ Of the 12 spaces, 9 are owned by MERLIN, with a GLA of 22,091 sqm

⁸ 100% of the asset

Offices

MERLIN once again consolidated its leadership position in the office market, surpassing pre-pandemic levels in key financial and operational indicators, as reflected in the growth in rents in the like-for-like portfolio (+6.1%), a release spread (1.2%) and the occupancy rate (92.5%).

6,191 M€	107	1.2 M de sqm
GAV	ASSETS	GLA
255 M€	92.5%	+6.1%
GROSS RENTAL INCOME	OCCUPANCY RATE	GRI LFL

2023 Milestones

Completion of the complete refurbishment of Plaza Ruíz Picasso

- The complete 36,899 sqm refurbishment of Plaza Ruiz Picasso stands out given the inclusion in the construction process of measures for low CO2 emissions impacts, both in terms of embodied and operational carbon. Based on the analyses carried out, this pilot project had a footprint of 375 kg of CO2/sqm of embodied carbon. The project also included the refurbishment of the public spaces adjacent to the asset. The asset is already almost fully pre-let to top-tier tenants such as IBM, SAP, WTW, Globant or Bluetab.

Complete refurbishment of the Cerro de los Gamos Business Park

- A Business Park consisting of 5 buildings with a total surface area of 36,105 sqm. The work will be carried out in three phases, with Phase I including the refurbishment of buildings 1 and 4, which was completed in June 2023. Both buildings have been fully pre-let and have already been handed over to their tenants. The refurbishment will improve the technical, thermal and aesthetic performance of the enclosures in accordance with the standards required by the LEED energy certificate. The intervention also includes a series of refurbishment works that will completely modify the structural aspect, as well as a complete renovation of the air conditioning and air quality systems that will provide optimum standards of environmental comfort and working conditions.

⁹ Embodied carbon is the carbon included in the building materials, and the carbon generated by transporting these materials and during construction work.

Strong growth of LOOM (flexible offices)

- LOOM spaces, the highest rated co-working spaces based on the Google My Business tool, compared with its direct competition in Madrid and Barcelona, continues to grow with the opening of a new office in Madrid, at Paseo de la Castellana 85. This adds to the 11 locations already under operation.
- Work begins on the extension of the LOOM Plaza de Catalunya space in Barcelona. With this expansion, scheduled for spring 2024, LOOM spaces in Barcelona span more than 11,000 sqm. The new LOOM space on the fourth floor of the historic building at Plaza Catalunya 9 will have 66 desks, 7 offices, 4 meeting rooms, a multi-purpose room and stunning views over the emblematic square.

Continuation of the Renazca project

- The RENAZCA Project aims to promote a complete refurbishment plan for the Azca complex, located in the heart of the city, creating a place for the enjoyment of all citizens and the subsequent revitalisation of the area, with the aim of making it a destination in the city of Madrid and an example of good practices in sustainability.

Sustainable refurbishment of the Zona Franca offices in Barcelona

- MERLIN Properties has completed the refurbishment of its iconic office building in the Parc Logistic business complex in Barcelona's Zona Franca, making the asset a benchmark in terms of sustainability. During the refurbishment of the building, changes were made to the façade, air conditioning, lighting and photovoltaic installations. The changes to the building will reduce energy consumption through the automation of much more efficient systems. 100% of the energy of the cooling network and 83% of the heating network will come from renewable energies.

Future objectives

Completion and handover of new offices

- The refurbishment of the offices and the surrounding area of Plaza Ruiz Picasso in Madrid will be completed in 2024. The project will be completed with the timely delivery of all spaces.
- The office at Josefa Valcarcel 48 will also be handed over, and the refurbishment of the Liberdade 195 building in Lisbon will begin.
- In the Cerro de los Gamos Business Park development, the first two buildings have already been handed over and fully leased. Work on the third building has already begun.

Expansion and adaptation of new LOOM spaces

- MERLIN will continue to expand its network of LOOM flexible spaces focused on hybrid work, expanding its presence in key Spanish cities.
- Improved user experience measurement through automated surveys and recurring customer focus groups.
- Increase retention of the host team
- Automation of the LOOM Events booking, contracting and invoicing process

- Improvements in the process and control when launching digital marketing campaigns.

Increase in contracts with green clauses

- As part of the Group's commitment to sustainability, Merlin is committed to green clauses in its leases. These consist of a rent reduction of up to 50 basis points if the tenant meets a series of milestones and shares its consumption data

Embodied carbon in new developments

- Merlin is committed to meeting the embodied carbon target for all new office developments: 500 kg CO2/sqm

Construct the A-1 bus lane

- The group considers its positive impact on cities to be crucial. An example of this is the objective of the construction, in public-private collaboration with the municipal transport and mobility authorities, of the bus lane that will connect the Isla de Chamartín offices with the Carretera de Burgos.

Logistics

MERLIN is the undisputed leader in the logistics market throughout the Iberian Peninsula, thanks to the size and quality of its portfolio and the Group's rapid response to its customers' new requirements. A release spread of 5.2% was obtained in 2023, with comparable rental income growth of 4.8% and full occupancy (99%) was almost achieved.

1,410 M€	98	1.5 M sqm
GAV	ASSETS	GLA
80 M€	99%	4.8%
GROSS RENTAL INCOME	OCCUPANCY RATE	GRI LFL

2023 Milestones

Full occupancy achieved

- Full occupancy in the entire logistics portfolio, positioning the Company once again as the undisputed leader in the Iberian market

Extension of the Seville ZAL concession period

- The reaching of an agreement with the Regional Government of Andalucía for the extension of the logistics concession of Seville ZAL is also a milestone. The term will be extended to between 30 and 31 years depending on each plot.

Future objectives

Continuation of new developments

- Development of the logistics pipeline. In 2024, the development of the A2-Cabanillas Park II logistics park is expected to continue and work will start on a logistics warehouse on Seville ZAL and in Lisboa Park.
- Delivery of Cabanillas Park II B.

Increase in contracts with green clauses

- As part of the Group's commitment to sustainability, Merlin is committed to green clauses in its leases. These consist of a rent reduction of up to 50 basis points if the tenant meets a series of milestones and shares its consumption data.

Embodied carbon in new developments

- Merlin is committed to meeting the embodied carbon target for all new logistics developments: 400 kg CO2/sqm.

Shopping centres

MERLIN's shopping centres continue to be a benchmark in the Spanish and Portuguese real estate sector, strategically located in urban centres and in areas with high per capita GDP. This enables the Group to maintain the progress made in previous years. A release spread of 12.1% was obtained in 2023, with comparable rental income growth of 7.7% and occupancy was increased (96.2%, +122 bps).

2,006 M€	13	431 m sqm	11.7%
GAV	ASSETS	GLA	OCCUPANCY COST RATIO
126 M€	96.2%	+7.7%	
GROSS RENTAL INCOME	OCCUPANCY RATE	GRI LFL	

2023 Milestones

Modernisation of the shopping centre portfolio management

- MERLIN has modernised the management of its centres in 2023 to place them at the forefront of innovation and sustainability.
- Thus, MERLIN is focused on innovation through cutting-edge data processing systems, aiming to offer users and customers unique experiences, creating an ecosystem and a community around the centres themselves.
- It is also focused on sustainability through the SUN project, with photovoltaic installations in the company's assets (4 assets at the end of 2023 will have an installation) or with BREEAM certifications on sustainable building in all its centres. In addition, the Marineda City shopping centre also stands out for its work in waste

management. It boasts the "Zero Waste" certificate awarded by AENOR for its good environmental practices.

Consolidation and expansion of prominent operators

- MERLIN has continued to position itself as a reference landlord for the main operators. Some of the most notable new firms that now have a space in a shopping centre in MERLIN's portfolio include: KIK, USA Fitness, Ale Hop, BASIC FIT, Popeye's, Grosso Napoletano, T8 Tea Bar, Europcar, Mira- Mira, Ditaly or Monica Ecco, among many others.

Future objectives

Refurbishment of Callao 5

- Work will continue in 2024 on the total refurbishment of the building located at Callao 5, completely remodelling the use, facilities and format of the building. It is one of the most characteristic, iconic and representative properties in Madrid, with an unbeatable location and great commercial value in the city. The first four pre-leases have already been signed, and the objective for this year is to continue with the marketing of the asset.

Refurbishment of the Marineda City centre

- This is the largest shopping centre in Galicia, now under Merlin's full control. It will undergo a comprehensive refurbishment of the entire space, to expand the shopping centre and attract new brands as well as create a new destination for socialising and user experiences.

Increase in contracts with green clauses

- As part of the Group's commitment to sustainability, Merlin is committed to green clauses in its leases. These consist of a rent reduction of up to 50 basis points if the tenant meets a series of milestones and shares its consumption data.

Embodied carbon in new developments

- Merlin is committed to meeting the embodied carbon target for all new shopping centre developments: 500 kg CO2/sqm.

Data Centers

At the end of 2021, MERLIN launched a new business line, data centers (Mega Plan), an asset class with 4 strategic locations in the Iberian Peninsula to develop state-of-the-art data centers.

2023 Milestones

Phase I and Phase II: Handover of three data centers

- Completion, handover to the tenant, fitting out of the rooms and installation of the equipment in the 3 data centers (Madrid-Getafe, Barcelona-PLZF and Bilbao-Arasur), totalling 9 MW.

Future objectives

Obtainment of the licence for the next Data Center

- Obtention of licence for the fourth data center in Lisbon and works commencement.

Continuation of the Mega Plan

- Staggered available MW target: 9 MW in 2023, 33 MW in 2024, 60 MW by 2025

1.5 Main milestones and corporate objectives

MERLIN Properties has demonstrated and strengthened its leadership position in the Iberian Peninsula, posting excellent results

In 2023, MERLIN posted excellent results in key financial and operating metrics. As a result, MERLIN ended 2023 with total revenue of EUR 488.3 million (including gross rents of EUR €476 million), like-for-like growth of 6.5% (vs 2022), EBITDA¹⁰ of EUR €367.0 million and operating profit (FFO) of EUR €284 million (61 euro cents per share). At the 2023 year-end, the gross asset value will stand at EUR 11,270 million.

MERLIN continues to strengthen its position in the Spanish and Portuguese markets with a diversified portfolio of top-quality assets, and is committed to the integration of differential solutions that provide added value to the users of its assets, with sustainability and innovation as two of its main pillars.

Compliance with Value Creation Plans

MERLIN made significant progress in the value creation plans for its portfolios in 2023. Within the framework of the Landmark Plan (offices), the project concludes with the delivery of Plaza Ruiz Picasso in 2024, while the development of the short- and long-term projects (logistics) is progressing well. The Flagship Plan (shopping centres) ended in 2022. The data centers project is progressing on schedule and the licence is expected to be obtained to start construction of the fourth centre, in Lisbon, in 2024.

¹⁰ EBITDA excluding LTIP and non-overhead expenses.

Logistics projects

	GLA (sqm)	Pending Capex (€M)	Expected GRI (€M)	YoC (%) ¹¹	Yield on Pending Capex (%)
Near term pipeline by 2025	189k	79	10.4	7.6%	13.3%
Medium term pipeline	98k	61	6.1	7.6%	10.0%
Non-committed long-term pipeline ¹²	318k	162	17.7	7.0%	11.0%

Data Centers

Capex invested as of FY23	2024 Capex (m€)	2025-2026 Capex (m€)	Expected stabilized GRI (€m)	Stabilized GRI YoC (%)
258	144	163	c.81	c.14.4%

¹¹ Including land cost

¹² To be developed on a pre-let basis

2. Our Strategic Proposal for sustainable development

2.1 Environment (sector)

The markets in which MERLIN operates have generally performed well in 2023. The economic situation has led to significant increases in contract volumes, resulting in an increase in occupancy in the four main asset categories in which we operate.

In contrast, rising interest rates have brought the investment market in Spain and Europe to a standstill. The volume of investment has fallen by 33%, reaching 11.5 billion euros in 2023 compared to 17.2 billion euros of direct investment in Spain in 2022¹³.

Situation of the rental market by business segment

Offices

According to EY, the Spanish office market recorded a dramatic fall in investment activity in 2023 compared with 2022 (-20% fall year-on-year) although Madrid performed better than Barcelona (-76% fall year-on-year). In addition, the vacancy rate rose in both markets to 11.6% in Madrid and 14.0% in Barcelona, although the vacancy rate in the more central submarkets remains low: 4% for both locations. Prime rents have risen slightly in both markets, although there have been slight declines in more peripheral locations. Similar performance has been observed in Portugal.

Logistics

The upward trend in the logistics sector continues to be fuelled by consumer habits learned during the pandemic and geopolitical events that force many tenants to rethink their off-shoring strategy. It was a weaker year for logistics take-up in Madrid and Barcelona but it is important to take into account that 2022 was a record year for take-up.

Shopping centres

The recovery of the shopping centre activity after the pandemic is already complete and this is reflected in the good levels of sales and footfall in 2023, +8.4% and +7.4%, respectively. Footfall continues to recover due to improved activity by leisure operators, especially cinemas. The first transactions in this asset class are beginning to emerge.

Data centers

This is a booming market driven by product scarcity, the arrival of submarine cables and the exponential increase in data traffic based on the adoption of the cloud and the emergence of Artificial Intelligence. In addition, the strategic geographical position (port of entry of submarine cables connecting with other continents and installed capacity and development of renewable energies) makes the Iberian Peninsula an attractive location for the development of data centers.

¹³ EY: The Office Property Telescope Spain 2024

Situation of the rental market by geographical area:

Madrid

Madrid is both the largest metropolitan area and the main real estate market on the Iberian Peninsula. The absorption of office space was around 390,000 sqm, 23% lower than in 2022, mainly due to a second half of the year with less activity. Moreover, prime rents continue to rise to EUR 40 sqm/month (+8.1% vs. 2022) and the availability rate increased slightly to 11.6%¹². As for the logistics market, it was a weaker year in terms of space absorption with take-up of 995,100 sqm, 21% lower than the previous year, although 2022 was a record year for take-up and we continue to see a growth in prime rent, reaching EUR 5.90 sqm/month¹⁴. Finally, shopping centres have surpassed pre-Covid levels in both sales and footfall.

Barcelona

Barcelona's office rental market demonstrated its resilience in the final stretch of the year despite a 27% year-on-year drop, in line with the performance of Europe's major capitals. Take-up was around 238,000 sqm and prime rents increased slightly to EUR 28.50 sqm/month. It should also be noted that there was an increase of around 180,000 sqm in the period, particularly in the 22@, causing the vacancy rate to rise to 14.0%¹⁵. On the other hand, the logistics market is suffering from a lack of both available land and quality product for e-commerce operators. As far as shopping centres are concerned, the effort rate remains at very sustainable levels and availability is very limited.

Lisboa

The performance of the office rental market was well in line with other European cities, with 112,500 sqm absorbed (-59%) and a vacancy rate that fell slightly to 6.3%. Prime rents increased during the year, reaching EUR 27/sqm/month. In relation to logistics, rents remained stable and stand at EUR 5/sqm/month, on the Alverca/Azambuja axis¹⁶. Lastly, shopping centres have recovered relatively well with sales and footfall at pre-covid levels.

¹⁴ CBRE: Office Figures Q4 2023

¹⁵ Savills: Logistics Market Madrid, Barcelona, and Valencia

¹⁶ Cushman & Wakefield: Marketbeat Portugal, Primavera 2024

2.2 MERLIN's strategic horizon

MERLIN's strategy focuses on generating sustainable returns for shareholders through the acquisition, specialised management and selective rotation of property assets, mainly in the Spanish market and, to a lesser extent, in Portugal.

In line with this purpose, MERLIN has set itself the goal of remunerating shareholders through a dividend policy covering 80% of the AFFO generated during the year. To achieve this objective, the company has defined a specific mix in the various segments of its activity, focusing on continued investments in Core and Core Plus assets in the Spanish and Portuguese markets. At the same time, it is committed to maintaining cost efficiency and applying best practices in corporate governance.



To this end, and based on industry best practice, the Group operates in four key strategic areas:

- **Internal portfolio management:** MERLIN is committed to internalising the management of its properties by a first-class team with extensive experience in the real estate sector. In doing so, the Company is able to maximise the operational efficiency and profitability of each asset in all stages of the life cycle.
- **Profitability through asset refurbishment:** MERLIN strives to realise the full potential of each asset through refurbishment, maximising the value of the portfolio and generating higher returns for shareholders.
- **Entry in a new asset class:** data centers.
- **Sustainability, a key aspect of the assets:** MERLIN continues to aspire to the highest levels of sustainability and efficiency in its portfolio. It does so by integrating sustainability into the entire life cycle of the asset and supporting this commitment by obtaining sustainability certifications.

2.3 Outlook

In the absence of externalities, occupancy levels in the three main asset classes (offices, logistics and shopping centres) are expected to be maintained, while rents will continue to benefit slightly from inflation as leases are indexed to the CPI.

Three data centers were delivered during the year:

- MAD-GET: 3MW of installed IT capacity out of a total of 20MW
- BCN-PLZF: 3MW of installed IT capacity out of a total of 16MW
- BIO-ARA: 3MW of installed IT capacity out of a total of 24 MW

Further progress in equipment is expected during 2024 to reach 33MW installed by the end of the year.

2.4 MERLIN's commitment to sustainable management

MERLIN manages its activities responsibly, ensuring the sustainable achievement of long-term objectives and the generation of shared value for its stakeholders. This practice is based on strict compliance with current legislation and adherence to international benchmark standards, reflecting its commitment to operational excellence and corporate responsibility.

In this context, MERLIN's primary commitment is to achieve sustainable profitability to ensure the success of its business project, taking into account the expectations of its stakeholders. In addition, growth is sought that does not harm the environmental performance of the organisation, minimising any impact on the environment. The integration of sustainability into asset development and repositioning processes is prioritised as a core strategy.

MERLIN's sustainability roadmap

Sustainability policy

MERLIN Properties views sustainability as a key driver to generate value in the environment in which it operates, in particular through its assets. The essential principles guiding MERLIN's sustainability roadmap are as follows:



The Sustainability Policy has been approved by the MERLIN Properties Board of Directors and has been in effect since its approval, remaining in force until amendments are made to it.

The Board of Directors, through its delegated Committees and, in particular, the Sustainability and Innovation Committee, carries out the oversight to ensure the correct implementation and fulfilment of all guiding principles and commitments established.

Guiding principles

- Responsible governance and ethical behaviour:** MERLIN is committed to the highest standards, guarantees and transparency in the Group's management and decision-making, and to the success of the business when carrying out its activities, safeguarding ethics and integrity in its operations.
- Transparency with stakeholders:** MERLIN considers it a priority to provide complete, accurate and truthful information on the Group's performance and activities, and to maintain sufficient relationship channels with its stakeholders, actively communicating with them and responding to their main demands and expectations.
- Independent external validation of commitments:** MERLIN seeks to endorse its commitments by obtaining external validation, which guarantees the effective integration of sustainability in its internal management and assets, and this gives credibility to the practical implementation of the commitments made in the Group's decision-making and activities.

Pathway to Net Zero



Following the 2.0°C pact made at COP21¹⁷, MERLIN announced its commitment to become a net zero carbon company by 2030, in line with the with science-based targets (SBTi), reporting risks under the TCFD recommendation¹⁸ and committed to the SDGs set by the UN.

Strategy:



1. Reduction of operational carbon: In 2022, MERLIN launched its Pathway to Net Zero strategy, a roadmap that outlines the way to improve not only the performance of the Group itself and its assets under operational control, but also the behaviour of the key agents responsible for MERLIN's emissions throughout its value chain, including suppliers and tenants.

Milestones: In 2023, MERLIN reduced its carbon footprint measured as Scope 1 and 2 in absolute terms and intensity by 6.1%.

Objectives: 85% reduction in operational carbon from baseline (2018) to 2028.

¹⁷ Climate Change Conference in Paris

¹⁸ Task Force on Climate-related Financial Disclosures

2. Reduce embodied carbon in all new developments and refurbishments. In 2022, MERLIN developed a procedure for measuring the embodied carbon footprint for developments and refurbishments. Specifically, in the case of CAPEX awards for amounts over EUR 3 million, the proposal must include the calculation of the embodied carbon footprint of the project awarded. This procedure means that an additional sustainability criteria is added when selecting suppliers.

Milestones: In 2023, 5 calculations of the embodied carbon footprint in the developments were performed. Specifically, in 2 office developments, 2 logistics developments and one shopping centre.

Ambitious targets have also been set for new office, shopping centre and logistics developments in 2023. Specifically, the objectives are as follows:

- Offices - 500 kgCO₂/sqm
- Logistics - 400 kgCO₂/sqm
- Shopping Centers - 500 kgCO₂/sqm

Objectives: Meet the objectives set and reported to the market.

3. Offset residual emissions: offsetting the unavoidable footprint through duly certified own initiatives focused on environmentally-based solutions with a positive impact on local and/or underdeveloped communities.

Milestones: in 2023, an estimate was made of the forest mass needed to offset the Company's footprint in 2028 (around 700 hectares). The Group is currently in the process of searching for the land that meets the necessary requirements to carry out the project.

Objective: Start implementing the reforestation project

4. Reduce scope 3 emissions: engage tenants through green clauses in new leases and pioneering initiatives such as rent reduction for tenants who certify that their operations are net zero.

Milestones: On 1 January 2023, the new green clause came into force for all contracts, under which all tenants who wish to benefit from a reduction in rent must share their consumption data through a technological platform (Deepki). This green clause includes a series of milestones and, if achieved, the tenant can potentially benefit from a reduction in rent of up to 50 basis points. By the end of 2023, we have around 60 contracts incorporating the green clause.

Objective: increase the number of contracts with the green clause and extend it to existing contracts.

5. Renewable energy: 100% renewable energy supply and photovoltaic power generation through Project SUN, which consists of installing photovoltaic panels on the roofs of the assets.

Milestones: Significant efforts have been made this year in implementing the project, having carried out 28 projects representing an 4 MW in the year, which brings the total installed capacity to 14.9 MW. The new facilities include 15 office assets, 7 logistics assets, 4 shopping

centres and 2 data centers. Following the completion of Phase I of the Sun Project, the peak installed capacity is expected to be 39.8 MW. The total percentage of self-consumption is currently 4.2%. Likewise, 100% of MERLIN's assets under operational control consume renewable electricity with a guarantee of origin certificate.

Objective: Continue the development of Project SUN to reach more than 40 MWp installed

2.5 A Deep Dive into the Materiality of Sustainability

As a sign of its commitment to sustainability and using it as a strategic tool, MERLIN has carried out a Dual Materiality analysis for the first time which will be susceptible to evolution in the coming years.

The objective is to identify and prioritise the most relevant aspects for the company, based on an analysis of the Impacts that affect its environmental and socio-economic surroundings, and the Risks and Opportunities that affect the company. These aspects have been classified following the ESG (environmental, social and governance) perspective and the themes proposed by ESRS.

The analysis has been carried out taking the EFRAG and CSRD's draft "Materiality Assessment Implementation Guidance" as a reference, as well as the definitions in the ESRS (European Sustainability Reporting Standards) with regard to the companies' Dual Materiality analysis. Dual Materiality is critical for the company. It identifies the Impacts, Risks and Opportunities faced by the entity and assesses their relevance. It makes it possible to visualise which are the most relevant facts that must be addressed by establishing action plans and defining objectives, which must be integrated in the Sustainability Plan, which in turn is one of the fundamental pillars of the Strategic Plan.

The involvement of the analysis of the company's main stakeholders is proposed as a key element in a process that has been structured as follows:

SECTOR CONTEXT AND BUSINESS MODEL ANALYSIS

In the first phase of work, a context analysis of the sector in which Merlin operates, as well as of the company's business model, was carried out. This allowed a first approximation of the most relevant Impacts, Risks and **Opportunities**.

The issues analysed include the following:

- Trends in the business model and sustainability, through the study of sectoral reports and other sources.
- Benchmarking of competitors in the sector.
- Analysis of opinion leaders (MSCI, SASB, etc.)
- meetings with the heads of the company's most important lines of business.

All this information gathering was used to gain an in-depth understanding of the current situation and context of the company to accurately identify Impacts, Risks and Opportunities.

IDENTIFICATION OF ISSUES, SUB-ISSUES, IMPACTS, RISKS AND OPPORTUNITIES:

In this phase of the work, internal meetings were held with the managers of each lines of business to correctly identify Merlin's main IROs. The result is a list of 49 impacts, 25 risks and 36 opportunities, considering both positive and negative impacts, as well as actual and potential impacts. It should be added that the entire value chain has been taken into account when identifying IROs.

Together with Merlin's Sustainability team, the Scope, Likelihood and Remediability of these IROs have been defined.

To complete the analysis and make it easier to understand, the impacts have been classified by ESG issues, which in turn correspond to the 3 sustainability verticals: Environment, Social and Governance (ESG). These issues have been formulated taking into account the ESRS, Merlin's previous materiality exercises and analysis of the company's context. The following issues were selected:

Environment

- Energy efficiency and emission reduction
- Adaptation to climate change
- Pollution of the environment
- Resource use and management
- Waste management and circular economy
- Biodiversity and natural capital

Social

- Working conditions of employees
- Value chain
- Occupational health and safety
- Contribution to society and relationship with local communities
- Relations with customers and users

Governance

- Business ethics and governance
- Business risk management
- Corruption, bribery and money laundering
- Cybersecurity and data processing
- Digitalisation and innovation

PRIORITISATION OF IMPACTS, RISKS AND OPPORTUNITIES

The IROs have been assessed using a methodology that has combined their scope, likelihood and remediability, as well as the internal and external significance of each Impact, Risk and Opportunity. Additionally, the time frame has been taken into account for all potential Impacts, as well as the Risks and Opportunities. To this end, we have assessed when such IROs may occur and scored their metrics accordingly.

As an essential part of the process, the company's main stakeholders, both internal and external, have been involved through surveys.

Internal stakeholders

Interviews and questionnaires were carried out with managers and employees.

External stakeholders

A public information analysis has been carried out to identify the most relevant issues for Analysts and Competitors through a benchmarking exercise.

Suppliers, Banks, Shareholders and Tenants have also been consulted.

DATA PROCESSING AND RESULTS

Finally, the information obtained from the stakeholder consultations has been compiled and processed, identifying the main issues linked to each of the Impacts, Risks and Opportunities identified.

The result of this final part of the process is a list of the most relevant IROs and ESG issues for the company, considering their scope, likelihood and remediability, as well as the scale of importance attached to them by its stakeholders.

The results have been validated by the company's Sustainability department, which has acted as a key part of the process.

The prioritisation of the most relevant ESG issues is included below.

The results conclude identifying 16 issues for the company analysed both from the perspective of Impact Materiality (Impacts) and Financial Materiality (Risks and Opportunities). The data are shown in the following table and matrix. "Biodiversity and natural capital" and "Contribution to society and relationship with local communities" are the two non-material issues.

ESG	Subject	Impact Materiality Score	Impact Materiality Stoplight	Financial Materiality Score	Financial Materiality Stoplight	Materiality
E	Energy efficiency and emission reduction	3.79	●	4.58	●	●
	Climate change adaptation	4.73	●	3.8	●	●
	Environmental pollution	3.26	●	3.67	●	●
	Resource use and management	3.99	●	4.25	●	●
	Waste management and circular economy	3.56	●	3.77	●	●
	Biodiversity and natural capital	2.28	●	3.03	●	●
S	Employee working conditions	3.72	●	4.44	●	●
	Value chain	3.51	●	4.01	●	●
	Occupational health and safety	3.7	●	3.51	●	●
	Contribution to society and relationship with local communities	2.52	●	3.2	●	●
	Customer and user relations	4.74	●	4.48	●	●
G	Business ethics and governance	3.71	●	4.49	●	●
	Business risk management	2.05	●	4.24	●	●
	Corruption, bribery, and money laundering	3.78	●	3.87	●	●
	Cybersecurity and data processing	3.36	●	4.42	●	●
	Digitization and innovation	4.7	●	4.41	●	●



3. Foundations and practices of responsible management

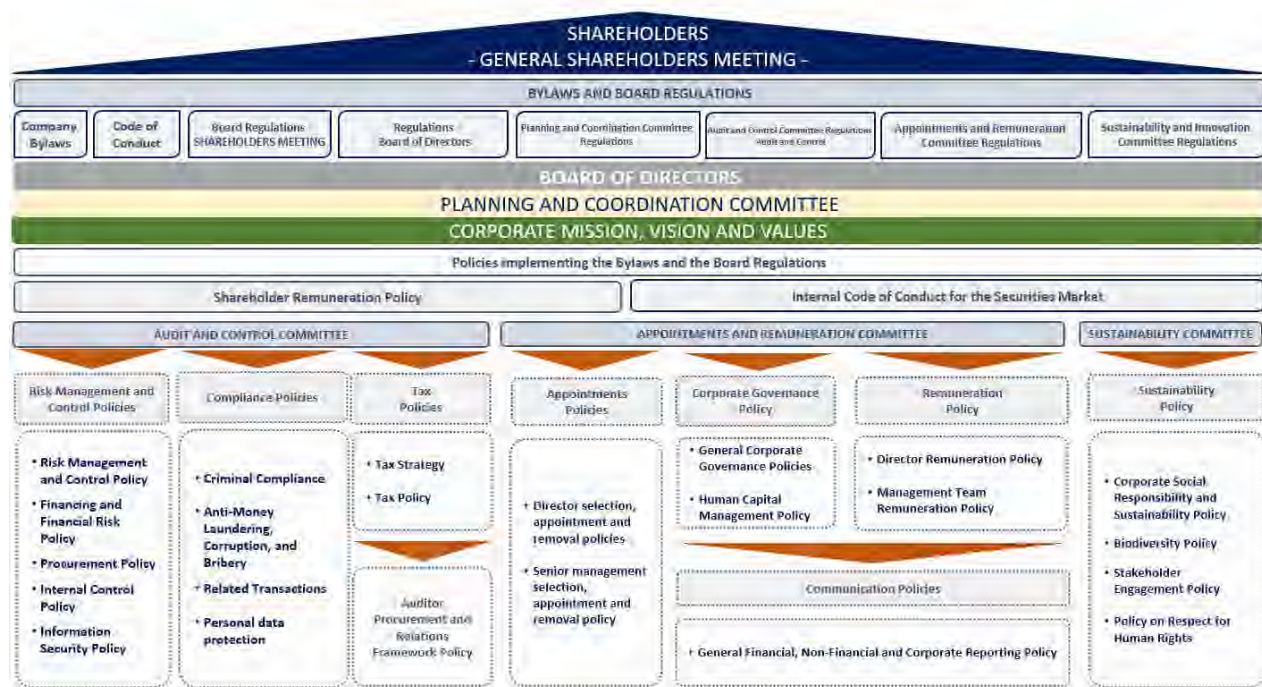
MERLIN has a robust governance system in line with its commitment to ethics, compliance and transparency, which is backed by independent third-party validation.

MILESTONES IN 2023	FUTURES OBJECTIVES
• MERLIN has continued with the process of constant improvement of the Corporate Governance System, policies have been merged and others have been eliminated because they are considered to have a similar content or to be repetitive of the legislation in force or other internal regulations • In 2023, the Board of Directors approved the Information Security Policy, as part of the obtainment of ISO 27001, as the best international benchmark for information security. • In compliance with whistleblower protection legislation, MERLIN outsourced the management of the Internal Communication System (Ethical Channel) through the implementation of a software application, in collaboration with the consultancy firm BDO, guaranteeing the anonymity and confidentiality of reports. The Code of Conduct and the Reporting Procedure have been amended accordingly. • During the year, the documentation and verification of the controls of the System of Internal Control over Non-Financial Reporting (ICNFR) was carried out for the first time. These practices are essential to strengthen the integrity and efficiency of Merlin's internal processes.	• Continue with the process of constant improvement of the Governance System, aligning it with international best practices. • Develop and implement the improvement opportunities identified in the assessment of the Board and its Committees conducted by EY in 2023 • Implement a Code of Conduct for Suppliers in compliance with the objective of extending best practices for integration, monitoring and control of the supply chain. • Maintain the active function of overseeing reporting on matters related to sustainability, focusing on the quality of the reports and their integration with the rest of the information reported by the Group, in accordance with published regulations, even if they are not applicable to the Group due to the size of the Company. • Maintenance of the UNE 19.601 Criminal Compliance Management Systems and ISO 37.001 Anti-Bribery Management Systems certifications, the scope of which covers all Group companies. • Continuously improve the Risk Management System with a particular focus on climate-related risks and exposure of assets to extraordinary events.

KEY INDICATORS FOR THE YEAR		
	2023	Change 2022-2023
Independent directors ¹⁹	7/13	0
Women on the Board of Directors	4/13	-8 percentual points
Non-executive directors with industry experience	6/11	0
Directors with 4 or more mandates (2-year terms)	6/7	0
Scope of ethics and compliance training (employees trained)	92%	-1 percentual point

MERLIN has developed a Governance System that sets out the principles that should the Company, all Group companies and their professionals.

3.1 Governance structure



The Board Regulations, the Regulations of its Committees, the General Meeting Regulations and the main policies of MERLIN's Governance System, along with a summary of the remaining policies, are published on the corporate website <https://ir.merlinproperties.com/gobierno-corporativo/normativa-de-gobierno-corporativo/>

¹⁹ Pursuant to section 529 duodecies of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital), an independent director is considered to be a director who, appointed based on their personal and professional qualifications, may perform their duties without being conditioned by their relationships with the Company or its Group, its significant shareholders or management.

MERLIN uses the CNMV's "**Good Governance Code for Listed Companies**" as a reference, along with the good governance recommendations generally recognised and accepted by the markets. In 2023, the Board of Directors, in addition to the amendments to the Articles of Association, the Board Regulations and the Regulations of its Committees, which were approved by the shareholders at the General Meeting held on 27 April 2023, has approved the following updates to the Governance System:

Information Security Policy	The Board of Directors has approved this policy at the proposal of the Appointments and Remuneration Committee and the Audit and Control Committee, and its main content is as follows: • Establish the framework for the safeguarding and protection of (i) information owned by the Group, regardless of whether it is held on the Group's own or third-party systems; and (ii) information owned by third parties, which is on the Group's systems. • It also assumes the commitment to establish and maintain an adequate Information Security Management System (also known as "ISMS"), in accordance with and based on the international standard ISO 27.001.
Anti-Money Laundering, Terrorist Financing, Corruption and Bribery Policy	At the proposal of the Appointments and Remuneration Committee, the Board of Directors has approved the merger of the following policies as it considers that they have a similar or complementary content: • Anti-Money Laundering Policy. • Anti-corruption and bribery policy. • Public Authority relations policy.
Sustainability and Corporate Social Responsibility Policy	At the proposal of the Appointments and Remuneration Committee, the Board of Directors has approved the merger of the following policies as it considers that they have a similar or complementary content: • Sustainability policy. • Corporate Social Responsibility Policy.
Internal Information System Policy	The Appointments and Remuneration Committee and the Audit and Control Committee, and its main content is the adaptation of the whistleblower channel to Spanish Law 2/2023, of 20 February, regulating the protection of persons who report regulatory infringements and the fight against corruption (<i>Ley 2/2023, de 20 de febrero, reguladora de la protección de las personas que informen sobre infracciones normativas y de lucha contra la corrupción</i>).

Elimination of policies

At the proposal of the Appointments and Remuneration Committee, the Board of Directors has approved to do away with the following policies as they repeat the provisions of the legislation in force, as well as the Securities Market Rules of Conduct and the Board Regulations: It establishes the objective of having corporate debt linked to ESG criteria.

- Policy on Attendance Fees.
- Treasury Share Transaction Policy.
- Investment Policy..

Update of policies

At the proposal of the Appointments and Remuneration Committee, the Board of Directors has approved the update of the following policies due to technical improvements, inclusion of sustainability aspects or adaptation to the aforementioned modifications of the Company's Governance System.

- General corporate governance policy.
- Financing and Financial Risk Policy.
- Stakeholder engagement policy

Its **internal organisational structure** can be summarised as follow:

- A **Board of Directors composed of 13 directors**. MERLIN's Board of Directors is composed of a majority of independent directors and its activities are focused on defining, supervising and monitoring the policies, strategies and general guidelines to be followed by the Group. The Board is responsible for long-term strategy and for monitoring its implementation.
- A **Planning and Coordination Committee** composed of 5 directors, including the Chairman and the Chief Executive Officer, assigned the functions of preparation, coordination, proposal and preliminary review of the agenda and proposed resolutions to be submitted to the Board, without executive functions and without supervisory or control functions.
- A **Lead Director**, who will chair the Board in the absence of the Chairman, and, as applicable, the Vice-Chairman and who coordinates the external directors and is informed and aware of the concerns of investors and shareholders. The lead directors also plays an important role in managing the Whistleblower Channel.
- An **Audit and Control Committee (ACC)** composed of 5 directors, an **Appointments and Remuneration Committee (ARC)** with 6 directors, and a **Sustainability and Innovation Committee (SIC)** with 4 directors; all of these committees are made up of a majority of independent directors, are informative and advisory bodies, without executive functions, with advisory, reporting and proposal-making powers within their scope of action.
- A **Chief Executive Officer (CEO)** who reports directly to the Board and is a Board member, responsible for carrying out the Company's strategy and operations.
- A **Chief Operating Officer (COO)** who reports directly to the Board and is a Board member, responsible for managing and carrying out the Company's operations.
- An **Investment Committee** made up of the management team.

Composition and operation of the Board of Directors

The Board, in exercising its functions of submitting proposals to the General Meeting and co-option to fill vacancies, will ensure that, in the composition of the Board, external or non-executive directors represent a majority over executive directors and that there is a majority of independent directors. Likewise, the Board ensures that member selection procedures favour diversity of gender, experience, and knowledge and are not affected by any implicit bias that may entail any kind of discrimination, and in particular, that they facilitate the selection of women directors.

In accordance with section 15.5 of the Board Regulations, the Board of Directors and the Appointments and Remuneration Committee, within the scope of their respective powers, will ensure that persons of renowned solvency, competence and experience are elected as candidates, and will exercise the utmost care when inviting persons to fill the position of independent director provided for in section 5 of the Board Regulations.



D. Javier Garcia-Carranza Benjumea
Presidente - Consejero Dominical



D. Ismael Clemente
Consejero Delegado / CEO



D. Miguel Ollero
Consejero Ejecutivo / COO



D. Juan María Aguirre Gonzalo
Consejero independiente



D. Emilio Novela
Consejero independiente



D. Juan Antonio Alcaraz García
Consejero Dominical



D. Donald Johnston
Consejero independiente



Dña. María Luisa Jordá
Consejera independiente



Dña. Ana García Fau
Consejera independiente



D. Fernando Ortiz
Consejero independiente



Dña. Francisca Ortega Hernández-Agero
Consejera Dominical



Dña. Pilar Cavero Mestre
Consejera independiente



D. Fernando Ortiz
Consejero independiente



Dña. Francisca Ortega Hernández-Agero
Consejera Dominical



Dña. Pilar Cavero Mestre
Consejera independiente



D. Ignacio Gil-Casares
Consejero Dominical



Dña. Mónica Martín de Vidales
Secretaria (no Consejera)



D. Ildefonso Polo del Mármol
Vicesecretario (no Consejero)

13
members

31%
women

54%
independent

61
average age
52 y 75 years old

7
years of average tenure

98%
attendance in person
11 meetings

More information on the composition, selection, evaluation and compensation of the Board of Directors can be found in the Annual Corporate Governance Report, available on the corporate website (<https://ir.merlinproperties.com/gobierno-corporativo/informes-anuales/>), and on the website of the Spanish Securities Market Commission (www.cnmv.es). The bios of all members of MERLIN's Board of Directors, including information on their education, work and management experience, and Board tenure, can also be consulted on the corporate website (<https://ir.merlinproperties.com/gobierno-corporativo/consejo-de-administracion/>)

Skills matrix of the Board of Directors:

Name	Type*	Gender	1st designation	COMPETENCES								
				Senior Management	Other Boards	Real Estate	Finance & M&A	Audit and Risk Control	Digital / Technology	Legal	HR/HR Compensation	International Experience
Javier García-Carranza (P)	P/D		2016	X	X	X	X	X			X	X
Ismael Clemente (CEO)	E		2014	X	X	X	X	X	X	X		X
Miguel Ollerdo (COO)	E		2014	X	X	X	X	X	X			X
Donald Johnston	I		2014	X	X		X	X			X	X
Maria Luisa Jordá	I		2014	X	X	X	X	X	X		X	X
Ana García-Pau	I		2014	X	X		X	X	X		X	X
Fernando Ortiz	I		2014	X	X		X			X	X	X
Francisca Ortega	D		2016	X	X		X	X				
Pilar Cervero	I		2016	X	X					X	X	X
Juan María Aguirre	I		2016	X	X	X	X	X				
Emilio Novela	I		2018	X	X	X	X	X				X
Juan Antonio Alcaraz	D		2023	X	X	X	X	X			X	
Ignacio Gil-Casares	D		2020	X	X						X	X

Selection, evaluation and remuneration of Board members

- The criteria for selecting Board members are established in the **Director Selection Policy** (approved by the Board of Directors, at the initiative of the Appointments and Remuneration Committee), ensuring that proposals for the appointment of directors, which are made individually, are based on objective criteria and focused on the candidate's professional qualities, favouring diversity of gender, experience, age and knowledge. Selection criteria do not take into account aspects such as race, ethnicity, religion or nationality.
- The **Appointments and Remuneration Committee** will choose candidates to fill these positions who are honourable, suitable, reputable, competent, experienced, qualified and committed to the task and must also guarantee the appropriate balance of the Board of Directors as a whole
- In accordance with the recommendations of the **Good Governance Code for Listed Companies**, the Company contracts an external consultant every three years and in accordance with the recommendations for good corporate governance of listed companies, to evaluate the functioning and composition of the Board of Directors and its committees.

In 2017, 2020 and 2023 the Company received advice from an independent external consultant (Egon Zehnder, KPMG and EY, respectively).

For 2018, 2019, 2021 and 2022, it was not deemed necessary to have an external consultant re-evaluate the functioning of the Board and its Committees, and, therefore, the Company carried out a self-assessment process by means of a personal and individual questionnaire addressed to all directors.

- **In 2023, the Board commissioned EY to evaluate the Board and its Committees**, and its overall conclusion was satisfactory, issuing a series of recommendations, which the Appointments and Remuneration Committee has endorsed, to strengthen and improve the Company's corporate governance.
- In this sense, it is worth noting that until the resignation of a proprietary director that occurred after the company's ordinary general meeting of shareholders in 2023, Merlin had 5 female directors out of a total of 13 board members, which placed the percentage of female representation at 38.46%, that is, it complied with the 40% rule understood in the way required by Directive (EU) 2022/2381, of the European Parliament and of the Council, of November 23, 2022. After the resignation of the aforementioned director, the proprietary shareholder whom she represented appointed a man to fill the position, which meant leaving the number of directors at 4 out of a total of 13 members. The Appointments and Remuneration Committee began a selection process for female independent directors in July 2023, assisted by an international consulting firm, and the Board of Directors is in the process of adopting measures with the objective of complying with this recommendation at the ordinary general meeting of shareholders of the year 2024.
- The remuneration of the Executive Directors is based on the principles of transparency, consistency, competitiveness, profitability and sustainability and the ability to attract the best professionals, as stated in its **Directors Remuneration Policy**.
- The remuneration of the Executive Directors is determined in accordance with these principles and taking into account factors such as the economic environment, the Company's earnings, the Group's strategy, legal requirements, good corporate governance recommendations and best market practices, including metrics linked to sustainability.
- Each year, the **Appointments and Remuneration Committee** establishes the quantitative, qualitative, financial and non-financial objectives that will determine the remuneration of the Executive Directors for the year. Non-financial targets include sustainability objectives such as the reduction of CO₂ emissions per square meter and MERLIN's position in sustainability indexes, including GRESB, CDP and S&P CSA.

3.2 Proactive risk management

MERLIN has a Risk Management System based on the principles, key elements and methodology established in the **COSO Framework** ("Committee of Sponsoring Organizations of the Treadway Commission").

This system aims to minimise the variability of financial results (profitability) and, consequently, to maximise the economic value of the Group. Its approach is based on the inclusion of risk and uncertainty in the decision-making process, with the aim of providing reasonable assurance of the achievement of defined strategic objectives. This ensures shareholders, as well as other stakeholders and the market in general, an adequate level of security to preserve the value generated.

Based on an integrating Risk Management perspective, MERLIN has adopted a methodological approach based on the Enterprise Risk Management Framework, which is integrated with strategy and performance (**COSO ERM 2017**).

This approach highlights the relevance of enterprise risk management in strategic planning and its inclusion at all levels of the organisation. It recognises that risk impacts on strategy and performance across all areas, departments and functions of the company.

The Risk Management and Control Policy (<https://ir.merlinproperties.com/gobierno-corporativo/normativa-de-gobierno-corporativo/>) was initially approved by the Board of Directors in February 2016 and was updated in March 2022, at the proposal of the Audit and Control Committee.

In accordance with its corporate policy, MERLIN identifies and monitors the risks associated with its activity, comprehensively addressing the risks affecting both the Group and its subsidiaries.

This policy sets out the fundamental principles of action, defining risk management as a continuous process. It is based on the identification and assessment of the Group's potential risks, based on strategic and business objectives. It also involves the definition of action plans and controls for the most critical risks, as well as the constant monitoring of the effectiveness of these controls and the evolution of residual risk. All this is done with the purpose of reporting to the Group's governing bodies.

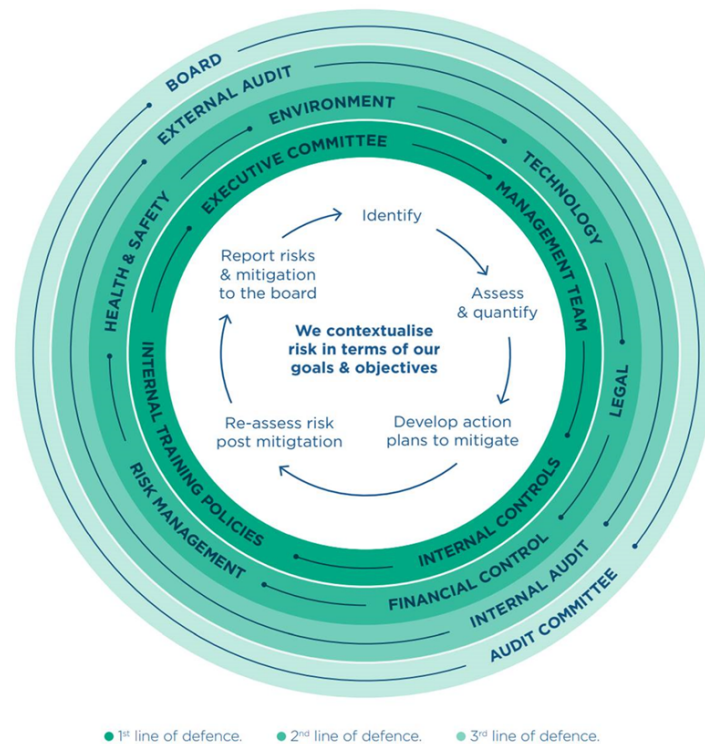
Risk Management at MERLIN is a procedure led by the Board of Directors and the Management Team, and is a responsibility shared by each individual in the organisation, in accordance with their respective areas of activity.

The oversight of risk management by the Audit and Control Committee authorises management to effectively manage uncertainty and inherent risks, resulting in a significant improvement in the ability to create value.

With the support of the Internal Audit management, **the Committee carries out this oversight using a specific risk management methodology**. This is done by monitoring and evaluating the identification of risks and their assessment, which have an impact on the particular objectives of each of the areas. Through the implementation of the plan, the Committee assesses and concludes on the adequacy and effectiveness of the controls implemented by the Group, issuing recommendations as needed.

Finally, in July 2023, MERLIN's Board of Directors will approve the list of the most significant financial and non-financial risks and the tolerance level established for each one based on the information provided by the Audit and Control Committee.

MERLIN's risk management model



In 2023, MERLIN carried out an exercise to identify and assess the Group's main corporate risks:

- ✓ **Compare the main competitors** in the sector and review corporate risks and sustainability documentation.
- ✓ **Hold working meetings with MERLIN's key staff to identify risks** or update/adjust/calibrate existing ones to bring them into line with the reality of the business, MERLIN's plan and the current environment and market situation.
- ✓ **Group and classify all the risks identified** based on the reporting categories (business, resources, ESG) of the Risk Management System, identifying a **new category related to strategy**.
- ✓ **Review MERLIN's materiality matrix** and analyse the consistency of the 106 risks identified with the matrix and the key aspects in relation to GRI reporting and the SDGs.
- ✓ **Assess the risks identified (COO/Audit/MRL) based on the impact and probability criteria established** and the other attributes identified:
 - Impact: strategic, financial, stakeholder and reputational
 - Probability: timing and occurrence
 - Attributes: speed, persistence and adaptability.
- ✓ **Update and digitalise the Risk Map.**

In 2023, MERLIN's Risk Map was regularly updated to reflect every six months the perception of the Company's main executives and governing bodies of the risks faced by MERLIN.

MERLIN's latest Risk Map, updated by the Audit and Control Committee and approved by the Board of Directors in February 2024, includes a total of 27 key risks, as shown below:



In MERLIN's Risk Management System, **all risks have been thoroughly assessed in terms of their Impact and Likelihood**. This has generated a residual risk indicator for the current period. In addition, KPIs for reporting have been identified, together with KRIs (leading indicators), and responsible persons have been designated for both reporting and implementing or developing the mitigation measures identified for each of these risks.

In addition, all risks were assessed **in terms of time frame** (short term —12 months—, medium term —12 to 36 months—, and long term —more than 36 months—), and **in terms of speed, persistence and adaptability**.

- **Short-term** risks most notably include those related to increases in construction costs, raw materials and energy supplies and their impact on the envisaged works and on the operating margin of the tenants.
- On the other hand, **longer-term risks** most notably include those related to changes in consumer behaviour (remote working, e-commerce, etc.), failure to attract and retain talent, risks related to climate change (lack of third-party traction for footprint reduction, inefficiency in energy efficiency investments, natural disasters), and those risks related to regulatory non-compliance (GDPR, occupational risk prevention, etc.).

No.	Category / Risk description	SI 2022-23	Criticality	Probability	Impact
Strategy					
1	Business model definition	↓			
2	Adapting to changes in the real estate cycle	↓			
3	Delay in the divestments to raise funds	↓			
4	Communication and feasibility of the strategy in long-term objectives	↑			
Governance					
5	Inadequate development of MERLIN's Corporate Governance System	↓			
6	Lack of leadership and IT strategy	↓			
7	Succession plans for key staff (management and staff)	↓			
Business					
8	Loss of asset value	↑			
9	Obsolescence rate of the assets	↑			
10	Delays and cost overruns in CAPEX	↑			
11	Impact on chargeable expenses (services and supplies)	↑			
12	Decrease in tenant operating margin	↑			
13	Credit risks of tenants	↑			
14	Excessive concentration of non-core asset in the portfolio	↓			
Resources					
15	Cybersecurity breaches	↑			
16	Lack of definition and automation of processes	↓			
17	Lack of formalisation of IT policies and procedures	↓			
18	Failure to attract / retain new talent (loss of all employees)	↑			
19	Management of strategic investments / new works	↓			
20	Macroeconomic conditions in Spain and Portugal	↓			
21	Increase in the cost of financing the Company	↓			
Sustainability					
22	(Preference) Shifts in consumer expectations and requirements	↑			
23	(Costs) Increasing repair costs (extraordinary events)	↑			
24	Lack of long existence of environmental due diligence investments	↑			
25	Increasing cost of commodities / supplies due to sustainability criteria	↑			
26	Supply chain sustainability	↓			
Social					
27	Improving asset user health	↑			

The various key risks identified are therefore classified into several key pillars to achieve the Group's objectives, such as:

- **Strategic and governance risks:** These risks impact the strategic objectives of leadership and benchmark position (to be the benchmark REIT). They also influence the core values of transparency, ethics and accountability, affecting the formulation and execution of the group's strategy: the definition of the business model, adaptation to changes in the property cycle, possible delays in strategic divestments, deficiencies in the development of the governance system and succession plans for key personnel, among others.

- **Business risks:** have a direct impact on the strategic objectives of generating long-term value and maintaining a sustainable and rising dividend. These objectives depend to a large extent on the group's various assets, which are distributed across different business segments such as offices, shopping centres, logistics and data centers. Examples of these risks include a fall in property values, delays and additional capex, passing on costs to tenants, and reduced tenant margins, among others.
- **Resource risks:** These risks have an impact on the strategic objectives of maintaining a sustainable and growing dividend, as well as on the values of transparency, ethics and accountability. To achieve these objectives, the various internal and external resources available to the Group (human, technological and financial resources) are primarily taken as a basis. Examples of these risks include macroeconomic conditions in Spain and Portugal, difficulty in attracting and retaining talent, dependence on key figures and their compensation, vulnerabilities in cybersecurity, as well as technological innovation, among others.
- **Social and sustainability risks:** These risks affect the long-term sustainability of the Group and its relationship with its various stakeholders. They are mainly based on the various actions and policies implemented to ensure the sustainability of its assets. Examples of these risks include the physical impact of cost increases due to exceptional events, the costs associated with transition due to changes in customer expectations and preferences, as well as the sustainability of the supply chain. These aspects are critical to the Group's various stakeholders, such as customers, suppliers, society in general, investors and shareholders, as well as regulatory bodies, and they address issues such as the protection of the health of asset users.

Emerging risk

The current environment has the characteristics of a permanent state of crisis, i.e. a succession of crises that together bring potentially irreversible structural changes, affecting society as a whole and combining to create a permanent state of relatively traumatic change in the environment of economic agents.

It has multiple natures: economic, geopolitical, health, political, mixed with accelerated and unpredictable technological evolution, and its scope is global in nature, requiring a coordinated and multilateral approach to mitigation. The crisis is not a cyclical phenomenon, but a chronic and structural state that produces profound changes in the economy and society, in an environment where economies face severe fiscal constraints, lack of growth and high and persistent inflation.

Thus, on the basis of a better than expected performance in 2023, the outlook for 2024 points to a continuation of current trends, with overall growth very similar to 2023. During 2023, overall growth managed to hold up considerably better than expected, at around 3% compared with the 2.3% projected for 2023, thanks to the support from the labour market and accumulated savings.

However, geopolitical uncertainties continue with the new Middle East conflict, which, although in this case it has not led to a sharp rise in energy prices, as was the case in other past wars in the area, still poses a major risk to global trade, with the recent attacks in the Red Sea, while the war in Ukraine has stagnated with no indication of how it will play out. Also, we cannot ignore a possible (but unlikely) Chinese conflict with Taiwan that could increase supply chain and global trade uncertainties.

Ultimately, growth rates, inflation and interest rates are expected to normalise towards long-term equilibrium levels. However, in this context, we identify the following as "emerging risks":

Persistent inflation

While inflation is positive in the the property environment because of the indexed rise in rents, it also brings a significant increase in supply and building costs. It also reduces the operating margin of our tenants.

We have levels seen 25-year highs in inflation levels in 2022 and 2023, leading to aggressive monetary policy from central banks, rapidly raising interest rates to deal with persistent and rising inflation. However, even when inflation has been partially controlled through higher interest rates, central banks' targets of keeping inflation around 2% have not been met. In this sense, any amplification of the Middle East conflict could trigger energy price hikes and further disruptions to shipping routes, while we continue to capitalise the impacts of the war in Ukraine.

Difficulty of access to finance for tenants

In 2023, we have seen how high interest rates in the midst of slowing growth have put great pressure on debt for both the public and private sectors. However, the default rate on corporate debt remains much lower than the peaks reached during the global financial crisis of 2008-09.

Only 13% of MERLIN's debt matures in the next two years and almost half will mature after 2028. However, small and medium-sized enterprises, which form the backbone of many national markets, and which make up a significant portion of our tenants in shopping centres, will be particularly sensitive to the economic slowdown and persistently high interest rates. Struggling firms cut costs and unemployment may rise, reducing consumer spending and creating a vicious circle that can contribute to a deeper economic crisis.

Furthermore, this increase in interest rates has directly led to a reduction in the valuations of the group's investment property by affecting both the exit yields and the discount rates used by independent external valuers.

Identification of other risks and action plans

MERLIN develops action plans through policies, procedures and controls, adapted to the different risks that impact or may affect the company. In this context, the Group has defined and catalogued a number of controls with various characteristics, assigning a manager to each and regularly assessing the risk and its residual component after the execution and documentation of the control. In addition, specific improvement plans have been established focusing on risks considered significant in the operational, strategic, compliance and reporting areas.

The Audit and Control Committee is actively engaged in the risk management and control process, promoting and implementing the policies, procedures and control structures it deems necessary to ensure the integrity and effectiveness of the risk management and control process.

The Company's General Management, as well as the Finance Department and the Company's other business divisions analyse at their regular meetings the situation and evolution of the main risks affecting the Group, taking corrective measures when considered necessary.

The following is a summary of the main mitigation measures implemented to manage the other risks considered to be significant:

Identified risks	Action plan
Business risk management	
• Business model definition. • Occupancy rate of the assets / Sale of assets under development or being refurbished / Contract renewals. • Fluctuating rent levels (real estate cycle; competition from new developments). • Concentration of rents and solvency in top 10 tenants • Effect of inflation (CPI) on tenants. • Delays and cost overruns in investments (higher material costs, delayed deadlines,. licences, etc.) • Decrease in operating margin of tenants and operators (increase in internal costs and raw materials). • Ability to achieve the desired asset mix (location, turnover and asset obsolescence). • Changes in user behaviour (less use of offices; remote working and hybrid models). • Excessive continuation of non-core assets.	• Exclusively strategic Board meetings in which the business model and risks are reviewed and the various strategic alternatives are analysed based on the economic situation and the real estate cycle. • Monitoring external factors of the real economy with an impact on the value of the assets, i.e. factors that affect demand (rent renegotiations, unexpected tenant departures, potential future supply, etc.), and factors that affect the return and valuation of assets (interest rates, real estate market yields). • Independent asset valuation every six months, rotation plan for appraisers, review of appraisals by the external auditor, and internal verification of the appraisal: monitoring of the discount rates applied in the appraisal and of the investment alternatives.. • Ongoing monitoring of business indicators (occupancy, rent, vacancies, like-for-like, release spread, etc.) of the contracts for each tenant / operator, the concentration of gross rents for the largest tenants, the credit risk of the main tenants and the design of contingency plans for the potential departure of a major tenant.

Identified risks	Action plan
Business risk management	
	• Implementation of an internal marketing team that provides service to all business segments in the processes of attracting, marketing and renewing asset contracts. • Five-year Investment Plan that will allow the quality of a certain number of properties to be refurbished, which will contribute to an increase in gross rents and maximise the profitability of the current portfolio. • Non-core divestment programme approved by the Board of Directors and monitored monthly.

Identified risks	Action plan
Climate change management and operational efficiency	
• (Objectives) Failure to comply with GHG emission reduction commitments or errors in their measurement (scope 1 - 2). • (Objectives) Lack of traction/commitment by third parties in reducing the Group's carbon footprint for its assets (scope 3). • (Preference) Change in customer expectations and requirements regarding sustainability, innovation and the environment. • (Costs) Increase in repair and maintenance costs (due to storms, snowfall, floods, heat waves). • Inadequate management of inputs (electricity, gas and water) and waste from an asset. • (Investments) Inefficiency in energy efficiency investments / obsolescence of assets and replacement by assets with lower emissions. • Increasing cost of raw materials/supplies due to sustainability requirements. • Suppliers with low quality and ESG (supplier scoring) standards	• Sustainable certification of assets: monitoring the objective of having almost all of its assets LEED and BREEAM certified, and maintaining accessibility certifications at centres. • Independent external validation of GHG emissions (scope 1 and scope 2), as certified by AENOR. • Energy efficiency: monitoring numerous initiatives linked to efficiency (MAEs), including the Photovoltaic Project. • Sustainability index reporting: monitoring and review of the information reported to the various sustainability indexes (RESB, CDP, DowJones Sustainability Index, Vigeo, Sustainalytics or S&P), analysing the scores obtained and establishing action plans for continuous improvement. • Study, design and implementation of a green clause in leases, where lessees who share energy information and reduce their carbon footprint will benefit from rent discounts.

Identified risks	Action plan
Talent creation	
• Failure to attract new talent (loss of attractiveness). • Failure to retain existing talent (motivation, ambition, remuneration, career plan). • Inadequate staff structure, composition and sizing (business vs support). • Lack or non-existence of adequate training plans. • Failure to comply with occupational risk prevention regulations with employees. • Lack of communication and traceability of the strategy in long-term objectives • Inadequate (or non-existent) management of succession plans for key personnel (senior management and other staff). • Failure to comply with inclusion, diversity and equality plans.	• Approval of a new Long-term Remuneration Policy that introduces certain changes to adapt it to the new developments in the Corporate Enterprises Act and bring it into line with the interests of stakeholders, in particular those of its shareholders. • Short-term Remuneration Incentive Plan: with a weighting of non-financial targets at a maximum of 30%. • Variable remuneration in line with the achievement of targets linked to the Company's short- and long-term strategic plans and the interests of shareholders, without being guaranteed, but sufficiently flexible to not pay, or partially pay, this component if the targets set are not achieved. • Succession plans for key personnel reviewed by the Appointments and Remuneration Committee. • Employee evaluation based on objective criteria to ensure appropriate remuneration of each employee's professional value, experience, dedication and responsibility. • Registered Equality Plan and Sexual Harassment Action Protocol disseminated throughout the company.

Identified risks	Action plan
Management of stakeholders	
• Inadequate management of the impact of CSR activity (Corporate/Centres). • Inadequate management of the (physical and social) impact of our assets on local communities. • Failure to comply with local taxation (property taxes, tax on economic activities, duties, no-parking zones, environmental taxes) and its impact on local communities. • Failure to comply with occupational risk prevention regulations with third parties. • Protecting the health (well-being) of the users of the assets. • Inadequate management of data protection and privacy of the users of the assets.	• Measurement the ongoing social impact using the London Benchmark Group (LBG) methodology, which allows us to quantify the impact of all actions with social implications. • Implementation of general controls (Strategy and Tax Policy), tax department regulations and a protocol for reviewing compliance with Spanish Law 16/2012. • Appointment of a Health and Safety Coordinator for all projects and a Business Coordinator for all works when required, and monthly monitoring of the accident rate. • Implementation of services (MERLIN HUB, urban gardens, etc.), and investments in HVAC to improve mobility and experience and to protect the health of our users.

Identified risks	Action plan
Capital management	
• Increase in the Company's financing costs (rating, rate hikes, etc.). • Volume of short-term payables. • Compliance with financial covenants • Management of strategic investments/divestments. • Access to sustainable financing (non-compliance with required KPIs). • Macroeconomic conditions in Spain and Portugal.	• Strict financial policy, by continuously monitoring the debt markets (mortgage, corporate banking, bonds), monitoring the gearing ratio, maturities and average cost of debt, maintaining lines of credit open and reports from the external auditor on compliance with covenants. • Investment procedures and control structures: documentation on the operation of the financial models, implementation of modification and integrity controls in all models. • Reconversion of all corporate debt to green financing (corporate bonds and debt), subject to compliance with certain Sustainable ESG KPIs. • Monitoring of the political and regulatory environment: regular reporting of new sector regulations, analysis of drafts of new regulations anticipating impacts and ongoing contact with specialised advisors.

Commitment to Information Security and Cybersecurity

At Merlin, we are committed to ensuring information security at all levels of the company. To achieve this objective, we have various tools at our disposal, such as an information security and cybersecurity model based on best market practices and constant improvement, which includes UNE-EN-ISO 27.001:2017 standard certification and adherence to the Code of Good Governance in Cybersecurity published by the National Cybersecurity Forum. This code establishes principles and recommendations to ensure information security in the digital age and promote trust and security in the use of information technologies, with the aim of ensuring the availability of a secure digital and technological environment, complying with legal, contractual and regulatory requirements, while adequately managing different security events and incidents.

All of this is set out in the organisation's Information Security Policy, which establishes the company's commitment to guaranteeing information security and protecting the different assets; this policy is based on a set of principles that support the company's strategy and it is structured in different

areas, such as protection of information and personal data, cybersecurity, resilience, security audits, segregation of duties and tasks, ongoing training and management of events and incidents that may affect information security, all of which reflect the security culture that is part of Merlin Properties' DNA.

In line with the above, a formal security and cybersecurity incident management process is approved and in place, which includes threat detection, incident containment and eradication, and recovery if necessary; a contingency and recovery plan to respond to potentially disruptive events enhanced by a cyber insurance policy that covers potential disruptive events and cybersecurity incidents. There is also an annual cybersecurity awareness and training programme that includes mandatory training for employees, regardless of seniority and their role within the company, as well as various initiatives to promote a culture of security.

The organisation's security policy, which has been approved by the company's board of directors, applies to all business units, is reviewed regularly and is available to all stakeholders at: <https://ir.merlinproperties.com/gobierno-corporativo/normativa-de-gobierno-corporativo/>

Aware that cybersecurity is a daily effort and that we are in a constantly evolving environment, we have an Information Security Committee, comprising different key figures within the company: COO (Chief Operations Officer), CISO (Chief Information Security Officer), CIO (Chief Information Officer), DPO (Data Protection Officer), the director of Internal Audit and the HR director. It is responsible for ensuring that the information security policy is in force and up to date, as well as guaranteeing its compliance and comprehensive application in all areas of the organisation.

To this end, among other functions, this committee is also responsible for conducting a regular review of the security risks to which the organisation is exposed and for assessing the effectiveness of the security measures implemented. Thanks to this comprehensive approach, we can ensure that information security is integrated in all business decisions and processes, enabling us to protect our digital assets and ensure the confidentiality, integrity and availability of the information we process.

To ensure constant improvement of the cybersecurity programme, in addition to submitting our information security systems to ongoing reviews by independent third parties who conduct security audits and reviews with different scopes, including recurrent pentesting exercises and vulnerability reviews, we design and plan various actions. For 2024, we are working on developing a three-year Security Master Plan, with the aim of further identifying aspects where there may be room for improvement in information security.

In summary, the culture of security that is part of Merlin Properties' DNA.

3.3 Ethics and compliance: Pillars of Exemplary Business conduct

MERLIN restates its firm commitment to ethics, transparency and the generation of value for its stakeholders in carrying out its activities.

MERLIN's **Code of Conduct** is the compilation that reflects the company's commitment to the foundations of business ethics and transparency in all areas of operation. This document sets out a series of principles and guidelines for behaviour designed to ensure that all the Group's professionals act in an ethical and responsible manner in the course of their work.

Each year, all professionals receive training on the Code of Conduct and are also provided with regular internal communications. In addition, adherence to the Code of Conduct is a mandatory requirement for all new recruits. In addition, MERLIN's contracts with suppliers and tenants include clauses including provisions referring to both MERLIN's compliance policies and its Code of Conduct.

Merlin's Ethics Channel (<https://www.merlinproperties.com/sistema-interno-de-informacion/>), is a tool that aims to provide a secure, anonymous and confidential way for anyone to report any irregularity or non-compliance related to malpractice within the organisation, committed in relation to the requirements, values and principles of the Code of Conduct, the responsibilities of the Group's Criminal Risk Prevention Model, as well as current legislation on the Criminal Liability of Legal Entities and in the area of workplace harassment.

MERLIN wants to be diligent in protecting whistleblowers. **In 2023, Merlin outsourced the management of the Ethics Channel ("Internal Reporting System") to BDO to ensure maximum confidentiality regarding the identity of the whistleblower**, as well as compliance with current legislation in the processing of the reports received.

Thus, any third party that has a relationship with **MERLIN and has reasonable evidence of any Irregularity may report it to MERLIN through this Channel**. MERLIN Professionals will, in any case, be obliged to report any reasonable indication of any Irregularity. This channel is available to all internal employees and is also accessible to the general public via the company's corporate website.

The adaptation to current legislation has entailed a modification of the **Code of Conduct** and the **Channel's reporting Procedure**, and the Board of Directors has approved a specific Policy in this respect (**Internal Information System Policy**), which establishes that queries and incidents will always be handled in a confidential, fair, complete, objective, independent and honest manner. Independence, impartiality and absence of conflicts of interest are guaranteed by ensuring objectivity throughout all parts of the process.

As established in the **Channel's reporting Procedure, once these Reports have been received, the External Manager (BDO)** will prepare the corresponding report, sending the acknowledgement of receipt of the Report to the Whistleblower within 7 calendar days of its receipt.

Once the External Manager has completed the investigation of the Report, they will prepare a report reflecting the investigations carried out, as well as the conclusions reached. This report will be sent to the Head of the Information System (Internal Audit Director) through the Ethics Channel within a maximum of 7 working days of receiving the Communication.

The Head of the Information System will forward the report to the Board's delegated committee, which may appoint an internal manager (the "**Internal Manager**"), who will proceed to investigate the facts and may contact the persons concerned and request any additional information necessary.

The Internal Manager must submit their report and the conclusions of the investigation carried out to the Board's delegated committee assigned within thirty (30) calendar days of their appointment as Internal Manager.

At a meeting of the Board of Directors, the Board's committee that has been assigned will analyse the report and conclusions submitted by the Internal Manager and prepare its own report including its decision on the measures and actions to be taken (the "**Assigned Committee's Report**"). The Assigned Committee's Report will, in any case, reflect the details of the investigation carried out, the type of Report received, its resolution status and the conclusion reached.

The deadline for giving a response to the investigation proceedings is 3 months, except in the case of a complex investigation, which may be take up to 6 months.

If the Assigned Committee deems it necessary to apply the **Group's Disciplinary System**, the Assigned Committee's Report will be (a) communicated to the Appointments and Remuneration Committee (provided that this is not the Assigned Committee) and to the Head of Human Resources, for their knowledge and report prior to implementing any measures (which will be the responsibility of the Head of Human Resources) and (b) submitted to the Board of Directors, for its knowledge.

However, if the Report contains Irregularities or the measures are of such importance that the competence for deciding on measures or actions lies with the Board of Directors, the Assigned Committee will directly submit its report to the Board of Directors for its decision on how to proceed.

After determining the action to be taken, the Internal Audit Director, together with the Head of Human Resources, will inform the person concerned of the resolution of the Report.

During 2023, 1 complaint (0 in 2022). This complaint has been within the company's labor framework, and it is in the process of resolution.

Integrity and strict compliance with existing regulations are inseparable components of ethical conduct. Since its inception, MERLIN has established bodies, policies and procedures to ensure this integrity at all levels. Along these lines, the Group has developed an integrated, effective internal control model, aligned with best practices, aimed at ensuring compliance with the requirements associated with priority regulations. The following tools are currently available:

- **Crime Prevention Model (CPM)**, which covers all activities and companies with operations that are controlled by MERLIN.
- **Anti-money laundering mechanisms:** MERLIN has mechanisms in place to comply with the requirements established in anti-money laundering regulations, including a Prevention Manual, annual external audits, an Internal Control Body (ICB), a Customer Acceptance Policy and a Technical Unit for the prevention of money laundering. All these mechanisms have been adapted to cover the Company's activities in Portugal.
- **System of Internal Control over Financial Reporting (ICFR):** MERLIN has an effective and reliable financial control model, based on identifying key risks and selecting relevant processes for financial reporting, the methodology and procedures of which are documented in the ICFR Manual.
- **System of Internal Control over Non-Financial Reporting (ICNFR):** MERLIN has an effective and reliable model for controlling non-financial information, based on identifying key risks and selecting relevant processes for financial reporting, the methodology and procedures of which are documented in the different ICNFR indicator manuals.
- **Personal data protection mechanisms:** The Group has mechanisms in place to ensure that personal data is processed correctly, including a DPO (Data Protection Officer) and the Personal Data Protection Policy.
- Also worthy of note in 2023 is the continuation of the global training for the entire workforce as part of **Regulatory Compliance Training** aimed at all of the Group's professionals, with a high level of participation (over 92%) by staff, executives and Board members. Compliance training was added to the onboarding process for new employees in 2022 and global training is focused on issues related to the Code of Conduct, sustainability, the policies on respect for human rights and the Personal Data Protection Policy).

Anti-fraud and anti-corruption measures

In accordance with its Articles of Association, MERLIN seeks to ensure that its conduct and that of its employees complies not only with current legislation and its corporate governance system but also with widely accepted ethical and social responsibility principles. MERLIN has implemented a **Criminal Compliance Management System**, based on the company's firm commitment to values and principles that reject and prohibit any type of unlawful activity.

These principles are reflected in the **Code of Conduct**, approved by the Board of Directors in 2015 and updated in 2021. These principles apply to employees, managers and governing bodies of the

organisation, conveying a strong message of absolute rejection and zero tolerance of any unlawful conduct that violates the Group's policies, values and principles.

The **Criminal Compliance Policy** strengthens the company's commitment to corporate governance in line with its values and principles. It also establishes rigorous organisational control over the Group's management bodies, executives and employees, with the aim of minimising the possibility of improper practices or breaches of regulations in the exercise of its activities as far as possible.

As regards MERLIN's **Compliance System**:

- **MERLIN's Compliance Management System certification was renewed in 2023 under UNE 19601 for all Group companies, including Portugal.** The UNE 19601 standard aims to reduce the organisation's exposure to criminal risk and to foster a culture of crime prevention.
- **In 2023, MERLIN's Anti-Corruption and Bribery System was renewed under the ISO 37.001 international standard certification.** ISO 37001 is the international standard that specifies requirements and provides guidance for establishing, implementing, maintaining, reviewing and improving an anti-bribery management system.



Both certifications accredit that **MERLIN's Crime Prevention and Detection Model meets the standard's requirements and is also effective** in its commitment to ongoing improvement to incorporate the highest standards of compliance.

MERLIN's Crime Prevention and Detection Model includes a Map of Risks or Criminal Offences associated with the nature of the Group's operations. This map identifies, documents and implements over 90 controls related to such offences. This implementation reflects that the organisation has established the necessary mechanisms and controls within the area of Criminal Compliance.

Respect for human rights

In 2022, the Board of Directors approved the **Policy on respect for human rights** to clearly state the Group's commitment to the human rights recognised in both national and international law. In addition, the policy defines the principles that will be implemented by the Group to apply due diligence on human rights issues. This diligence is in line with the Guiding Principles on companies and human rights, the OECD Guidelines for multinational enterprises, the principles endorsed by the United Nations Global Compact, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the conventions established by the International Labour Organization, as well as the Sustainable Development Goals (SDGs) adopted by the United Nations. This approach is also in line with the Company's Code of Conduct and considers other documents or texts that may complement or replace those mentioned above.

MERLIN and its Group are committed to guiding their actions based on the following principles:

- Reject discriminatory practices or practices that undermine the dignity of individuals on the basis of their age, gender, marital status, nationality, religion, disability, race or ethnicity, or any other personal circumstance.
- Reject child labour and forced or compulsory labour.
- Respect freedom of association and collective bargaining
- Protect the health of workers and provide decent employment.
- Respect the rights of local communities and other stakeholders.
- Respect the environment and protect natural resources.
- Integrity, zero tolerance for corruption.
- Implement monitoring and control procedures to identify, with due diligence, potential situations of risk of human rights violations, and establish mechanisms to prevent and mitigate these risks.

To achieve these objectives and commitments, MERLIN assumes and promotes the following basic guiding principles that should govern its actions and those of the Group in all areas:

- a) Promote a culture of respect for human rights and actions aimed at raising the awareness of the Group's professionals, suppliers, contractors and third parties with which professional relationships are maintained;
- b) Identify the potential impacts that the operations and activities carried out by the Group, either directly or through a third party, may have on human rights;
- c) Assess the effectiveness of the due diligence system through monitoring indicators, with a special focus on those activities where there may be a higher risk of human rights violations. This assessment will be supported by the Group's internal control systems;
- d) **Complaint and grievance mechanisms, with sufficient guarantees and adequate resolution procedures**, to address potential cases of human rights violations. MERLIN has set up an Ethical Channel (Internal Reporting System) at the address <https://www.merlinproperties.com/sistema-interno-de-informacion/>, which can be used to report any indication of irregularities in the actions or conduct of employees, executives or collaborators of the Group companies that could imply a breach of the Code of Conduct or that could be considered an act of discrimination, corruption, extortion, bribery or any other type of offence.
- e) **React by diligently adopting the appropriate measures if a violation of human rights is detected in the Group's operations** or in those of its customers or suppliers, and inform the competent authorities so that they can take the appropriate actions when this violation may constitute an administrative, criminal or any other type of offence.

In particular, with regard to its Supply Chain, MERLIN will actively encourage the suppliers with which the Group's companies maintain commercial relations to show strict respect for the human rights recognised in international and national legislation in each of the countries where they operate.

MERLIN recognises the importance of its suppliers as key partners in compliance with this Policy, understanding that they share a joint responsibility with the Group. **In this regard, the company will actively promote the implementation in 2024 of a Code of Conduct for suppliers based on respect for human rights throughout the supply chain.**

Specifically, Merlin will ensure that the commitments established by Merlin are also adopted by suppliers, while preserving their management autonomy. This approach will be carried out in accordance with the practices and procedures set out in the Group's regulations.

In line with its Procurement Policy, MERLIN carries out ESG (environmental, social and corporate governance) assessments of its critical suppliers. These assessments include the analysis of Fundamental Rights and include guidelines aiming for suppliers, within the scope of their responsibilities, to assume the protection of human rights when entering into contractual relationships with the company.

MERLIN will ensure that its business partners are aware of and respect the principles and commitments made in this policy.

In 2023, **MERLIN requested information from all suppliers in tenders for improvement and refurbishment of assets (CAPEX) in excess of EUR 150,000**, covering information and details on environmental, social and regulatory compliance matters, including aspects regarding human rights compliance (policies, demands, etc.) for each third party assessed. Internal Audit subsequently reviewed the questionnaires.

Lastly, no complaints of human rights violations were recorded in 2023.

4. Climate change management and operational efficiency, our ecological footprint

The Group's environmental sustainability is a key aspect to ensure compliance with its objectives at all levels and to enhance its value creation, with active climate change management and efficiency in the use of resources as key pillars.

2023 MILESTONES	FUTURES OBJECTIVES
- Improvement in 6 of the 7 ESG benchmarks, in absolute or relative terms. - Being listed on the Dow Jones Sustainability World Index. - ISO 14001 and 50001 certification to validate environmental management procedures. - Subscription of an aggregate amount of approximately EUR 1,155 million in new "green" financings in 2023. - Reducing operational carbon footprint intensity (Scope 1 + 2) compared to 2022. - Measuring the embodied carbon footprint in refurbishments and newbuilds over EUR 3 million. - Project Sun: installing 4.0 MWp of additional power to end the year at an installed power of 14.9 MWp. - Creating and launching the green clause in lease agreements.	- Reformulation to include the data center activity branch in the Pathway to Net Zero. - Publishing maximum embodied carbon footprint caps for future newbuilds and refurbishments. - Renewing the Green Financing Framework - Increase the implementation of the green clause in contracts. - Project to implement the Zero Waste initiative in shopping centres. - Implementing the centralised BMS (Building Management System). - Forest allocations capable of offsetting the MERLIN's entire unavoidable carbon footprint.

KEY INDICATORS FOR THE YEAR				
	Like for Like Data		Absolute Data	
	2023 Data	2022-2023 Evolution	2023 Data	2022-2023 Evolution
Energy consumption (GJ)	392,853	-2.2%	427,546	-1.6%
Energy consumption (MwH)	109,126	-2.2%	118,763	-1.6%
Greenhouse gas emissions (tCO2eq) Market-based	2,422	-6.1%	2,433	-10.8%
Greenhouse gas emissions (tCO2eq) Location-based	10,491	-25.9%	10,762	-37.5%
Water withdrawal (m3)	668,306	1.3%	690,204	-2.0%
Waste (ton)	6,100	-9.8%	6,668	-5.5%
% of self-produced energy	3.3%	n/a	3.0%	n/a
% of portfolio (in terms of GAV) certified with LEED, BREEAM	n/a	n/a	94.2%	0.6%
% of the portfolio certified on ISO 14001 y 50001	66%	-	36%	-

4.1 Key environmental performance reporting criteria and concepts

a) Methodology

MERLIN includes information on environmental performance of its asset portfolio in accordance with the methodology established by EPRA Sustainability Best Practice Recommendations (3rd edition, 2017) and based on the GRI (Global Reporting Initiative) Indexes.

b) Reporting scope

Asset categories

MERLIN reports environmental performance information for its office, logistics, shopping centre, and data center portfolios, not including assets in which it holds a minority interest.

Type of surface area control

For more accurate performance management of its assets in terms of energy consumption efficiency, water withdrawal and carbon footprint, MERLIN separates the data for these indicators by type of property:

- Assets over which the Group exercises operational control. These are generally multi-tenant assets where the Group continuously assesses their environmental impact.
- Assets over which the Group does not exercise operational control. For these single-tenant assets, although MERLIN is the holder of some of the utility contracts, the consumption management tasks fall to the tenant of the asset.
- MERLIN's corporate headquarters and LOOM spaces leased by the Group.

In particular, MERLIN reports the information for the environmental indicator of waste management in terms of those assets where it is responsible for waste management, since in some cases this management is carried out by the owners' associations.

Reported data

The Group has established the following reporting criteria taking into account the criteria set out above and the condition of the asset:

	Energy	Water	Waste	Certificates
Assets in operation full year ²⁰	✓	✓	✓	✓
Assets in operation part of the year ²¹	✓	✓	✓	✓/x
WIP ²²	x	x	x	✓
Land ²³	x	x	x	x

Environmental performance data are reported both in absolute terms and in relative terms, known as intensity, i.e. absolute consumption or emissions divided by the surface area for which the consumption or emissions are reported.

Environmental indicators on that basis are calculated taking into account the percentage of gross leasable area (GLA):

- To measure the intensities for assets that are in operation for part of the year, each asset's GLA is weighted according to the time it has been in operation.
- In the case of assets that form part of an owners' association, the share of equity is applied to the energy and water consumption data. In these cases, the surface area taken into account in the calculations represents MERLIN's share of equity in the asset.
- The total GLA of the assets is considered in the calculation of energy and water intensity, except in those cases where MERLIN only has control over the management of consumption in the common areas, in which case only the surface area of these common areas is considered.

²⁰ Assets in operation for the full fiscal year

²¹ Assets that are in operation for part of the fiscal year, if the asset is in operation at the end of the fiscal year, the information on certifications is reported

²² WIP: Assets under construction or refurbishment/retrofitting

²³ Plots or tracts acquired by the Group on which building has not yet started.

The data reported express the following percentage total GLA in each asset category:

	Energy % GLA	Water % GLA	Waste % GLA	Certifications % GLA
Offices	72%	74%	62%	96%
Logistics	33%	28%	10%	90%
Shopping Centres	99%	99%	77%	93%

Absolute scope and like-for-like scope

Based on the EPRA sBPR Guidelines, MERLIN reports on a series of environmental indicators or KPIs (integrated in the EPRA Sustainability Performance Measures). These KPIs cover information on energy consumption, GHG emissions, water withdrawal and waste generation²⁴.

There are two types of KPI: Total or absolute KPIs and like-for-like KPIs. Absolute KPIs are calculated in terms of the total asset portfolio. Like-for-like KPIs are calculated considering only assets that have been in continuous operation for the last three years.

Environmental performance data is reported including the degree of coverage of each KPI. Coverage is defined as the proportion of assets for which there is information available to calculate the respective KPI with regard to total assets, calculated both in terms of the number of assets and surface area of the assets.

In 2022, MERLIN updated its criteria for calculating its GHG emissions to take into account operational control and its equity share in the assets as provided in the GHG Protocol²⁵, using the market-based method, in which data on the emission factors for electricity consumption are obtained from the electric company from which the electricity is purchased. The Group previously calculated the emission factor based on the electricity mix for Spain and Portugal (location-based method).

Scope 1, 2, and 3 emissions are reported as described below:

- 1) **Scope 1** emissions, which include direct GHG emissions:
 - Associated with fuel consumption at fixed installations of assets under operational control.
 - Associated with fugitive emissions of greenhouse gas refrigerants.
- 2) **Scope 2** emissions, which include indirect GHG emissions:
 - Associated with electricity consumption at installations.
 - Associated with thermal energy consumption at installations.
- 3) **Scope 3**, direct emissions from fuel consumption at fixed installations of assets not under operational control and indirect emissions as a result of the company's activities at sources that are neither owned nor controlled by the company (*see Appendix II to this report*).

²⁴ The full definition of the above KPIs is given in detail in chapter 8.b. "EPRA sBPR Table of Contents" of this SNFI.

²⁵ The GHG Protocol (Greenhouse Gas Protocol) sets out the global standardised frameworks for measuring and managing greenhouse gas (GHG) emissions from both private and public sector operations and value chains and mitigation actions.

4.2 Environmental and energy management systems

MERLIN, under the continuous improvement approach in its role as manager of its portfolios, has an Integrated Management System (IMS) for the ISO 14001:2015 (Environmental Management Systems) international standard and for the ISO 50001:2018 (Energy Management Systems) international standard, both benchmarks certified by an accredited certification body.

The Environmental Management System supports environmental best practices, and its systematic approach to identifying and complying with all applicable legal environmental requirements and identifying and managing the associated environmental risks evidences its commitment to continuous environmental improvement.

The Energy Management System, in turn, encompasses improving energy efficiency, reducing consumption, improving operations and activities, and reducing the emissions associated with MERLIN's activities and evidences its commitment to energy efficiency in the framework of continuous improvement.

In 2015 MERLIN set out on an ambitious plan to implement these management systems and successfully achieve ISO 14001 (environmental management) and ISO 50001 (energy management) certification by expanding the number of real estate assets with at least one of those certifications.

This plan includes office buildings, shopping centres and logistics warehouses. In 2023, 91 buildings with a total floor area of 1,233,389 sqm were ISO 14001 certified, 2 more than in 2022.

Group also continued its process of implementing its ISO 50001 certified Energy Management System that was started in 2017. Currently, 88 buildings with a total floor area of 1,181,192 sqm are certified, 4 more than in 2022.

The target for the assets included in the ISO 50001 certified Energy Management System is to implement ESMs (energy saving measures) to reduce energy consumption by 8% compared to 2021 (96.71 kWh/sqm occupied space).

Through its Environmental Management System the Group identifies the most significant environmental impacts of its activities and establishes the mechanisms necessary to identify, assess, and control those impacts in keeping with the precautionary principle.

The Group allocates 8.11 FTEs (3.05% of the workforce) to environmental risk prevention, including time spent by the management bodies, senior management, and prevention and management teams.

With regard to cover for potential environmental risks, the Group has third-party liability insurance that expressly covers any third-party liability arising from contamination or pollution of the atmosphere, soil or water, provided that these harmful actions occurred as a result of an accidental, sudden, unforeseeable, unexpected and unintentional cause.

This insurance also covers the costs of removal, cleaning or disposal of contaminating substances for which MERLIN is legally liable due to contamination of third party sites or facilities.

In 2023, following an analysis, the Group did not consider it necessary to make provisions for potential environmental risks.

4.3 Development and operation of sustainable assets

Integrating sustainability into each of the different phases of the asset's life cycle has always been a priority for MERLIN:

Acquisition of new land or buildings

In the due diligence process for investments in land and buildings, MERLIN considers environmental and social sustainability aspects such as the property's construction characteristics, the asset's energy efficiency, alignment with the Group's strategy regarding sustainable mobility, or the status of legal compliance and sanctions. Furthermore, as a starting point, the Group's strategy is to prioritise the location of assets in urban environments as this in and of itself ensures that no ecologically critical or endangered areas will be affected.

MERLIN is therefore committed to ensuring that:

- 100% of office and shopping centre assets are located within 10 minutes/1 km of public transport.
- 0% of assets are located in protected or ecologically critical areas.
- 100% of acquisitions take environmental and social criteria into account.

MERLIN has made progress fulfilling these commitments. For example, 100% of the Company's offices and shopping centres are accessible by public transport and all assets are located in urban areas that do not impact protected or ecologically critical areas. MERLIN also continues to work on integrating environmental and social criteria in line with LEED and BREEAM certifications.

Developments and refurbishments

Sustainability is a factor that enters into the design phase of MERLIN's new developments and refurbishments, which raises the value generated by the project from the initial stages. The Company also sets sustainability requirements for contractors, certifies the assets of their projects based on sustainable construction schemes, and reduces and mitigates the negative impacts associated with the construction. In this phase, the Group replaces or installs resource-efficient equipment, systems and devices.

MERLIN has implemented a new policy that makes it compulsory to calculate the embodied carbon footprint for projects worth more than EUR 3 million and assign an ESG performance rating to suppliers involved in projects worth more than EUR 150 thousand. The embodied carbon footprint of five projects was calculated in 2023.

MERLIN is firmly committed to integrating sustainability into all stages of the life cycle its assets and performs Life Cycle Assessments for new building construction and refurbishment works. This assessment enables a comprehensive and detailed evaluation of the environmental performance of buildings taking into account all their phases, from raw material extraction to final disposition. This enables different design alternatives, materials, and technologies to be compared, contributing to more well-founded decision-making and optimisation of environmental performance over the lifetimes of buildings. In addition, life cycle assessments are an opportunity to identify areas where circular economy strategies such as reuse, recycling, and remanufacturing can be applied to optimise resource use and minimise waste over the building's entire life cycle.

The following table presents the life cycle assessments carried out in 2023.

Nave B Sector ST 31, Cabanillas del Campo
Nave 1 Sector UG 15, San Fernando de Henares
Building located in Preciados, 28
Building located in Josefa Valcárcel, 48

MERLIN also seeks synergies among its assets to minimise and reuse waste generated during refurbishment. Reuse of building materials and building fixtures and soil recycling at Cerro de los Gamos can be highlighted as an example of this. The raised flooring removed from Plaza Ruiz Picasso 11 and buildings 2 and 3 at Cerro de los Gamos was reused in buildings 1 and 4 in 2023. The existing raised flooring in buildings 2 and 3 is to be refitted in those buildings and the empty floors in building 5. In addition, the boilers from Cerro de los Gamos building 3 will be recovered and reused in the asset at Castellana 93.

The Group's roadmap calls for greater circularity by its contractors in building and refurbishment projects, and the Group therefore plans to include these criteria when evaluating bids submitted in tender processes.

With regard to biodiversity in developments and refurbishments, MERLIN studies the ecological value of the environment and proposes measures to preserve it, with priority given to native plant species in landscaped areas around our assets, avoiding exotic species. Likewise, although implicit in its expansion strategy, the Group avoids deforestation in its developments and refurbishments by acquiring land in urban settings or with previous uses.

MERLIN is therefore committed to ensuring that:

- 100% of newbuilds/refurbished assets have sustainable construction certification.
- 100% of critical suppliers will be evaluated on ESG aspects.

MERLIN has made progress in meeting these commitments by obtaining LEED or BREEAM certification for all newbuilds and refurbishments.

Merlin is committed to not exceeding the following thresholds on embodied carbon in newbuilds:

- Offices: 500 kg CO₂/sqm.
- Logistics: 400 kg CO₂/sqm.
- Shopping centres: 500 kg CO₂/sqm.

Management of properties in operation

MERLIN employs strategies based on continuous supervision and proactive management of consumption when operating its assets. It takes measures and works closely with tenants and operators to optimise consumption and minimise adverse effects on the sustainability of its assets. In addition, it uses sustainability criteria to evaluate its suppliers and recognised sustainability performance measurement systems to certify its assets.

The operational phase is where MERLIN has the most scope for action, so the Group concentrates its efforts on maximising the inclusion of sustainability aspects in that phase. The following sustainability initiatives that it has implemented in its portfolio of assets in operation can be highlight at this time:

- Monitor the environmental performance of each asset throughout the chain of command, and establish specific action plans on a quarterly basis.
- Approve an investment plan for the installation of equipment (lighting, temperature, etc.) that improves asset performance.
- Include green clauses to encourage energy efficiency in the tenant's operations. 28 tenants signed the green clause in 2023.
- MERLIN is continuing to install photovoltaic panels on assets in its strategic branch of activities (offices, shopping centres, logistics warehouses and data centers) as part of its Project Sun intended to position itself as the largest developer of self-generated energy in its sector and an essential player in the energy transition. After attaining last year's targets, the project has reached 14.9 MW installed capacity at a total of 28 assets (15 offices, 4 shopping centres, 7 logistics warehouses and 2 data centers), for total self-consumption rate of 4.2%.
- Furthermore, 100% of assets under MERLIN's operational control consume renewable electricity and have a guarantee of origin certificate.
- MERLIN takes different initiatives to optimise material use, reduce waste generation, and manage the generated waste more efficiently in an effort to improve the circular economy of its assets. All assets (offices and shopping centres) therefore have waste sorting systems.

MERLIN's main objective in operating its assets is to have photovoltaic panels installed at 100% of its assets²⁶.

²⁶ This commitment applies to those assets where installation is feasible based on the technical and/or structural characteristics of the assets

4.4 Sustainability advances in MERLIN's portfolio

MERLIN draws up its report on the environmental performance of its portfolio in strict compliance with the most up-to-date sustainability practices as per the EPRA Sustainability Best Practice Recommendations (3rd version, 2017) to ensure comparability with the data reported by other companies in the sector²⁷.

For more information on the environmental performance of MERLIN's portfolio, and the methodology used, please refer to "Appendix I. Environmental performance reporting in accordance with the EPRA Sustainability Best Practices Recommendations (sBPR)".

Key environmental performance indicators of MERLIN's portfolio²⁸

	2021		2022		2023	
	Absolute	LfL	Absolute	LfL	Absolute	LfL
 Energy	436,188 GJ	409,486 GJ	434,494 GJ	401,753 GJ	427,546 GJ	392,853 GJ
	0.209 GJ/m ²	0.263 GJ/m ²	0.207 GJ/m ²	0.257 GJ/m ²	0.201 GJ/m ²	0.255 GJ/m ²
	121,163 Mwh	113,746 Mwh	120,693 Mwh	111,598 Mwh	118,763 Mwh	109,126 Mwh
	0.058 Mwh/m ²	0.073 Mwh/m ²	0.058 Mwh/m ²	0.071 Mwh/m ²	0.056 Mwh/m ²	0.071 Mwh/m ²
 Water	554,034 m ³	512,544 m ³	704,215 m ³	660,003 m ³	690,204 m ³	668,306 m ³
	0.390 m ³ /m ²	0.388 m ³ /m ²	0.484 m ³ /m ²	0.482 m ³ /m ²	0.477 m ³ /m ²	0.488 m ³ /m ²
 Waste	6,198 tons	6,197 tons	7,054 tons	6,766 tons	6,668 tons	6,100 tons

Energy consumption by like for like²⁹ assets fell by 2.2% compared to 2022, mainly due to implementation of energy-saving measures and monitoring of the installations, since an increase in consumption compared to 2022 had been expected due to increased office occupancy, logistics activities, and the shopping centre footfall rate. Absolute consumption by the portfolio declined by 1.6%.

Energy intensity was down 1.1% from 2022 for the like-for-like portfolio and down 3.0% from 2022 for the absolute portfolio.

²⁷ The GRI (Global Reporting Initiative) Standards are the starting point for the third and most recent edition of the EPRA (European Public Real Estate Association) sBPR Guidelines released in 2017. These recommendations are the world's most important sustainability reporting standards, but since they are intended for a wide range of companies, they are general and all-encompassing in nature. Consequently, in some cases they do not address the specific characteristics of the real estate sector. Accordingly, the EPRA sBPR Guidelines provide very specific reporting criteria that sum up the requirements in the GRI Standards. Following the recommendations of the EPRA sBPR Guidelines, Appendix I includes a series of tables that provide a full breakdown of the portfolio's environmental performance data.

²⁸ The environmental indicators reported in the infographic only include information on assets over which MERLIN exercises operational control.

²⁹ Assets that have been operating continuously for the last three years are included.

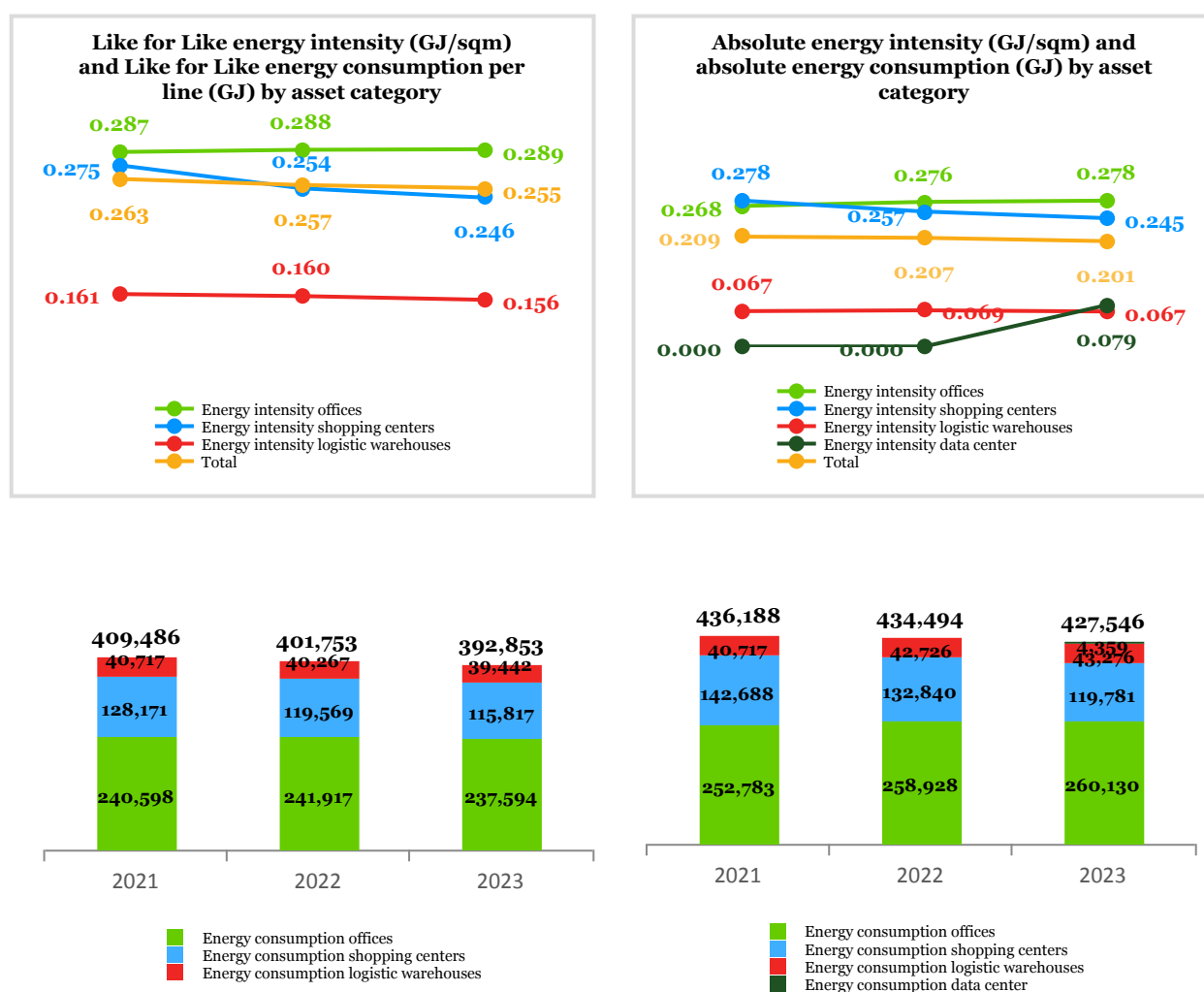
With regard to **like-for-like water performance data**, the **total volume of water withdrawal** at the assets under MERLIN's operational control was 668,306 m3 in 2023 broken down as follows: office assets (42%), logistics warehouses (7%) and shopping centres (51%). There was a 1.26% rise compared to 2022, mainly due to office and shopping centre portfolio footfall (5%) and the high summer temperatures.

Energy consumption

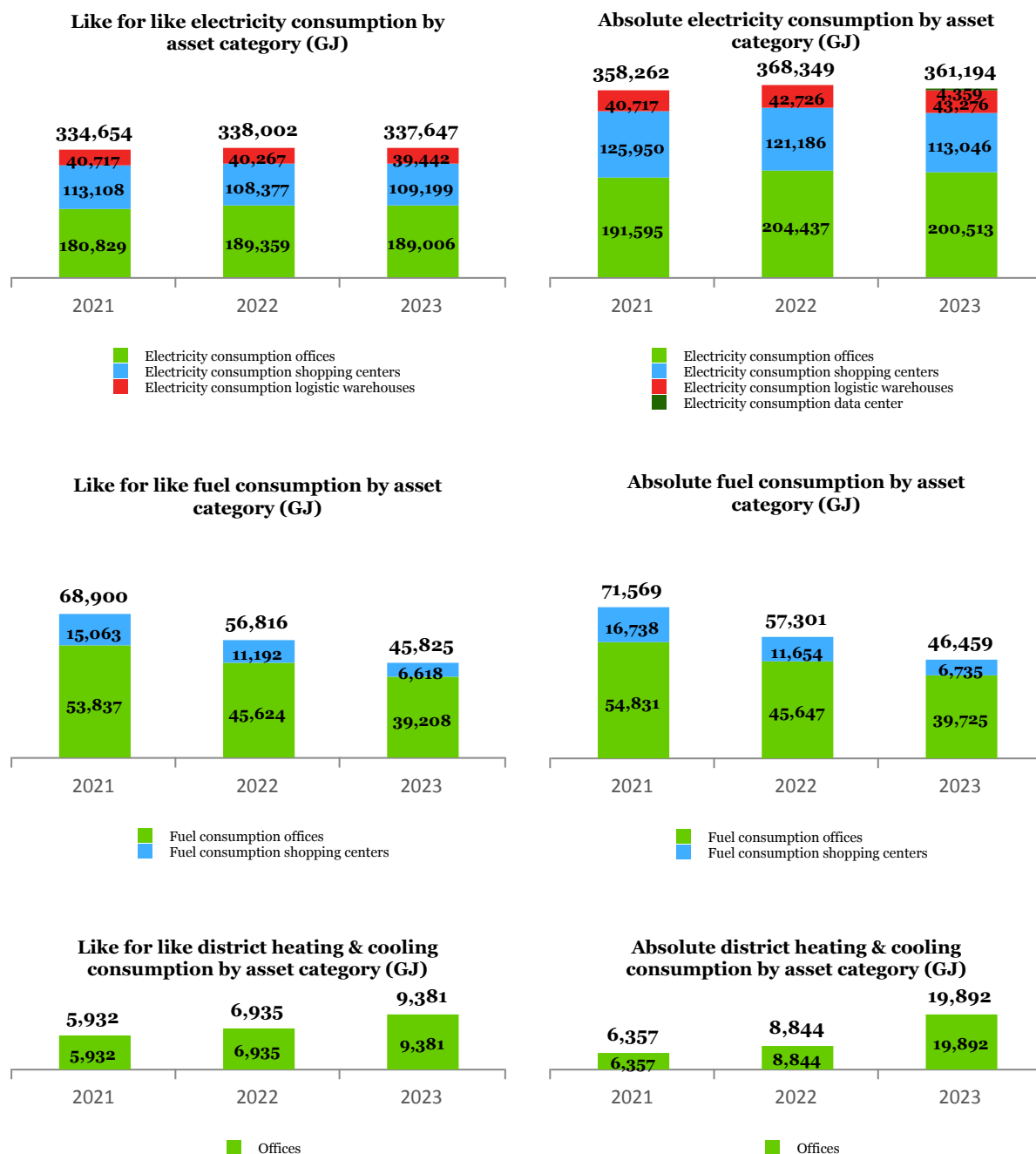
MERLIN collects information on energy consumption by different components of its portfolio, including assets under its operational control, assets not under its operational control, its headquarters in Madrid, and the LOOM locations in Huertas and Salamanca. The data collected include detailed consumption of electricity, fuels like natural gas and diesel, and use of district heating & cooling.

ENERGY CONSUMPTION OF MERLIN'S ASSETS UNDER OPERATIONAL CONTROL³⁰

For assets the Company for which is able to monitor and evaluate energy consumption, MERLIN has data for 55% of its absolute portfolio in terms of floor area, 1% less than in 2022.



³⁰ The total surface area of the assets has been considered in the calculation of energy intensity, except in those cases where MERLIN only has control over the management of consumption in the common areas, in which case only the surface area of these common areas is considered



MERLIN remains committed to renewable energy through the production and self-consumption of photovoltaic energy at its assets and to increasing the number of assets supplied with renewable energy with a guarantee of origin. In 2023³¹, electricity consumed from renewable sources accounted for 99.98% of the total electricity consumed under its operational control.

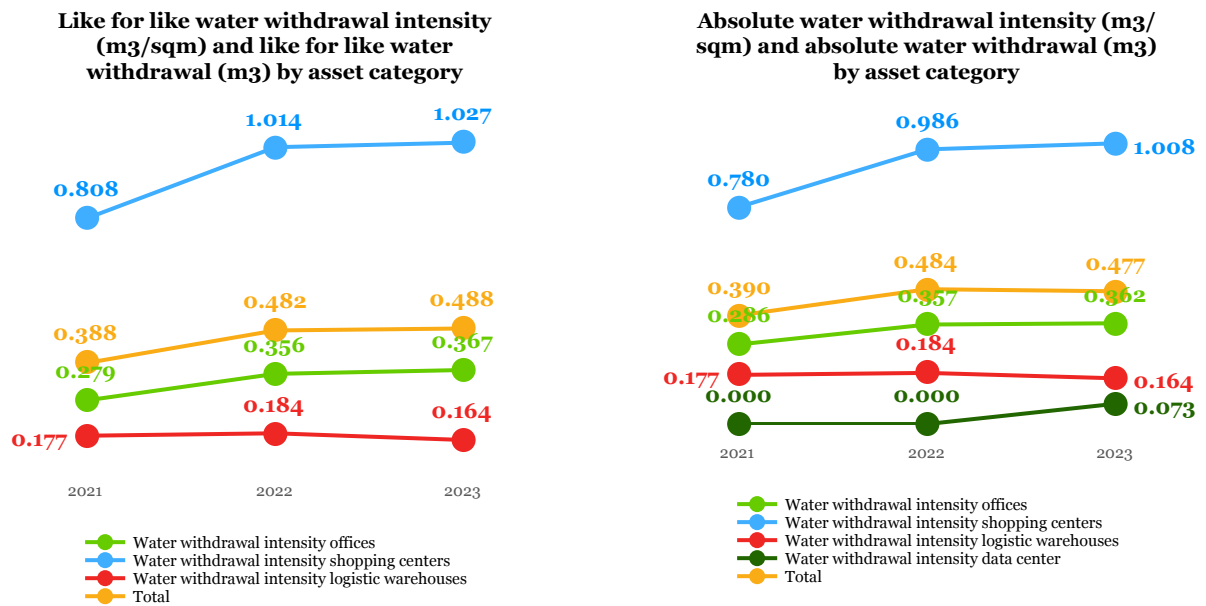
In addition, MERLIN purchases Renewable Energy Certificates (RECs) for some assets in the framework of their LEED and BREEAM certifications. Thanks to this green energy purchase mechanism, in 2023, the Group acquired a total of 4,941 GJ, worth approximately USD 3,790.

³¹ The remaining electricity consumption (54 GJ, 0.01% of the total electricity consumption) was from electricity supplied by conventional electric utilities.

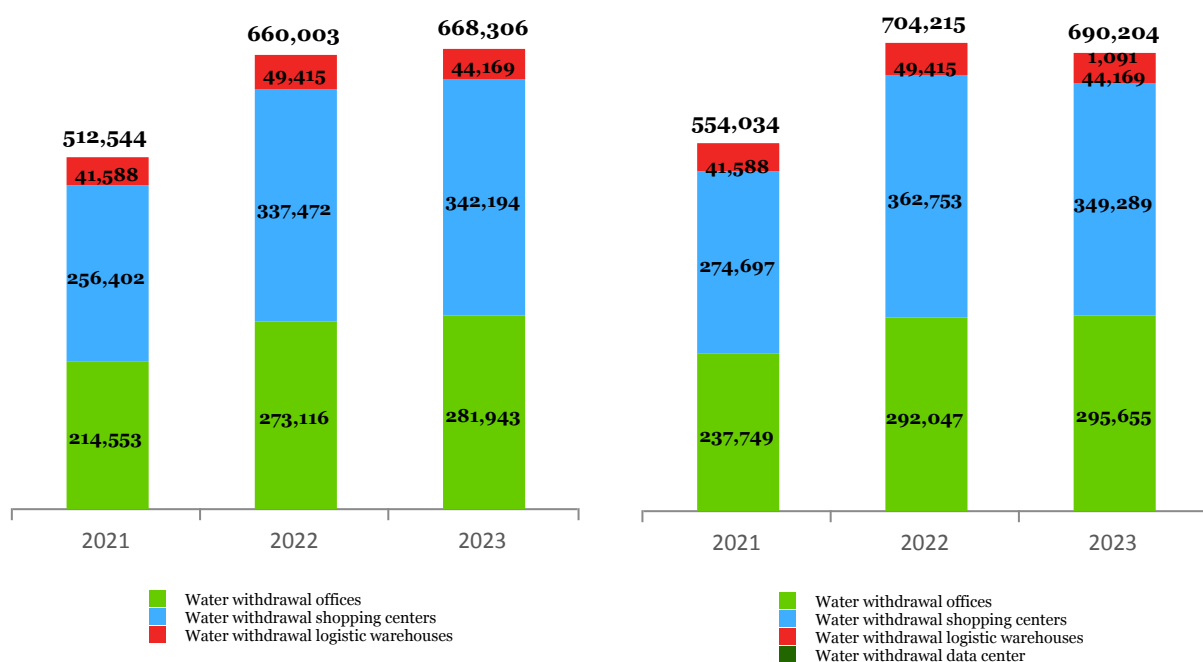
Water withdrawal

MERLIN has water withdrawal data for 54% of the assets it manages in terms of floor area.

WATER WITHDRAWAL FROM MERLIN'S ASSETS UNDER OPERATIONAL CONTROL³²

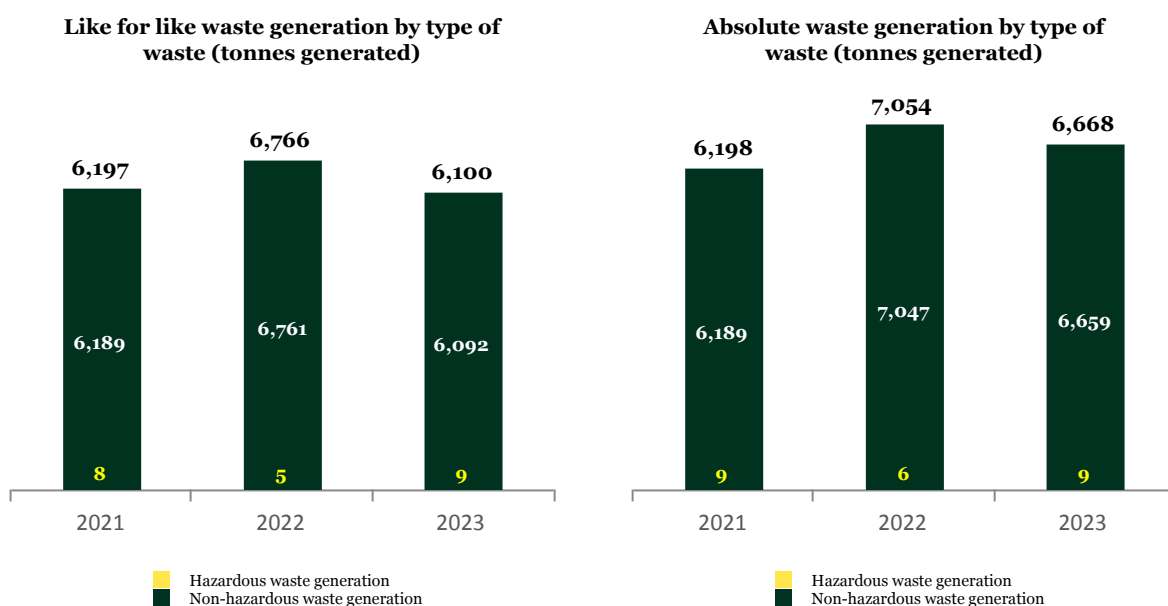


³² The total surface area of the assets has been considered in the calculation of energy intensity, except in those cases where MERLIN only has control over the management of consumption in the common areas, in which case only the surface area of these common areas is considered.



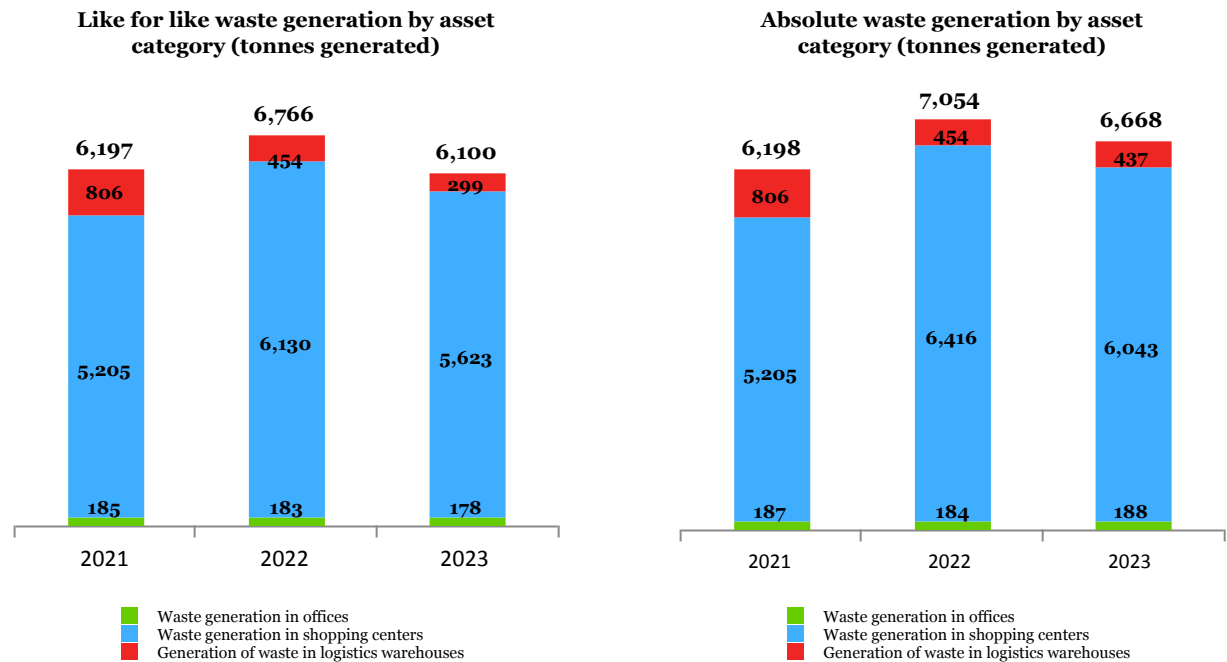
Waste management

In accordance with the ISO 14001 Environmental Management System, MERLIN employs a systematic approach to waste management for its portfolio based on waste segregation by type at source, including classification into hazardous and non-hazardous waste. Having in mind the nature of the activities carried on by the Group, the amount of hazardous waste generated at its assets is significantly lower than the non-hazardous waste in terms of weight.

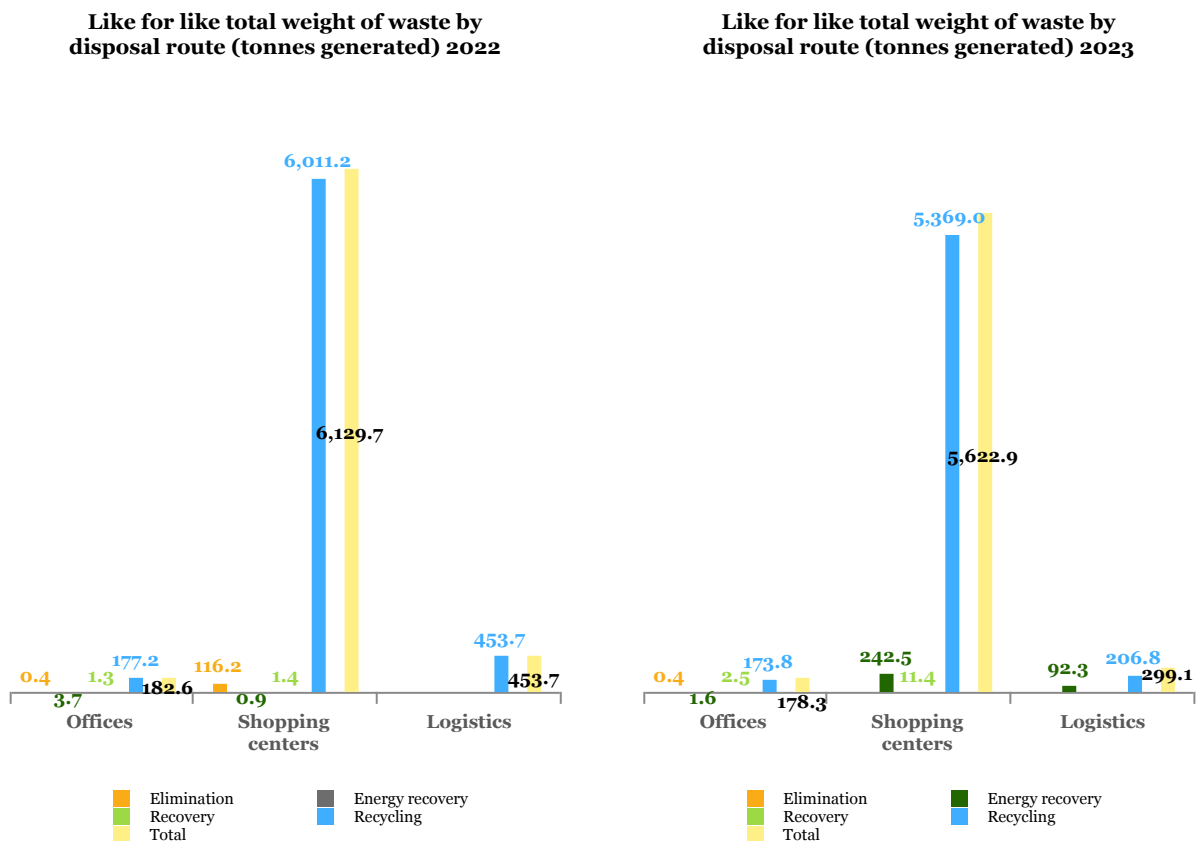


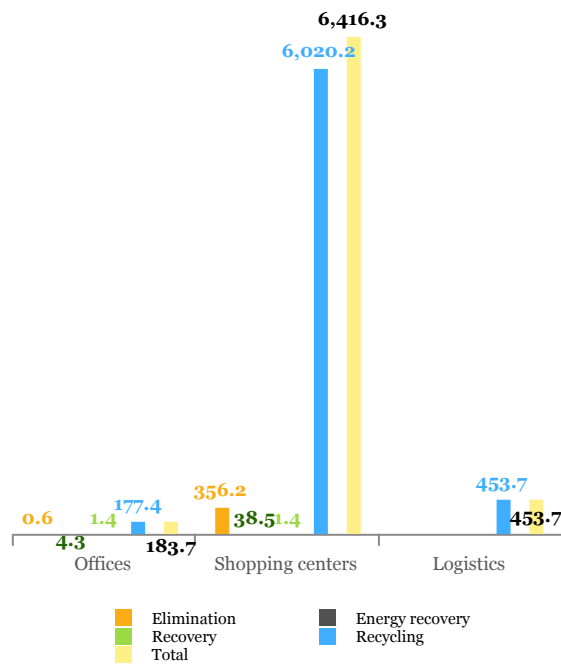
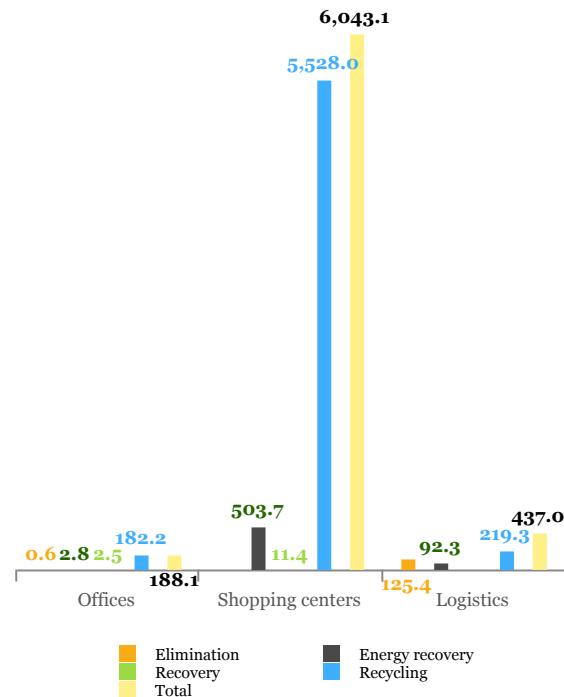
MERLIN has information on the final destination of 63% of the waste generated by the assets under operational control in its portfolio. Furthermore, nearly all the waste managed goes through

recovery processing of some sort. The quantities of waste that undergo some sort of treatment are depicted below by asset class.



The decrease for like-for-like assets was mainly due to improved management organisation that contributed to a reduction in the total amount of waste generated.



Absolute total weight of waste by disposal route (tonnes generated) 2022

Absolute total weight of waste by disposal route (tonnes generated) 2023


The company plans to continue with its continuous improvement in waste management in future to increase the amount of waste undergoing recovery and recycling processing while minimising unsorted waste and waste sent to landfills. In this context, attention can be drawn to the Marineda shopping centre, which has a "Zero Waste" certification from AENOR.

Given the nature of its operations, food waste is not a material issue for MERLIN. Nevertheless, the Group promotes initiatives like Too Good to Go at its shopping centres to reduce food waste at its facilities.

4.5 Decarbonisation of MERLIN Properties' portfolio

MERLIN's experience over the past few years has enabled it to specify the details of its emissions reduction strategy, or Pathway to Net Zero in 2030, thus getting a head start on the European strategy for decarbonising the economy and ensuring the present and future survival of the Company and its assets.

MERLIN's pathway to net zero is a comprehensive plan aimed at optimising performance not only of the Company itself and the assets under its direct control but also of the principal players responsible for the emissions associated with MERLIN over its entire value chain, including suppliers and tenants.

MERLIN updated the criteria it uses to calculate emissions in 2022. Following the GHG Protocol guidelines, the market-based method³³ has been chosen as a basis.

 tCO ₂ eq Emissions	2021 Absolute	2022 Absolute	2023 Absolute
Market-based Scopes 1 and 2	3,429	2,711	2,433
Scope 1	2,675	2,668	2,422
Scope 2 Market-based	754	44	11
Intensity tCO₂eq/sqm	0.002	0.002	0.001
Scope 3	N/D	N/D	N/D

MERLIN also continues to report its emissions using the location based method³⁴.

 tCO ₂ eq Emissions	2021 Absolute	2022 Absolute	2023 Absolute
Location-based Scopes 1 and 2	13,296	14,186	10,762
Scope 1	2,675	2,668	2,422
Scope 2 Location-based	10,620	11,518	8,340
Intensity tCO₂eq/m²	0.008	0.009	0.007
Scope 3	105,332	133,674	146,067

4.5.1. Scope 1 and scope 2 greenhouse gas (GHG) emissions

A breakdown of greenhouse gas (GHG) emissions for consumption of electricity, fuels (natural gas and diesel) and district heating and cooling, including recharging refrigerant gases in cooling systems, is shown below. These data cover assets under MERLIN's operational control, along with MERLIN's headquarters in Madrid and the LOOM locations in Huertas and Salamanca.

For more information on the environmental performance of MERLIN's portfolio and the methodological approach used, please see "**Appendix I. EPRA Sustainability Best Practice Recommendations (sBPR) environmental performance report**".

Market-based GHG emissions at assets under MERLIN's operational control

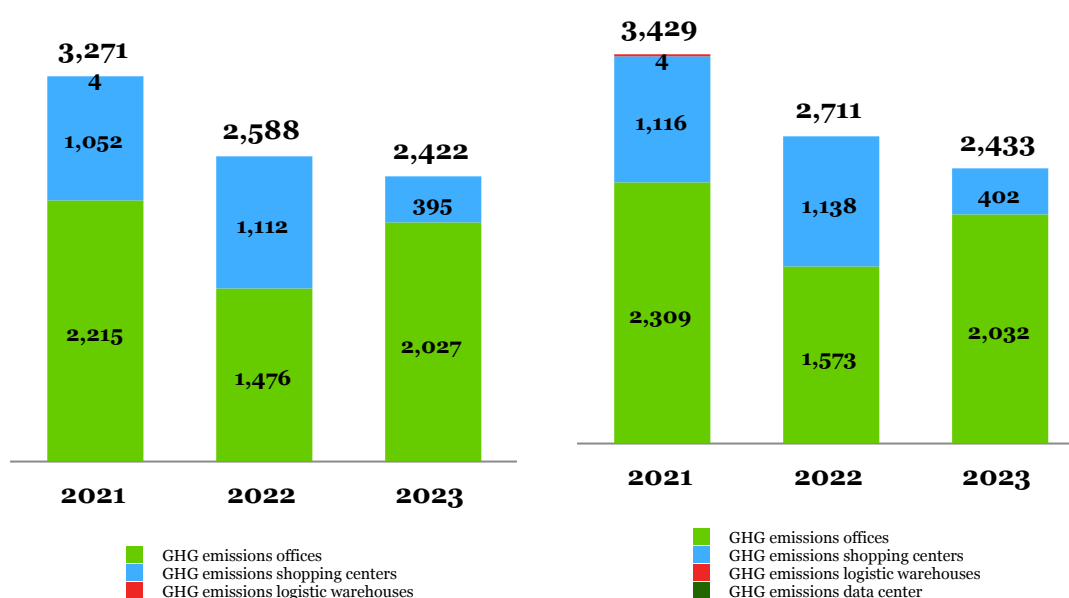
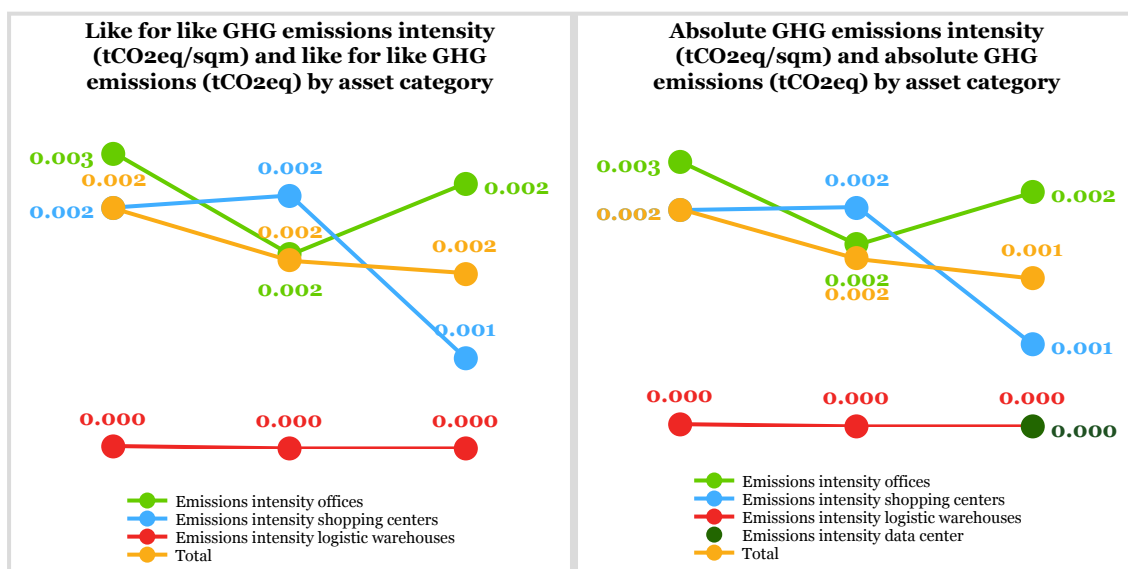
First, applying the market-based calculation method to the like-for-like portfolio, the sum of Scope 1 and Scope 2 GHG emissions in 2023 was 2,422 tCO₂eq, 6.4% lower than in 2022.

³³ Market-based method: The market-based method calculates emissions based on the electricity that organisations have chosen to purchase. The difference is that the market-based method treats off-site renewable electricity use as a zero carbon generator, whereas the location-based method assigns the local grid average emission factor to off-site renewable use.

³⁴ Location based method: The location-based method does not factor in instruments and contracts and assigns the local grid average emission factor to all external usage, regardless of origin. In both methods Scope 1 emissions were calculated using the factors recommended by the Spanish Ministry for Ecological Transition and Demographic Challenge (MITERD). Scope 2 location-based emissions from electricity consumption were calculated considering the emission factor of the electricity mix for Spain and Portugal. The emission factor for the electricity mix is a rate that represents the CO₂ emission intensity associated with generating the electricity consumed. Therefore, it is a significant indicator of the ratio of low carbon energy sources to the country's total electricity production. Scope 2 location-based emissions from district heating were obtained from the emission factor provided by each of the suppliers and emissions from district cooling were obtained considering the specific electricity consumption necessary for the cold water service and the emission factor for the Spanish electricity mix.

For the absolute portfolio, the sum of Scope 1 and Scope 2 market-based GHG emissions was 2,433 tCO₂eq, 10.3% lower than in 2022. Broken down by scope, 2,422 tCO₂eq were Scope 1 emissions³⁵ and the remaining 11 tCO₂eq were Scope 2 emissions³⁶.

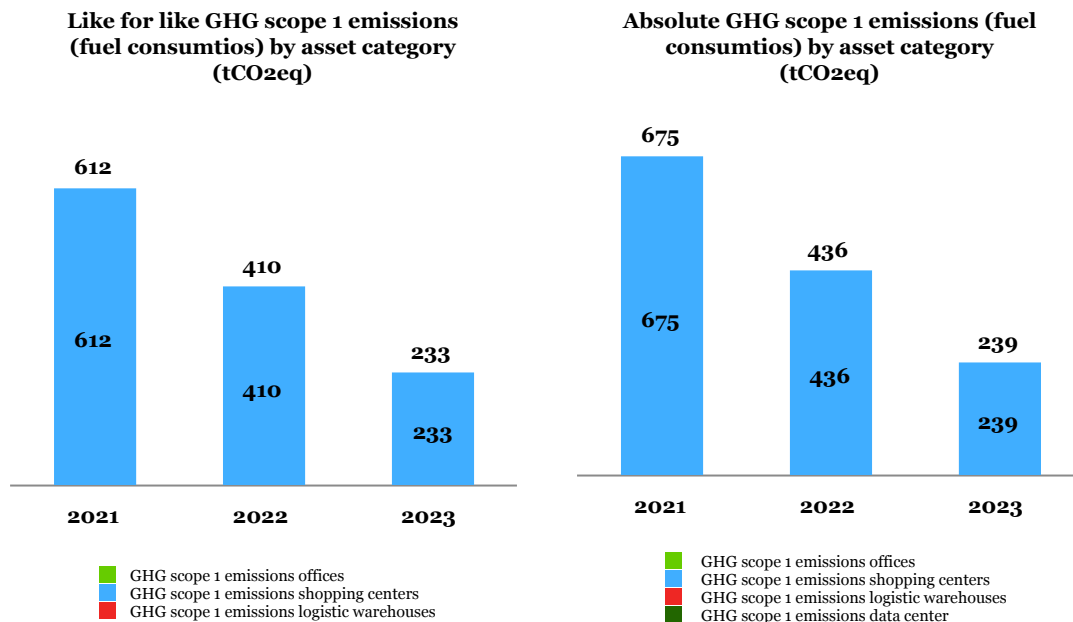
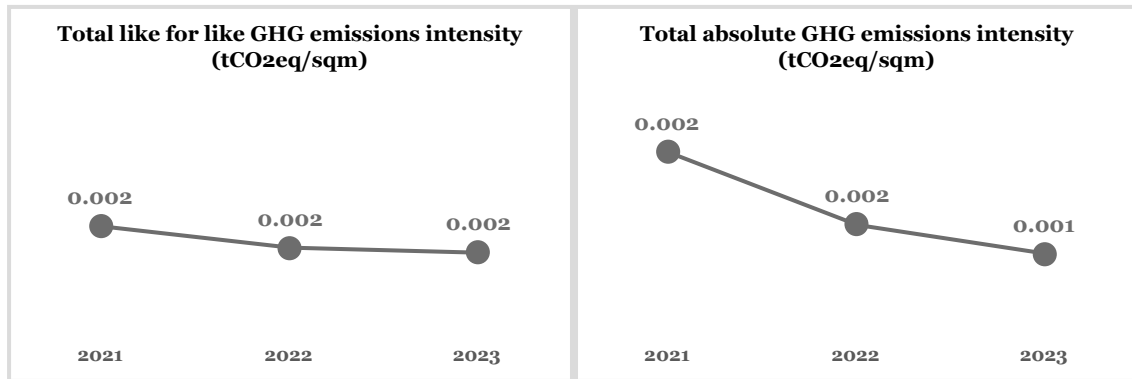
KPIs – MARKET-BASED SCOPE 1 AND SCOPE 2 GREENHOUSE GAS (GHG) EMISSIONS AT ASSETS UNDER MERLIN'S OPERATIONAL CONTROL³⁷

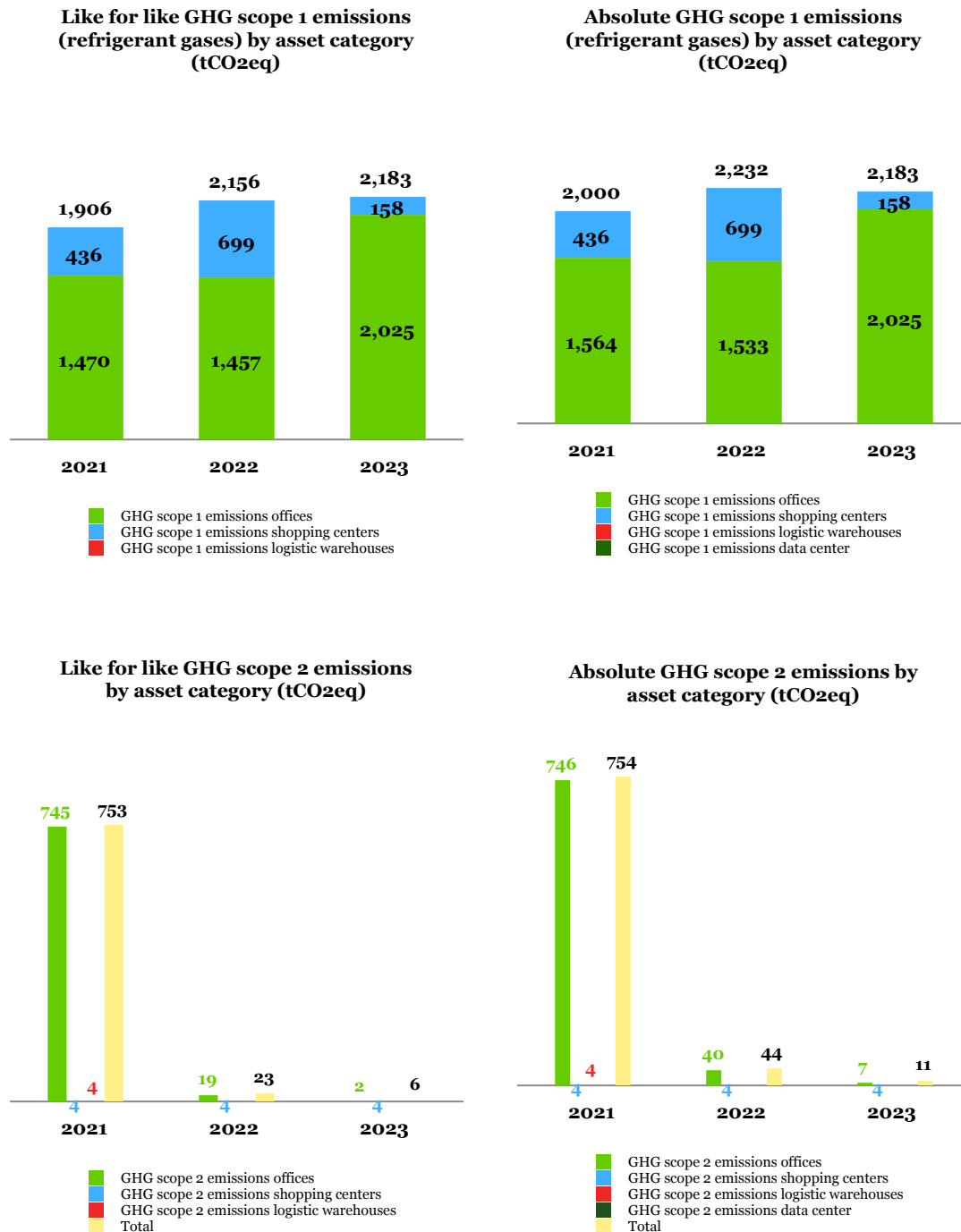


³⁵ Includes fuel consumption and refrigerant gas recharges.

³⁶ Includes electricity consumption and *District Heating & Cooling*.

³⁷ The scope 1 and scope 2 GHG emissions reported below are for assets over which MERLIN exercises operational control. The total surface area of the assets has been considered in the calculation of energy intensity, except in those cases where MERLIN only has control over the management of consumption in the common areas, in which case only the surface area of these common areas is considered.



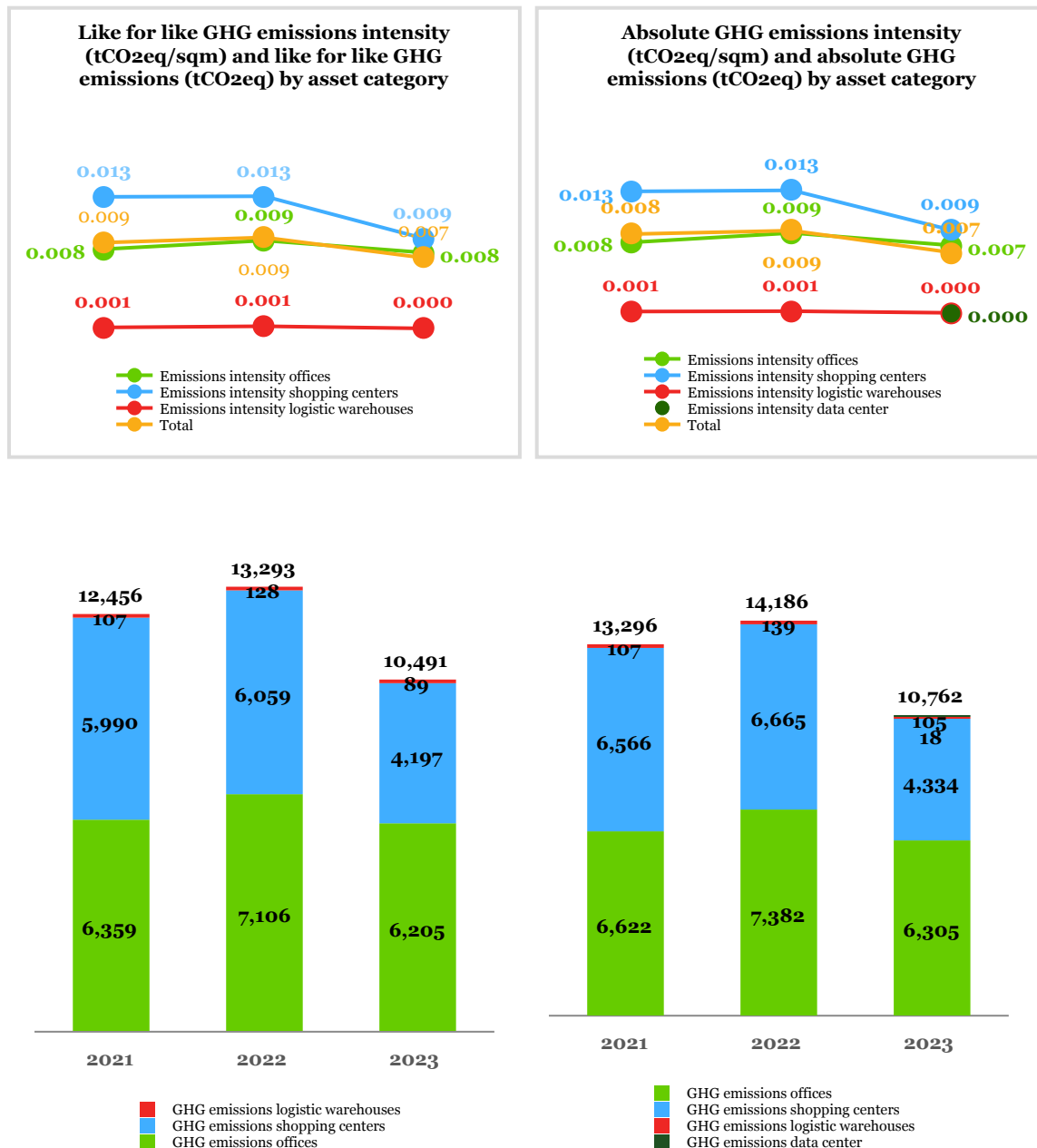


Location-based GHG emissions at assets under MERLIN's operational control

First, applying the location-based calculation method to the like-for-like portfolio, the sum of Scope 1 and Scope 2 GHG emissions was 10,491 tCO₂eq, 21% lower than in 2022. For the absolute portfolio, the sum of Scope 1 and Scope 2 location-based GHG emissions was 10,762 tCO₂eq, 24% lower than in 2022. By scope, 2,422 tCO₂eq were Scope 1 emissions³⁸ and the remaining 8,340 tCO₂eq were Scope 2 emissions³⁹.

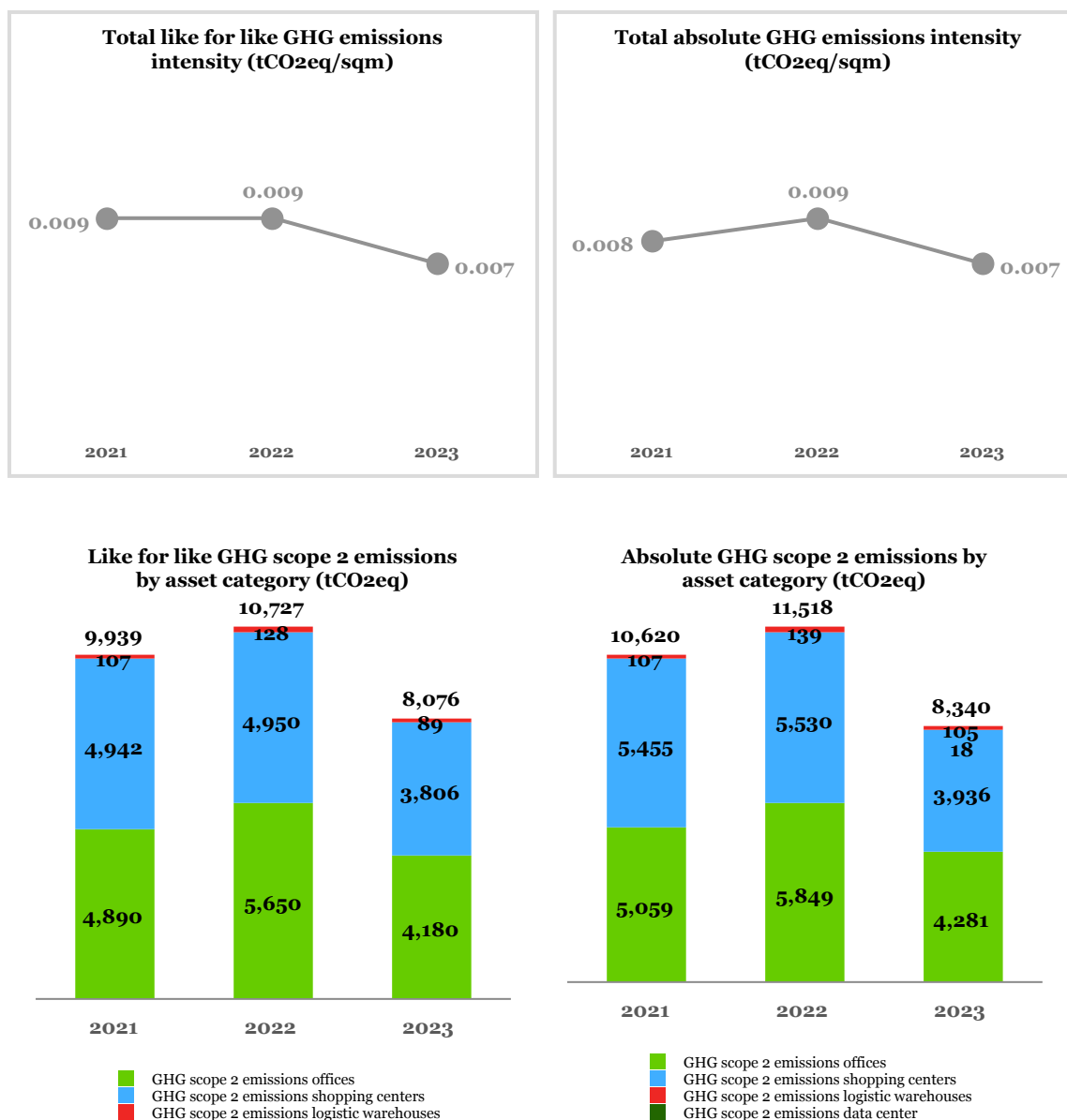
³⁸ Includes fuel consumption and refrigerant gas recharges.

³⁹ Includes electricity consumption and District Heating & Cooling.

KPIs – LOCATION-BASED SCOPE 1⁴⁰ AND SCOPE 2 GREENHOUSE GAS (GHG) EMISSIONS AT ASSETS UNDER MERLIN'S OPERATIONAL CONTROL⁴¹


⁴⁰ Given that, in both methods, Scope 1 emissions have been calculated considering the factors recommended by the Ministry of Ecological Transition and the Demographic Challenge (MITERD) of Spain, this section does not include the Scope 1 data, already reported under the market-based approach

⁴¹ The scope 1 and scope 2 GHG emissions reported below are for assets over which MERLIN exercises operational control. The total surface area of the assets has been considered in the calculation of energy intensity, except in those cases where MERLIN only has control over the management of consumption in the common areas, in which case only the surface area of these common areas is considered.



4.5.2 Scope 3 greenhouse gas (GHG) emissions

MERLIN has expanded the coverage of the calculation of its Scope 3 indirect greenhouse gas (GHG) emissions in accordance with its Path to Net Zero strategy. The origin of these emissions is the Company's activities at sources that are not under its direct ownership or control. MERLIN has assessed its GHG emissions in the categories defined in the Greenhouse Gas Protocol (GHG Protocol) that are most relevant for the Group's activities, as detailed below.

Based on the updated criteria for calculating the Scope 1 and Scope 2 emissions, MERLIN has established the following guidelines for including indirect GHG emissions originating in its value chain for calculating Scope 3 emissions:

- Emissions associated with assets where MERLIN is a lessor: emissions from fuel consumption at fixed installations in offices used to air condition lessees' private areas or at shopping

centres where it is used to air condition leased premises. The use of this fuel, the control of its use, and the bills issued are paid by the lessees.

- Emissions associated with assets for which the energy consumed in the building is fully metered and billed in the name of a Group company, considering 88% of that consumption to be the tenants' own consumption in carrying on their own activities.
- Emissions from the utilities of single-tenant assets held in MERLIN's name.

Type of emission	GHG protocol category	2022	2023
		Emissions (tCO ₂ eq)	
Emissions related to the supply chain	1. Goods and services purchased	7,372	7,976
	2. Capital goods	41,228	66,805
	4. Upstream transport and distribution	1,005	1,713
Upstream emissions from fuels	3. Fuel and energy-related activities	2,734	1,995
Emissions associated with employee commuting	7. Employee commuting	8,741	8,605
Emissions associated with assets where MERLIN is a tenant	8. Upstream leases	119	82
Emissions associated with assets where MERLIN is a landlord	13. Downstream leases	72,475	58,891
TOTAL		133,674	146,067

Further information on the method used to calculate the Scope 3 GHG emissions is available in "Appendix II. Method of calculating Scope 3 GHG emissions".

4.6 Carbon footprint certification

MERLIN's calculation of its Scope 1 and Scope 2 carbon footprint is verified by an independent third party as required by the UNE EN ISO 14064-3:2012 Greenhouse Gases standard. The Group reports all greenhouse gas emissions and removals attributable to operations under its control, where applicable together with its shareholdings in the relevant facilities, in accordance with the GHG Protocol.

MERLIN mitigates its emissions through carbon offset projects based on its gross footprint. These projects include creating orchards and vertical gardens at certain assets and reforestation initiatives. Ultimately, MERLIN offsets the emissions at some of its assets by acquiring removal credits or offsets from certified carbon emissions reduction projects. This takes the form of obtaining carbon offset certificates.

The verified emissions data for the organisation in 2022 (latest year available to date) are listed below:

- Total Emissions: 3,028.32 t CO₂e
- Avoided Emissions: 20,856.68 t CO₂e
- Offset Emissions: 904.48 t CO₂e

4.7 Validation of MERLIN's commitments by independent third parties

As reported in MERLIN's Sustainability Policy, validation by independent third parties of the robustness and practical implementation of the commitments it has assumed is a basic principle that MERLIN follows. This principle is particularly relevant for asset operation, an area concentrating the Group main efforts where there is the most scope for outside validation of the actions undertaken.

That is why MERLIN obtains LEED, BREEAM, ISO, AEO [Spanish Office Association], AIS, and WELL certification for its portfolio.

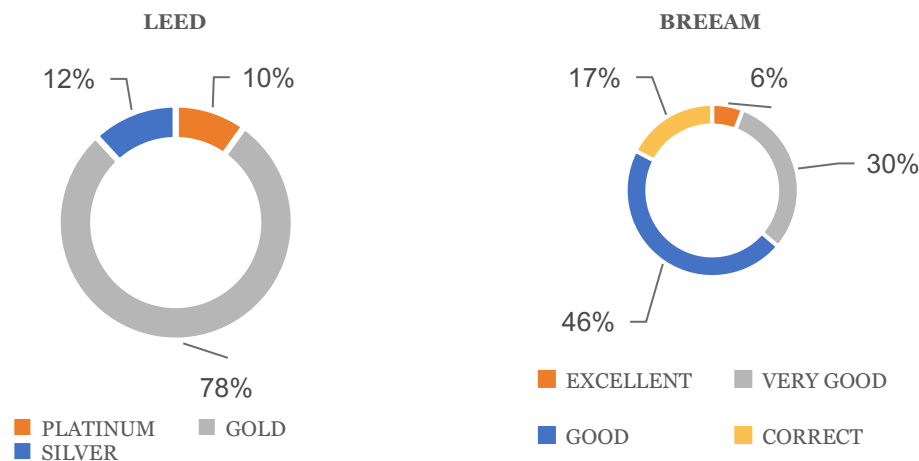
LEED/BREEAM certifications

MERLIN is committed to the highest standards of quality and excellence in its role as leader in developing and operating sustainable assets. This commitment is evidenced by the Company's aspiration to obtain certification under the leading sustainable building standards available, such as LEED and BREEAM, for virtually all its assets, including offices, logistics facilities, and shopping centres.

MERLIN prioritises Building Design and Construction category LEED certification for new construction and complete renovation projects. For assets already in operation, the Company seeks to achieve the highest BREEAM standard In Use and Maintenance ratings and LEED Building Operations & Maintenance certification. This requires cooperative engagement of the tenants of these buildings with MERLIN.

As part of the certification plan introduced by the Group in 2016, at the end of 2023, 94.2%, of MERLIN's strategic portfolio, measured in terms of GAV, had been certified under one of these two international benchmark standards for sustainable construction, LEED and BREEAM. MERLIN has thus positioned itself as a bellwether REIT in this area and has nearly achieved its goal of certifying 99% of offices, 100% of shopping centres, and 97% of logistics assets, measured in terms of GAV.

MERLIN obtained or renewed a total of 41 LEED or BREEAM certifications in 2023 with the addition of these certifications, the current status of the portfolio in terms of sustainable construction certifications is as follows:

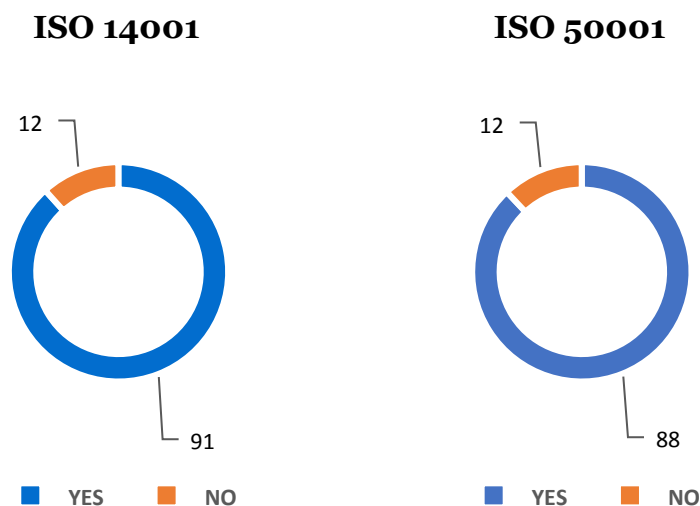


Management System Certification

First, MERLIN's commitment to minimising the environmental impacts stemming from the existence and operation of its assets is backed by its ISO 14001 certified Environmental Management System. At the end of 2023, the System encompassed a total of 91 assets (including 80 office assets, 8 shopping centres, and 3 logistics assets) representing a floor area of 1,233,389 sqm, or 36% of the strategic portfolio's total floor area. MERLIN continues to make progress in the integration of new assets under its Environmental Management System, with the aim of certifying all multi-tenant office assets and as many shopping centres as possible in the coming years.

In addition, the Group seeks to strengthen its commitment by improving the energy efficiency of its assets and taking measures to optimise consumption by obtaining ISO 50001 certification of its assets. Over the last year, 4 new buildings were certified under this standard, bringing the total to 88 assets (including 79 office assets, 8 shopping centres, and 1 logistics asset) covering a floor area of 1,181,192 sqm, or 34% of the total floor area of those portfolios.

Below is a breakdown of the assets certified, in relation those eligible for ISO 14001 and ISO 50001 certification.

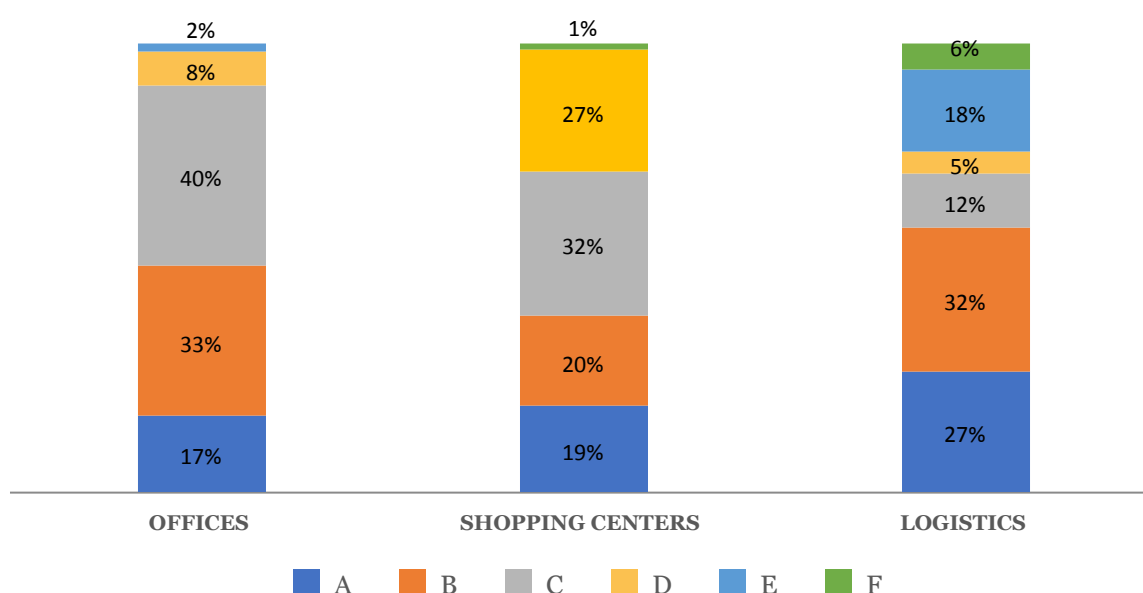


Energy rating of MERLIN's assets

Pursuant to Royal Decree 235/2013, MERLIN continues to make progress in obtaining energy ratings for assets throughout its portfolio. At the end of 2023, 91% of MERLIN's strategic portfolio (offices, shopping centres, and logistics assets) had an energy performance certificate.

MERLIN also uses these certifications to gauge the energy performance of air conditioning, lighting and domestic hot water systems, which allows the Group to prioritise and optimise the implementation of energy efficiency measures.

Energy rating of MERLIN's assets (% of surface area)



Other certifications

MERLIN continued the process of certifying its assets under recognised industry standards in 2023. For instance, AEO certification, which certifies the technical quality of office buildings, assessing such technical aspects as architectural features, facilities, equipment, and property maintenance. At year-end, a total of 37 assets were certified under this system.

Furthermore, as reflected in the Sustainability Policy, one of the Group's priorities is the well-being of the users of its assets. MERLIN therefore seeks to further support its commitment by obtaining external certifications that allow the Company to advance and improve its performance in this area.

The Company has been certifying its assets under the **AIS certification** system for years, which certifies the degree of accessibility of the assets. Under this system, MERLIN has continued to expand its AIS-certified portfolio, which reached a total of 73 assets in 2023.

Furthermore, the Group continues studying the feasibility of obtaining **WELL certification** for its assets, aimed at taking measures focused on the health and well-being of the asset's occupants. It has begun preliminary work on 2 assets to obtain the highest WELL rating and continues its

refurbishment of assets that have already obtained a rating. Nestlé Portugal's headquarters office building in Lisbon was awarded a WELL Platinum rating in 2023.

In addition, in 2023 the Group obtained **WiredScore certification** for 17 of its assets. This certification measures such features as flexibility, infrastructure quality, and data transmission speed.

In 2023, MERLIN invested a total of EUR 0.8 million to obtain, maintain, and extend these certifications, as part of the Group's commitment to effectively incorporate sustainability into its asset management.

4.8 Sustainability ratings

MERLIN regularly participates in various sustainability benchmark indices, which reflect the advances made by the Group and the effectiveness of the steps taken in both internal management and asset management.

The Group's rating on 6 of the 7 sustainability indexes has been maintained or upgraded in 2023 compared to 2022. Specifically, MERLIN participates in 7 sustainability indices; 3 of them — GRESB (real estate), CDP (climate change), and S&P Global (general) — consist of a questionnaire, while the other 4 — Sustainalytics (ESG risks), Bloomberg (general), Vigeo Eiris (general), and MSCI (general) — are based on the Group's public reporting.

MERLIN participated in the **GRESB** assessment, an international benchmark that measures the environmental, social, and governance performance of companies in the real estate sector, for the fifth year in a row and improved its score. The Group achieved a score of 83 points out of 100, which places it above the global average and ahead of its peers (companies classified as comparable to MERLIN).

For the second year in a row, MERLIN also participated in the **CDP** questionnaire, which assesses the degree of a company's commitment to climate change issues. In 2023, MERLIN maintained its rating to an "A-", which means that the Group is transparent and manages climate change issues adequately. This rating is higher than the global, European, and peer group average assigned by CDP (financial services).

MERLIN again actively participated in the **S&P CSA** questionnaire, scoring 69%. This improvement allows the Company to maintain its inclusion in the **Dow Jones Sustainability European Index** for the third consecutive year and to enter the **Dow Jones Sustainability World Index** for the first time. With regard to sustainability reporting, MERLIN received the Gold Award from EPRA for the sixth year in a row. This award recognises the degree to which its Sustainability Report (formerly CSR) is aligned with **EPRA Sustainability Best Practices Recommendations**.

Since 2020, MERLIN has adapted its Sustainability Report (formerly CSR) to Bloomberg's ESG Disclosure Score, reporting additional information that is more in line with the indicators defined by Bloomberg for this index. MERLIN has considerably improved its **Sustainalytics** ESG risk rating since 2022, positioning itself as a leader both globally and in the real estate and REIT sector, obtaining a total rating of 7.2 points and thus being included among the top 1% of the best rated companies worldwide.



4.9 Protection of biodiversity

The **Biodiversity Policy** aims at establishing a framework for integrating biodiversity protection and promotion into the Group's strategy. It also defines the action principles for developing a sustainable business model that fosters a positive impact on nature. Under this policy the Company's activities are intended to protect and promote the betterment and growth of our natural heritage, placing special attention on protecting animals.

Ecosystem deterioration and the extraordinary decline in biodiversity, widely recognised by the scientific community as a direct result of the impact of human activities, pose significant environmental, economic, and social risks. Urgent action to reverse biodiversity loss is called for.

MERLIN is committed to taking a leading role in the conservation and furtherance of biodiversity within its sector of operations and to incorporating the United Nations' long-term "Living in Harmony with Nature" vision for the year 2050 into its management system. This vision prioritises valorisation, conservation, restoration, and sustainable use of biodiversity, preserving ecosystem services, promoting the health of our planet, and providing fundamental benefits for all people.

Guiding principles

- Integrate biodiversity into the Group's internal strategic planning and decision-making processes and into the assessment, management, and reporting of long-term risks.
- Identify, quantify, and evaluate, on an ongoing basis and throughout the life cycle of the assets, the impacts and dependencies of the activities on natural capital, including the diversity and protection of wild animals and protected and vulnerable species, respecting them in all lines of action.
- Protect species and habitats, both those under threat and those of high biodiversity value, through the adoption of preventive, minimising, and enhancing measures.
- Manage and offset in quantity and quality the negative impacts produced on the environment, giving priority to nature-based solutions, facilitating the connectivity of populations and encouraging the development of specially protected areas or private conservation.

- Promote knowledge of and training in biodiversity by/for the Group's employees and suppliers.

MERLIN is firmly committed to preserving the environment, and the Group actively contributes to helping to improve the environment in its daily activities. MERLIN carries out comprehensive assessments of and minimises potential adverse impacts on biodiversity throughout the life cycle of its assets, with special attention to newbuilds and relocations. To achieve this, it proposes measures that will preserve biodiversity and prioritises using indigenous plant species and avoiding exotic species in the landscaped areas of its various assets.

In addition, an intrinsic part of the Group's expansion strategy is avoiding deforestation in its newbuild and relocation projects, instead opting to acquire land in urban settings or previously improved land, a reflection of its commitment to conserving natural ecosystems.

In addition, MERLIN Properties has no substantial involvement in ecosystem and/or abiotic services either in its internal operations, in its supply chain, or in the process of building/refurbishing buildings and managing existing ones. Section 6.2 discusses the Company's relationship with community suppliers and job creation in detail. In addition, section 4.3 sets forth a comprehensive description of its development and operation of assets that satisfy sustainability criteria.

The actions carried out by the Group in this area are as follows:

- MERLIN manages various urban gardens in the common areas of its properties where the Group has begun promoting actions to preserve biodiversity, e.g., installing insect hotels, bird houses, and bat houses.
- With regard to biodiversity in developments and refurbishments, MERLIN studies the ecological value of the environment and proposes measures for its conservation. Priority is given to native plant species in the landscaped areas around their assets and exotic species are avoided.

5. Talent creation⁴²

2023 MILESTONES	FUTURE OBJECTIVES
- Reduction of the pay gap compared with 2022 for all categories. 11% increase in training hours compared with the previous year. - Launch of the corporate Intranet to improve communication. - Creation of a job portal on the corporate website. - Completion of volunteer projects with the participation of 28 Group employees and directors. - Visits to different company assets by 44% of employees to strengthen the Group's purpose. - Collaboration with the WIRES Association (Women In Real Estate). Membership of 5 female employees, favouring the empowerment of women in the sector.	- Foster a sense of belonging through the transmission of the corporate culture by the management team. - Develop a new Equality Plan for another company in the Group. - Creation of a committee to monitor compliance with the Group's Equality Plans. - Creation of an Inclusion, Diversity and LGBTI Protocol. - Digitalise onboarding processes. - Reduce staff turnover in those jobs with a higher turnover rate. - Increase training hours. - Increase actions aimed at employees' children to facilitate work-life balance.

KEY INDICATORS FOR THE YEAR

	2023	Change 2022-2023
Number of employees	266	(260 - 266)
% of women employees	47%	(45% - 47%)
% of employees with a permanent contract	99%	(98% - 99,25%)

⁴² See MERLIN's Human Capital Management risks and action plans in Section 3.2. Risk Management.

5.1 Employee loyalty

In its relationship with employees MERLIN adheres to the strictest labour standards, complying with the principles set out in the ILO Declaration on Fundamental Principles and Rights at Work. The Human Capital Policy, the Equality Plan and the Human Resources Processes Handbook and Employee Handbook currently set out the guiding principles for human capital management at the Company.

The risks inherent in the Company's social and personnel issues are discussed with in chapter 3.2. of the report.

A strong and unique workforce

At the end of 2023, MERLIN's workforce consisted of 266 professionals divided into three categories, as follows:

- **Executives:** Category composed of 28 professionals (27 men and 1 woman). Team comprising the Chief Executive Officer, the Chief Operating and Corporate Officer and the management and business area teams that oversee the optimum functioning of each area of the Company.
- **Middle Management:** 80 employees (52 men and 28 women). Team composed of professionals closely linked to the business and to projects with great responsibility.
- **Other professionals:** Category composed of 158 employees (61 men and 97 women). The team is made up of expert professionals with a high level of knowledge and experience to carry out their activity, as well as general support staff.

All of them form a team of highly qualified professionals committed to the Company and its corporate philosophy and values

Current profile of MERLIN Properties' employees⁴³



- I represent 47% of the workforce.
- I represent 62% of new hires in 2023.
- I am between 30 and 50 year (50% of women).
- I have a permanent contract (100% of women).
- I received 33 hours of training in 2023⁴⁴.
- I work in Spain (94% of women).
- I represent 29% of income generating positions.
- I represent 29% of STEM positions.

- I represent 53% of workforce.
- I represent 38% of new hires in 2023.
- I am between 30 and 50 year (50% of men).
- I have a permanent contract (99% of men).
- I received 25 hours of training in 2023.
- I work in Spain (94% of men).
- I represent 71% of income generating positions.
- I represent 71% of STEM positions.



MERLIN's distinctive aspects in relation to its employees

MERLIN's team, which is so critical to the Group's success, is composed of a group of highly qualified professionals with extensive experience in the sector.

MERLIN goes to great lengths to keep its employees motivated and committed and has a high talent retention rate.

23

Excellence

average years of experience of the management team in the property sector

MERLIN's staff is made up of a team of top professionals with extensive knowledge of the real estate sector and vast experience, especially the management team

⁴³ Data as of 31 December 2023, except for average training hours per employee.

⁴⁴The average number of training hours based on the average headcount in 2023. The average number of training hours in 2023 in total terms (including men and women) was 7,396 hours.

EUR 51 M	Productivity
GAV/employee	MERLIN has a very competitive GAV per employee ratio, in line with its philosophy of productivity and efficiency.
7%	Talent retention
Voluntary turnover rate	MERLIN strives to offer professionals long-term development opportunities, ensuring their well-being as members of the Company and making all employees feel comfortable and identified with the Group's philosophy and objectives.
38%	Commitment
of employees have chosen to receive Group shares as salary in kind	MERLIN's professionals are highly committed to the Company. Worth noting here is the percentage of employees who have chosen to receive part of their remuneration in Group shares.
98%	Independence
of employees have received training	MERLIN has a proactive and responsible team of professionals who are equipped with the necessary skills and independence to guarantee good decision-making.

5.1.1 Composition of the workforce

MERLIN's staff are the Group's main asset. At year-end 2023, the MERLIN Group's workforce was composed of a total of 266 employees, divided into 3 categories in keeping with MERLIN's strategy of maintaining a horizontal structure.

	2022			2023		
	Men	Women	Total	Men	Women	Total
Directors	27	1	28	27	1	28
Middle management	55	27	82	52	28	80
Other professionals	61	89	150	61	97	158
Total	143	117	260	140	126	266

			2022		2023		
Country	Category	Age range	Men	Women	Men	Women	
Spain	Directors	<30 years old	-	-	-	-	
		30-50 years old	13	1	12	1	
		>50 years old	13	-	14		
	Total		26	1	26	1	
	Middle management	<30 years old	7	2	5	2	
		30-50 years old	22	14	21	14	
		>50 years old	20	10	20	11	
	Total		49	26	46	27	
	Other professionals	<30 years old	11	14	10	22	
		30-50 years old	18	17	32	51	
		>50 years old	30	52	17	17	
	Total		59	83	59	90	
	TOTAL		134	110	131	118	
	Portugal	Directors	<30 years old	-	-	-	-
			30-50 years old	1	-	1	
>50 years old			-	-	-	-	
Total			1	-	1	-	
Middle management		<30 years old	-	1	1	-	
		30-50 years old	5	-	4	1	
		>50 years old	1	-	1	-	
Total			6	1	6	1	
Other professionals		<30 years old	-	2	-	1	
		30-50 years old	1	2	1	4	
		>50 years old	1	2	1	2	
Total			2	6	2	7	
TOTAL		9	7	9	8		
TOTAL			143	117	140	126	

MERLIN has a team of professionals with permanent contracts and an average age of 44.

From the moment they join the Company, MERLIN offers its employees stable contracts to ensure their loyalty and improve its ability to attract talent to the organisation. At year-end 2023, 99% of the Group's employees had a permanent contract.

Type of contract	Time	2022	2023
Permanent	Full-time	247	256
	Part-time	9	8
Total permanent		256	264
Temporary	Full-time	4	2
	Part-time	-	-
Total temporary		4	2
Overall total		260	266

5.1.2 Average contracts

Annual average number of permanent, temporary and part-time contracts by gender, age and professional classification is as follows:

Contract	Category	Age range	2022		2023	
			Men	Women	Men	Women
Full-time permanent	Directors	<30 years old	-	-	-	-
		30-50 years old	14	1	13	1
		>50 years old	13	-	13	-
	Total		27	1	26	1
	Middle management	<30 years old	6	3	5	2
		30-50 years old	28	14	24	14
		>50 years old	21	10	22	11
	Total		55	27	51	27
	Other professionals	<30 years old	6	15	6	20
		30-50 years old	28	48	33	47
		>50 years old	18	17	19	19
	Total		52	80	58	86
Part-time permanent	Other professionals	<30 years old	-	-	-	-
		30-50 years old	1	4	1	4
		>50 years old	1	1	1	1
	Total		2	5	2	5
Full-time temporary	Other professionals	<30 years old	-	-	1	-
		30-50 years old	1	-	-	-
		>50 years old	-	-	-	-
	Total		1	-	1	-
TOTAL			136	113	138	119

5.1.3 Departures by type, sex, age and professional classification

Breakdown by type of departures:

Type of departure	2022		2023	
	Men	Woman	Men	Woman
Voluntary employee departure	8	14	7	11
Employee dismissal	-	-	6	8
End of temporary contract	6	1	8	3
Employee retirement	-	-	1	-
Termination of trial period	-	-	-	1
Leave of absence	-	-	1	-
Total	14	15	23	23

The number of voluntary departures has fallen compared with the previous year by 18%.

Voluntary departures		2022		2023	
Category	Age range	Men	Women	Men	Women
Directors	>50 years old	-	-	1	-
Middle management	<30	-	-	-	-
	30-50	1	1	1	-
Other professionals	<30	5	7	-	3
	30-50	2	6	4	8
	>50 years old	-	-	1	-
TOTAL		8	14	7	11

In 2022, there were no redundancies. In 2023, there were 14, of which 4 were due to the sale of a shopping centre. The total cost of the compensation was €302,329.

Dismissals		2022		2023	
Category	Age range	Men	Women	Men	Women
Middle management	<30	-	-	-	-
	30-50	-	-	1	-
	>50 years old	-	-	3	-
Other professionals	<30	-	-	1	1
	30-50	-	-	1	5
	>50 years old	-	-	-	2
TOTAL		-	-	6	8

Changes in turnover

The total turnover rate was calculated taking into consideration all employees who leave the organisation either voluntarily, due to dismissal, retirement or end of employment contract. If an employee has had different employment relationships and has left more than once, this is not counted as one but as the total number of departures.

Total number of departures/ Number of employees at the end of year = Turnover rate.

	2022	2023
Voluntary turnover rate	8%	7%
Total turnover rate for departures	11%	17%

For positions with higher turnover, MERLIN has implemented a series of measures consisting of: improvements in working hours, specific training to improve employees' professional skills and improvements in the career plan and its communication. The company aims to further improve talent retention by 2024.

5.1.4 Training

MERLIN offers all professionals the opportunity to get involved in different projects and to assume new responsibilities throughout their professional careers. Training is a fundamental part of career development and, therefore the Group ensures that training is available to all employees.

A total of 7,396 hours of training were provided in 2023, an increase of 13% on the previous year. This represents a total investment of EUR 64,569 in training after allowances.

Age range	Men	Women	Total
<30 years old	268	719	987
30-50 years old	2,160	1,735	3,895
>50 years old	1,099	1,414	2,513
Total	3,527	3,868	7,396

Hours of training by professional category:

Professional category	Hours of training
Directors	483
Middle management	2,265
Other professionals	4,647
Overall total	7,396

98% of employees have received training.

The average number of training hours per employee is 29 hours.

MERLIN offers its employees training to enhance their development process. This training is divided into three categories:

- **Personalised training:** Employees can select the courses that best suit their needs without the training being limited to a catalogue of courses. If necessary, MERLIN provides guidance, through the experience of its staff members, so that employees can choose those courses that best suit their needs.
- **Knowledge sharing:** MERLIN considers it a priority to share the knowledge accumulated by its professionals in different areas of expertise. For this reason, the Group provides annual "in-house training" courses given by MERLIN's own staff to the rest of their colleagues.

- **Language Training Plan:** MERLIN offers all its employees language training in English or Portuguese, in different modalities: face-to-face, online, conversation or preparation for official exams. The employee can choose the modality that they prefer.

Relevance of each category of training, with respect to the company's total training:

- Training tailored to the needs of each employee accounts for 75% of total training.
- Language training accounts for 15% of total training.
- Knowledge sharing (training delivered by MERLIN's own professionals) accounts for 10% of total training.

In 2023, personalised training has put special emphasis on digital skills, representing 39% of this training category. Skills such as communication and team management have also been strengthened, and 7% of the personalised training focused on these skills.

Knowledge Sharing has been on areas such as savings and investment, digital platforms, business skills and user management.

5.2 Employee compensation

Differential remuneration scheme

Remuneration is a key tool for attracting and retaining the best talent. The Company's remuneration scheme has a differential aspect in that it prioritises performance over any other variable when establishing remuneration and, therefore, employee evolution is monitored on an ongoing basis.

MERLIN employees receive fixed annual remuneration along with annual variable remuneration tied to the fulfilment of the Group's objectives and to each employee's individual performance.

100% of MERLIN's employees receive variable remuneration or bonuses, regardless of their professional category. This allows the company to reward performance and attract and retain the best talent, without it being a tool used only for a specific group. 15% of this remuneration is linked to compliance with various sustainability metrics, such as reduction of carbon footprint intensity and improvement in sustainability indexes (GRESB, CDP, SP Global, Sustainalytics, MSCI, etc.).

Some 23% of employees are also on a long-term incentives plan, further strengthening the retention of key talent for the company's business.

Employee benefits

In addition to MERLIN's remuneration system, the Group offers all its employees employment benefits and alternative remuneration formulas.

All Group employees have the same remuneration in kind conditions and social benefits: health insurance (for employees, spouse and children), life and accident insurance and language training.

In addition, in Spain, all employees have access to a flexible remuneration plan which includes: restaurant card, transport card, childcare vouchers, training plans and access to the purchase of shares in the Parent Company. In Portugal, all employees receive a food allowance.

Employees have access to discounts in different areas such as accommodation, restaurants and pharmacies in establishments close to the offices. In 2023, a new social benefit has been included, known as the "Shopping Club", where employees can access discounts on different brands.

5.2.1 Wage gap analysis

The total compensation earned per employee, including executive directors within the Managers category, by the average number of employees has been taken into account to calculate the average remuneration and the wage gap.

The total compensation accrued includes:

- Fixed Salary: includes all remuneration received by the employee during the year including salary increases, components of collective bargaining agreement, bonuses, sickness or accident benefits, temporary disability compensation and all remuneration agreed as fixed salary in general with employees.
- Variable Remuneration: in 2022 this includes the Annual Bonus and the Extraordinary Bonus for 2022 granted by the Board of Directors, in general to all staff. In 2023, it only includes the Annual Bonus.
- Remuneration in kind: health insurance, life insurance, shares and flexible remuneration.
- Does not include severance payments and compensation.

Average remuneration and changes in salaries broken down by gender, age and professional classification or equal value

Average remuneration by gender (€k)	2022	2023
Men	190	158
Women	60	57

Average remuneration by age (€k)	2022	2023
Under 30 years old	55	46
30 to 50 years old	108	96
Over 50 years old	201	163

Average remuneration by category (€k)	2022	2023
Directors	647	529
Middle management	106	102
Other professionals	43	41
Overall total	131	111

In the above tables, all employees, including executive directors, are included.

The 2023 remuneration is lower than the 2022 remuneration because there was an extraordinary incentive in 2022.

The average remuneration by category table is not broken down by gender as there is only one woman in the Managers category.

- Gender wage gap⁴⁵

Gender wage gap	2022	2023
Directors	N/A	N/A
Middle management	7%	5%
Other professionals	13%	10%

The wage gap in the Managers category is not reported because there is only one woman in that category.

The wage gap for the total workforce including Managers and Executive Directors was 64% in 2023 (68% in 2022). The average salary remuneration comprising fixed salary, variable salary and remuneration in kind of all employees of the group, including executive directors, has been taken into account for its calculation.

Meanwhile, the wage gap without Executive Directors is 55% in 2023 (59% in 2022), and the wage gap without Executive Directors and Managers is 26% in 2023 (29% in 2022).

It should be noted that the wage gap within each of the categories of employees is within the reasonable ranges envisaged in Royal Decree 901/2020, of 13 October, regulating equality plans.

To improve the pay gap, MERLIN follows the **Equality Plan Measures**.

All the measures envisaged in the Equality Plan are outlined in section 5.6 on Diversity and Equal Opportunities.

Some results that have contributed to improving the gender gap are discussed below.

In the area of Selection and Recruitment

MERLIN seeks out the best individuals to add differential value through their work, which contributes to the Group's success, providing them with stable, high-quality employment.

In 2023, MERLIN hired a total of 52 new professionals to the staff, which represents a recruitment rate of 20%.

Recruitment of women represents 61.5% of total recruitment.

⁴⁵ Definition Wage gap = $\frac{\text{Average pay for men} - \text{Average pay for women}}{\text{Average pay for men}} \times 100$

Recruitment of women has increased by 45% on the previous year. In 2022, 22 women joined, while in 2023, 32 women joined.

Category	Age range	Men	Women	Total
Directors	<30 years old	-	-	-
	30-50 years old	-	-	-
	>50 years old	1	-	1
Middle management	<30 years old	1	-	1
	30-50 years old	2	1	3
	>50 years old	-	-	-
Other professionals	<30 years old	11	15	26
	30-50 years old	5	16	21
	>50 years old	-	-	-
Total		20	32	52

In the area of Professional Promotion:

MERLIN is committed to internal mobility and talent retention. In 2023, as in 2022, 9 employees changed jobs. 7 of these changes involved promotions by changing functions and departments, and 71% of these were women.

In the area of Training:

The average number of training hours for women is 33 hours and the average number of training hours for men is 25 hours. In addition, a female employee has been trained through a master's degree in Technology Management.

In 2023, MERLIN partnered with WIRES (Women In Real Estate), of which 5 female employees are currently members. WIRES offers women networking and learning opportunities to promote the advancement of women in the sector. This is evidence of Merlin's commitment to the empowerment of women in the property sector.

5.2.2 Remuneration of non-executive directors

Average remuneration of non-executive directors, including attendance fees and any other compensation broken down by gender (no variable remuneration or termination benefits).

Average remuneration of non-executive directors by gender (€k)	2022	2023
Men	166	164
Women	179	178

5.3 Organisation of work

5.3.1 Organization of work

MERLIN uses the collective bargaining agreement to determine the length of the annual working time, which is 1,765 hours for full-time employees. The Company's working hours are from 9am to 2pm and from 4pm to 7pm from Monday to Friday. Employees have 23 working days of holiday leave and the Company adds extra days onto public holidays to comply with the total number of hours established in the collective agreement.

At MERLIN, all employees who meet the conditions set out in the Workers' Statute (*Estatuto de los Trabajadores*) are eligible for reduced or adapted working hours. There are currently 9 employees with reduced working hours, 8 women and 1 man. There are also 5 workers with adapted working hours, 3 women and 2 men.

5.3.2 Total hours of absenteeism

During 2023, 40 employees took sick leave. Compared with the previous year, the number of instances of sick leave increased, but the duration of sick leave decreased, with the average duration of sick leave in 2022 being 27 days and an average of 19 days in 2023. The duration of sick leave for women is significantly shorter than for men, 11 days compared with 27 days.

In 2023, there were no occupational accidents in the company.

Cases of parental leave were over 50% lower than the previous year.

2023	Working days			Number of cases		
Type of absenteeism	Men	Women	Total days	Men	Women	Total cases
Occupational accident	-	-	-	-	-	-
Non-occupational accident	-	10	10	-	1	1
Common illness	493	252	745	18	22	40
Parental leave	259	80	339	5	1	6
Overall total	752	342	1,094	23	24	47

2022	Working days			Number of cases		
Type of absenteeism	Men	Women	Total days	Men	Women	Total cases
Occupational accident	8	6	14	1	1	2
Non-occupational accident	-	42	42	-	2	2
Common illness	420	239	659	13	11	24
Parental leave	687	429	1,116	8	5	13
Overall total	1,115	716	1,831	22	19	41

Absenteeism rates:

Absenteeism rate	Men	Women	Total
2023	2.2%	1.2%	1.7%
2022	3,3%	2,6%	3,0%

The absenteeism rate is expressed as the ratio of days on which employees are absent on medical or parental leave to scheduled working days.

5.3.3 Work-life balance measures

Among the Group's existing measures aimed at facilitating work-life balance, the following stand out:

- **Holidays:** In addition to the holidays established in the collective bargaining agreement, MERLIN gives extra days off that coincide with public holidays during the school calendar, thus helping with work-life balance. In addition, MERLIN provides flexibility so that employees can take their holiday leave without having to take their holidays at a specific time of year.
- **Flexible working hours:** MERLIN gives its employees flexibility regarding when they arrive at work and when they leave to help with work-life balance. Remote working is not established as standard practice but MERLIN has the necessary resources to enable its employees to work remotely if necessary.
- **Reduced working hours:** In the Employee Handbook, MERLIN encourages both parents, regardless of gender, to apply for reduced working hours to care for a child under 12 years of age.
- **Compensation:** MERLIN compensates 100% of the salary of all employees who apply for parental, sick or accident leave, irrespective of gender. All MERLIN employees have access to childcare vouchers through the Flexible Remuneration Plan.
- **Events:** Once a year, MERLIN organises an activity for employees' children. This activity takes place on a working day that is also a public holiday for schools to help employees with work-life balance. In 2023, it did not take place but it is planned to resume in 2024 with expanded activities.
- **Organisation of work:** MERLIN ensures that work meetings are always held during the working hours of all employees who are required to attend the meeting. If training is provided when an employee is on sick leave or parental leave, this training will be repeated so that the employee is not at a disadvantage as a result of having been absent.

5.3.4 Implementation of work disconnection policies

MERLIN instructs all employees not to send emails outside working hours as far as possible. MERLIN's Employee Handbook that all professionals receive when they join the Company and can be accessed through the Employee Portal at any time during their employment relationship has a chapter dedicated to Digital Disconnection. In this chapter, MERLIN emphasises the importance of having rest

periods for the physical and mental well-being of all employees and co-workers, and creates a set of guidelines and criteria to help employees ensure good email habits.

5.4 Safety, health and well-being of employees

MERLIN seeks to ensure the well-being of its employees by creating healthy work environments that maximise their well-being through design, the ventilation and air conditioning equipment used, light output, and ergonomics, among others, meeting needs in terms of thermal, visual and acoustic comfort, and air quality inside the spaces.

MERLIN has an external Occupational Risk Prevention Service that inspects the offices where employees work on an annual basis to assess the risks and the adequacy of the facilities in terms of safety and occupational risk prevention. All offices have been assessed this year and all recommendations of the Occupational Risk Prevention Service have been implemented to improve the health and safety of employees at work. MERLIN offers its employees an annual medical check-up and flu vaccination as part of its social benefits.

As part of the Onboarding Process, all employees are trained in Occupational Risk Prevention and receive information on the risks of their jobs and the main mitigation measures.

In addition, emergency drills are conducted every year and the headquarters are evacuated. Employees who are part of the Emergency Brigade are in charge of helping other employees to comply with the Occupational Risk Prevention Plan and to evacuate the building in a timely manner. The drill at the Paseo de la Castellana 257 offices took place on 23 November 2023, without incident.

As part of their remuneration in kind, MERLIN provides its employees with high-cover health insurance that is 80% reimbursed. This health insurance is both for employees and their direct family (spouse and children). All employees, without differentiation between professional categories, have the same health insurance with the same coverage. MERLIN organises a training session once a year to raise awareness of company health insurance so that employees and their families can get the most out of their health insurance. This session also analyses the coverage and new features that the insurance company presents each year.

In addition, MERLIN implements other health and wellness measures for all employees with regard to nutrition and physical well-being, such as providing fruit in the workspaces, or the possibility of access to physiotherapy services at the corporate offices.

The Company communicates with employees regularly on healthy lifestyles, promoting physical activity, a balanced diet and digital disconnection, among other things.

The accident rates were as follows:

Rate	2022			2023		
	Men	Women	Total	Men	Women	Total
Number of occupational accidents with sick leave	1	1	2	-	-	-
Lost time injury frequency rate (LTIFR) ⁴⁶	1%	1%	1%	—%	—%	—%
Severity rate ⁴⁷	2%	3%	3%	—%	—%	—%
Lost workdays (TLW) ⁴⁸	0,07	0,06	0,06	-	-	-

⁴⁶ Frequency rate: Frequency of accidents in relation to the total time worked by employees during the reported period.

⁴⁷ Severity rate: Number of days not worked due to accidents occurring during working hours, per thousand hours worked.

⁴⁸ TLW: Total lost workdays - impact of occupational diseases and accidents, reflected in the days off of affected workers.

	2022			2023		
Rate	Men	Women	Total	Men	Women	Total
Occupational diseases (TOD) ⁴⁹	-	-	-	-	-	-
Absenteeism (TA) ⁵⁰	3%	3%	3%	2%	1%	2%
Number of deaths due to occupational accidents or diseases	-	-	-	-	-	-
Number of occupational diseases	-	-	-	-	-	-

5.5 Labour relations

5.5.1 Organisation of social dialogue

MERLIN has several public documents such as the Code of Conduct, the Whistleblower Channel, the Equality Plan and the Protocol against Sexual Harassment. All these codes and procedures ensure that social dialogue is guaranteed, channelled and of the highest quality standards.

In addition, MERLIN is an organisation with a small number of employees, meaning that social dialogue is direct, simple and effective. Management is available to all employees without having to go through a chain of command. Their mobile phones and email addresses are made available to all employees and conflict resolution is streamlined.

MERLIN carries out an employee satisfaction survey every two years. In 2023, the aggregate score of 3.6 out of 5 was identical to that of 2021, with a participation level of 81%. For the first time, staff were asked, in line with best practices, about their sense of purpose, their feelings of happiness and their level of stress at work.

In terms of communication channels, the Human Capital Area sends communications to the entire organisation through emails, and surveys are also conducted on different social actions to be able to carry out these actions depending on how well they are received by the organisation's employees. Employees have access to various corporate information, news, events and documentation through the Intranet and the Employee Portal.

5.5.2 Balance of collective bargaining agreements

All employees in Spain are subject to a collective bargaining agreement, and their salary set out in this collective agreement is higher than that of their peers. None of the employees in Portugal are subject to collective bargaining agreements. Portuguese labour law applies to employees in Portugal.

MERLIN compensates all of the remuneration of employees on medical or parental leave so that the employee does not receive less pay for being on sick or parental leave. If an employee is on sick

⁴⁹ TOD: Total occupational diseases - frequency in relation to the total time worked by all employees during the reported period.

⁵⁰ TA: Total absenteeism - a measure of actual days lost by an absent employee, expressed as a percentage of total scheduled working days for employees during the same period

leave, they will therefore receive the same salary as if they were working. The same will apply in cases of parental leave.

5.5.3 Mechanisms to promote employee involvement in management

MERLIN uses different tools to promote employee involvement:

- **The Satisfaction survey**

MERLIN conducts a biannual Satisfaction Survey for all employees and also an annual Satisfaction Survey for certain departments of the organisation where turnover is higher. Through this survey MERLIN is able to identify areas for improvement and undertake necessary actions.

The most highly rated questions were on the working environment, employee camaraderie and training. The lowest rated questions were about temperature in the workplace, flexible working hours and work-related stress. The aggregate result was a score of 3.6 out of 5.

To improve employee satisfaction, in 2022, the company communicated the possibility of flexible start and end times for the working day. In addition, a chapter on work-life balance was published in the Employee Handbook to make all employees aware of these measures regarding flexible working hours.

In 2023, the provider of the company health insurance, a social benefit that all employees receive, gave a presentation on the cover and new features of the health insurance, with a special focus on prevention and psychological support. In this regard, the mobile application with guides and tips on how to take care of emotional well-being was shown. In addition, the possibility of having 20 sessions of clinical psychology and up to 40 sessions in case of work-related stress was reported.

For 2024, the company plans to conduct training on time management and emotional well-being.

- **The corporate Intranet and the Employee Portal**

In 2023, MERLIN launched its corporate Intranet. Through the Intranet, employees can access internal news, on which they can leave comments and interact. They can also access the corporate directory, information on the company's corporate social responsibility, information on social benefits and open recruitment processes, training, all group policies, manuals and procedures, and everything related to corporate branding. The Intranet has been equipped with images and videos to make it easy, intuitive and enjoyable to navigate. In 2024, it is planned to further develop the Intranet to enable onboarding processes by uploading videos in which each department briefly describes its role in the company.

The Employee Portal is a website and an app to which all employees have access. This is a communication channel used for administrative purposes. Employees can consult their pay slips and download employment documents.

- **Dialogue and participation in CSR activities**

Through the Intranet, surveys and direct and face-to-face dialogue, MERLIN is able to detect the different interests of employees to undertake actions of social interest such as the 2022-2023 Sports Leagues, visits to company assets or the No School Day.

MERLIN encourages dialogue and employee participation in the company's decision-making process. For example, through the Donations and Sponsorship Protocol, the Company allocates part of the funds earmarked for donations to those foundations that employees are directly involved with, thus taking into consideration the employees' favourite foundations to collaborate with them.

MERLIN opts for in-person work at the office, which is the Company's main form of work organisation, as it promotes communication, collaboration and a sense of belonging.

5.5.4 Employees with disabilities

MERLIN is committed to including and integrating people with disabilities into its workforce.

As mentioned throughout the document, MERLIN guarantees ease of accessibility to its assets and backs this commitment up by obtaining AIS certification.

In this context, the Company currently has a total of 6 disabled employees on its staff, all of whom have permanent contracts — 4 of them part-time and 2 full-time —, representing 2.3% of MERLIN's workforce. These staff members are fully integrated and perform necessary and valued functions at the Company. The Company exceeds the requirements under the current law in this area (Spanish General Disability Act (*Ley General de la Discapacidad*) through direct hiring.

Professional category	2022	2023
Middle management	1	1
Other professionals	6	5
Total	7	6

5.6 Diversity and equal opportunities

MERLIN promotes equal opportunities, especially in access to employment, training, promotion and working conditions. As stated in its Code of Conduct and its Protocol against Sexual Harassment, MERLIN rejects any and all discrimination in the workplace on the basis of race, colour, nationality, social origin, age, gender, marital status, sexual orientation, ideology, political opinions, religion or any other personal, physical or social condition of an individual. The Group provides professionals with a whistle-blowing channel to report any discriminatory conduct or harassment in the workplace.

In terms of gender equality, in 2022 MERLIN worked on its Equality Plan in compliance with Royal Decree Law 6/2019. The Equality Plan was finally approved after a process of analysing the Group's situation in terms of equality and the negotiation and drafting of the Plan by the Negotiating Committee, and came into force on 18 January 2022, with its validity extended for a period of four years, until 17 January 2026. The Equality Plan was registered by the Directorate General for Employment on 18 August 2022.

The Equality Plan applies to all MERLIN Properties employees and lays down the guiding principles of the Group's conduct in this area, along with a series of objectives and metrics, some of which include addressing the under-representation of women throughout the organisational structure, promoting women's participation in training activities to enhance leadership and compensation by MERLIN for sick leave and parental leave. MERLIN is also committed to promoting equal parental leave for both parents.

MERLIN is complying with the Objectives of the Equality Plan:

In the area of Selection and Recruitment:

- Review the selection criteria and avoid the generalisation of criteria that could be an additional obstacle for women, such as availability to travel, requiring it only for positions where it is necessary, but not in general.
- Review of all documents related to the selection and recruitment procedure (applications, forms, website, job offers, etc.) to ensure that they contain inclusive and non-sexist language in content and images.
- Adopt positive action measures for recruitment, so that, under equal conditions, merits, suitability and capacity, the candidate from the least represented group in the corresponding group or category is recruited.

In the area of Training:

- Implement a register of workers' requests for training, disaggregated by sex, detailing those granted and those rejected.
- Promote the participation of women in training actions that foster their leadership or their insertion in male-dominated areas of work.

In the area of Professional Promotion:

- Provide up-to-date information on internal vacancies, with the necessary requirements and competences, using means and channels that ensure that the information is available to the whole workforce.
- Have statistical information, disaggregated by sex and professional groups, on promotion processes (number of candidates) and their outcome (number of people promoted).
- Analyse the interconnection between training and promotion to check whether the promoted individuals have actively participated in the training courses offered by the Company, and if so, in which ones.
- Implement specific training on equality for the people in charge of HR in the Company and for managers who have decision-making powers in the recruitment and promotion processes.

In the area of Co-responsible Exercise of the Rights of Personal, Family and Work Life:

- Ensure that, when an individual returns from long-term sick leave, parental leave, etc., the Company provides training in any new procedures that may have been implemented during their absence.
- Disseminate the existing work-life balance measures in the company among the workforce, whether they are established in statutes, collective bargaining agreements or company policies.

- Continue to supplement the benefit received by workers during leave due to childbirth, adoption, foster care, common illness or occupational accident up to 100% of their fixed salary.

In the area of Prevention of Sexual and Gender-Based Harassment:

- Implement the anti-sexual and/or gender-based harassment protocol, including specific processing of complaints and guaranteeing privacy, confidentiality and dignity.
- Establish measures to disseminate the anti-sexual and/or gender-based harassment protocol and awareness campaigns against such harassment.

In the area of Under-Representation of Women:

- Adopt positive action measures so that, under equal conditions, merits, suitability and capacity, women are recruited until the under-representation of women in some positions is reduced.
- Adopt positive action measures so that, under equal conditions, merits, suitability and ability, women have access to vacancies in positions where they are under-represented, including management and leadership positions.

In the area of Professional Classification:

- Maintain an updated job catalogue and job evaluation in relation to functions, responsibility, dependants, professional relations, problem-solving skills, etc.
- Have statistical information, disaggregated by sex and professional groups, on the presence of women and men in the different jobs, sections/areas and professional groups.

In the area of Working Conditions:

- Promote the use of technological means that facilitate flexibility and avoid travel and business trips (video-conferencing and others).

In the area of Remuneration:

- Maintain the remuneration register, disaggregated by gender, up to date throughout the term of the equality plan.
- Reduce at Level 5 of the Pay Audit the difference in annual fixed salary between men and women.

The Group also supports all types of diversity beyond gender among the workforce.

MERLIN employees professionals of different nationalities but is equally commitment to local employment. In 2023, 92% of the workforce was Spanish, 6% Portuguese and 2% other European or South American nationalities.

MERLIN has 6 employees with different abilities (2.26%), which exceeds the legal requirement of 2%. These employees have indefinite contracts and perform functions which are necessary and valuable to the Group.

6. Management of stakeholders

6.1 Stakeholder management model

Transparency with stakeholders

MERLIN considers it a priority to provide complete, accurate and truthful information on the Group's performance and activities, and to maintain sufficient relationship channels with its stakeholders, by actively communicating with them and responding to their main demands and expectations.

The Company's relationship with stakeholders is regulated in the Stakeholder Relations Policy. One of the key principles of the policy is the transparency of the information shared with stakeholders, which must be complete, correct and truthful. In keeping with this principle and with the recommendations of the CNMV's Good Governance Code published in June 2020, aside from this policy MERLIN also has a general financial, non-financial and corporate reporting policy that serves as a framework for preparing and monitoring the financial, non-financial and corporate information shared with stakeholders.

This policy is also intended to guide the Group in prioritising and integrating the various stakeholders in the decision-making process by encouraging their participation.

As a result of this prioritisation exercise, MERLIN has identified investors, employees, tenants, end users and the communities surrounding our assets as our main stakeholders. Other stakeholders have also been identified, such as regulatory bodies, government agencies, analysts, suppliers and the media, with which the Group has an occasional or regular relationship.

To ensure a consistent and smooth relationship with stakeholders, MERLIN provides them with various communication channels, some general, some specific but always based on the relevance of each stakeholder, and they are managed by the Investor Relations Department and the Marketing Department.

The various communication channels most notably include the different corporate reports and presentations published periodically by the Group with information on its activities and performance, and the General Shareholders Meeting, which in 2023 was held in person with the option of attending online. During the year, MERLIN continued to have a presence at 35 of the sector's most important events and conferences, held meetings with more than 476 investors, gave 14 asset visits to those investors who requested them. The Company is also committed to organising a Capital Markets Day every 2 years; the last one was held in Barcelona in 2022, when over 35 investors and analysts attended in person.

The table below shows the main stakeholder relations channels, and the concerns and expectations they convey to MERLIN through these channels:

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	• Long-term dividend. • Share value.											
Analysts	• Relevant information. • Company's operations. • Share price performance.											
Employees	• Labor uncertainty and stability. • Working conditions. • Working hours. • Adaptation of working conditions due to COVID-19. (*)											
Tenants and end customers	• Personalized service. • Portfolio flexibility. • Services offered at assets. • Action plans and measures to combat COVID-19. (*)											
Suppliers	• Maintenance, development and remodeling of the Company's assets.											
Local communities	• Economic and social impacts of assets on local communities.											
Regulatory bodies	• Relevant events of the Company. • Compliance with legislation and periodic reporting requirements.											
Public Administration	• Compliance with legislation governing the Company's assets (permits, licenses...). • Public/private collaboration.											
Media	• Relevant operations and events.											

Relevant aspects:

(*) Aspect associated with the pandemic situation of the financial year and dealt with through

Communication channels:

● Channel with activity during the year.
● Channel with activity during the year, adapted to the pandemic.

6.1.1 Shareholder return

In 2023, MERLIN had relatively positive performance within the REIT sector, with the share price rising 14.64% in the period, and compared with the sector the stock market performance has been good (EPRA Index +10.7% and European comparables⁵¹ 13.5%). The Company achieved a cash flow per share (FFO per share) of EUR 0.61 per share and an EPRA NTA of EUR 15.08.

In addition, a total of EUR 207 million or EUR 0.44 per share was distributed to shareholders during the year. Total shareholder return measured as the change in EPRA NTA per share and the dividends per share paid out during the year was (0.99%), as shown in the table below. Alignment with shareholders is reflected in the percentage of staff who are shareholders of the Company (47%) and the 1% of shares held by management⁵².

Shareholder return	Per share (€)	Millions of €os
EPRA NTA 31/12/2022	15.67	7,363
NTA growth in 2023	-0.59	-280
EPRA NTA 31/12/2023	15.08	7,083
Dividend per share (DPS)	0.44	207
NTA growth + DPS (shareholder return)	15.52	7,290
Shareholder rate of return	-1.0%	-1.0%

6.1.2 Treasury shares

At 31 December 2023, the Parent held treasury shares amounting to EUR 15,411 thousand. The changes in 2023 were as follows:

Treasury shares	Number of Shares	Thousands of €
Balance as of 1 January 2022	2,885,491	32,305
Additions	6,625	122
Disposals	(1,355,932)	(15,261)
Balance as of 31 December 2022	1,536,184	17,166
Additions	83,106	689
Disposals	(220,166)	2,445
Balance as of 31 December 2023	1,399,124	15,410

⁵¹ European comparables include Inmobiliaria Colonial, Gecina, Unibail-Rodamco, Segro and British Land

⁵² Including related persons

At the General Meeting held on 27 April 2023, the authorisation granted to the Board, with powers of substitution, to increase the share capital in accordance with sections 297(1)(b) and 506 of the Consolidated Text of the Corporate Enterprises Act, by means of monetary contributions and with the power to exclude pre-emption rights, up to a maximum nominal amount equal to one half (50%) of the share capital at the time of this authorisation, or twenty per cent (20%) of the share capital at the time of this authorisation in the event that the increase excludes the shareholders' pre-emption rights, was renewed for a maximum period of five years.

The retirement of treasury shares amounting to EUR 2,445 thousand (average cost of EUR -11.11 per share) partly corresponds to the delivery of EUR 1,338 thousand to employees under the flexible remuneration plan.

The Group has a liquidity agreement for securities listed on the Lisbon Stock Exchange (Euronext Lisbon), having made net sales of -16,840 shares, totalling EUR 418 thousand, in 2023.

At 31 December 2023, the Parent held treasury shares representing 0.298% of its share capital.

6.1.3 Stock market performance

On 31 December 2023, MERLIN shares closed at a price of EUR 10.06€, representing a (15%) rise in their price compared with the closing price on 31 December 2022 (EUR 8.78).

6.1.4 Dividends policy

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

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

If the resolution to distribute dividends is not passed within the legally established period, the Parent will lose its REIT status for the financial year to which the dividends refer.

The Company's dividend policy establishes a distribution of 80% of the AFFO ("Adjusted FFO"), understood as the cash flow from operations less interest paid and ordinary maintenance expenses and capex for the assets.

On 27 April 2023, the General Meeting of Shareholders approved the distribution of a supplementary dividend from the profit for 2022 in the amount of EUR 113,350 thousand euros (EUR 0.242 per share). In addition, on 16 November 2023, the Company's Board of Directors approved the

distribution of an interim dividend of EUR 93,673 thousand (EUR 0.20 per share) from the profit for 2023.

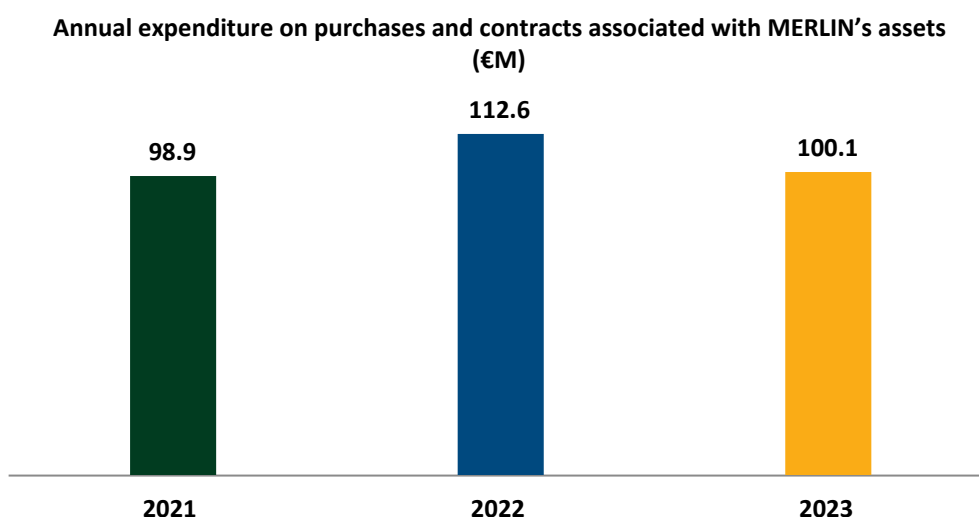
6.2 Supply chain

Sourcing products and services

By sourcing products and services locally, MERLIN has a positive impact on the communities where its assets are located.

In 2023 payments to suppliers of products and services totalled EUR 100 million, with an average period of payment to suppliers of 39 days⁵³, in line with that established by law on measures to combat late payment in commercial transactions (Law 15/2010 of July 5).

When hiring suppliers, MERLIN prioritises local suppliers that meet the Group's social and environmental standards. For developments and the refurbishments of its assets in particular, in keeping with the sustainable construction standards in which the Group is certified, MERLIN purchases local raw materials and works with local contractors, which is an added benefit for the local economy. In addition, MERLIN's contracts with suppliers and lessees include clauses referencing both MERLIN's compliance policies and its Code of Conduct.



In accordance with the Procurement Procedure, the sustainability factors are an additional component to those currently in place to assess each of the CAPEX and OPEX tenders based on environmental, social and governance criteria.

In 2022, MERLIN amended the Procurement Procedure to require suppliers to answer an ESG questionnaire on environmental, social and governance issues for all tenders over EUR 150,000.

In 2023, **MERLIN requested information from all suppliers in tenders for improvement and refurbishment of assets (CAPEX) in excess of EUR 150,000**, covering information and details on environmental, social and regulatory compliance matters, including aspects regarding human rights compliance (policies, demands, etc.) for each third party assessed. Internal Audit subsequently reviewed the questionnaires.

⁵³ See all the information on the average payment period required under Final Provision Two of Law 31/2014 in Note 13 of the Consolidated Financial Statements .

6.3 Maximising the well-being of users of the assets

The Group views these spaces as an opportunity to offer high quality, value-added service to provide the tenants and users of the assets with the best possible experience. MERLIN has therefore set up the following framework for collaborating with tenants and user that consists of four basic pillars:



2023 MILESTONES	FUTURE OBJECTIVES
- CAU project for incident management in offices: launching the pilots. - Progress on Wired score. 17 certified assets. - Increase in the number of assets with clean air purification technology, to 40 assets. - Cumulative installation of 1,758 electric vehicle charging points. - Extension of the MERLIN Hub app (3,874 users). - New building with WELL PLATINUM classification: Nestlé Portugal headquarters.	- Satisfaction surveys and making them automated in LOOM spaces. - CAU project for incident management in offices: roll-out in 100% of buildings - Construction of the A1 bus lane. - Increase the number of assets with air purification technology. - Installation of smart building systems similar to those installed at Castellana 85 in other assets. - Commissioning of the CRA, MERLIN's alarm registration centre. - Implementation of the centralised BMS (Building Management System) for the entire property portfolio.

KEY INDICATORS FOR THE YEAR		
	DATA 2023	Change 2022-2023
Level of satisfaction ⁵⁴	2.96/4	+0.04
Asset occupancy	96.2%	+110 bps
Assets with accessibility certifications	73	+4 assets

MERLIN's distinguishing features in its relationship with tenants

MERLIN works to build relationships of trust with tenants and strives for the highest level of satisfaction by fostering active communication based on dialogue and teamwork.

⁵⁴ Surveys conducted on all assets (single-tenant, multi-tenant and shopping centres). The overall score is calculated in terms of the Average Quality Index (AQI) taken from the surveys.

2.96 out of 4
overall score in satisfaction
surveys

Working together

MERLIN is committed to the active involvement of asset users in optimising their performance and making the most of the assets' services and functionalities to keep them completely satisfied

100% of assets have tenant
relationship channels

Constant communication

MERLIN encourages active communications with tenants through the various channels available to them so as to identify possible concerns and needs, solve problems and hear their suggestions for maximising their experience

73 assets with AIS certification
including 13 with the highest
rating

Commitment to accessibility

MERLIN guarantees ease of accessibility to its assets and backs this commitment up by obtaining AIS certification

Well-being of tenants and users of the assets

Maximising the well-being of its tenants and users of the assets is one of the basic pillars of MERLIN's management. Among other things, well-being includes indoor air quality, lighting, connectivity and complementary services available to users.

MERLIN is committed to ventilation as a key element of indoor air quality. This is achieved by installing filters, renovating equipment and using thermal insulation in buildings to prevent harmful substances from the outside getting in. In terms of lighting quality, the Group prioritises natural light and the installation of LED lighting to avoid glare and provide adequate illumination of the space.

Along these lines, MERLIN has air filtration and purification systems installed in its office assets, with the aim of improving users' health and the sustainability of the assets.

These solutions use filtration and ventilation to reduce suspended particles, biological agents (viruses, bacteria and fungi), volatile organic compounds (VOCs) and chemical pollutants, thus reducing the incidence of cyclical diseases and improving the users' working experience in offices.

The environmental solutions installed generate energy savings in the buildings' air conditioning systems, since the filters used have lower air resistance than traditional filters and have longer useful lives, which also cuts down on waste.

As part of its commitment to improving the digital infrastructure of its buildings, MERLIN has continued to certify office assets with the Wired Score seal. This is an online connectivity standard that guarantees the fastest upload and download speeds at all offices, including common areas and outdoor spaces, and provides the assets with the necessary infrastructure to adapt to future technological advances.

MERLIN also provides the users of its asset with a series of complementary services, essentially related to mobility, to enhance the user experience, such as the MERLIN Hub, for which approximately EUR 1,193 thousand was earmarked in 2023.

Sustainable mobility

The mobility of the users of its assets is a key aspect for MERLIN. Accordingly, the Group prioritises assets that are strategically located with good public transport options, especially for the office portfolio, which enhances users' quality of life.

MERLIN also developed other initiatives at its office assets, such as providing shuttle services, promoting carsharing and carpooling services, and the use of electric bicycles to travel from public transport stations to the offices. MERLIN also promotes the installation of electric vehicle charging points at the assets in its strategic portfolios (offices, logistics and shopping centres), with 1,758 currently installed.

Through these initiatives, MERLIN promotes and encourages users of the MERLIN Hub community to opt for alternative and sustainable forms of transport through specific mobility plans, thus contributing to the decarbonisation of the cities where it operates.

Asset accessibility

In terms of accessibility, MERLIN considers it a priority to maximise the millions of people who can access shopping centres each year, regardless of their abilities, so that they can enjoy their shopping experience. Along these lines, the Group continues to increase the number of certified assets based on the Accessibility Indicator System (AIS), which assesses the usability, comfort and safety conditions of the building.

All of the assets in the shopping centre portfolio are AIS certified. These shopping centres are constantly improving their accessibility performance, which in turn implies higher ratings obtained within the framework of this certification. In 2023, it should be highlighted that 7 shopping centres obtained the highest possible score awarded by AIS (five stars). MERLIN continues to add to the number of certified office assets, with a total of 60 certified assets at year-end (4 more than in 2022).

Technology and innovation

MERLIN is committed to offering tenants and users comprehensive services of the highest quality that go beyond pure asset management, incorporating the most innovative solutions into its assets to enhance the user's experience.

In line with this philosophy, MERLIN continues to focus on improving the quality of life of the users of its assets. Thus, it has maintained the Mayordomo Smart Points, a system of smart lockers that allow users to conveniently receive parcels and various services that help achieve a work-life balance. By the end of 2023, 32 MERLIN assets had such points, a decrease of (3%) compared with 2022 as the usage ratio was calibrated, eliminating one unnecessary Smart Point.

MERLIN is also focused on LOOM flexible workspaces as a solution to the hybrid work model.

Sustainability, maximising efficiency

MERLIN is highly committed to the sustainability of its portfolios and maximises their efficiency in the use of resources by benchmarking against international industry standards. The Group integrates

sustainability into its decision-making process, focusing on the well-being of its tenants and improving its assets, with a carbon footprint that is as low as possible.

MERLIN offices also seek excellence in energy efficiency through LEED and BREEAM certifications.

Omnichannel in shopping centres

For shopping centres, MERLIN continues to be committed to omnichannel shopping and is therefore expanding the Click&Collect points for online order pick-up. At the end of the year, this portfolio had a total of 110 such points.

Community

MERLIN offers numerous opportunities to its users with the intent of promoting networking and enriching each employee's workday. There are many opportunities during the workday to connect with other users, whether or not they are from your own company. A programme of events and experiences has also been designed, such as solidarity stalls, sports activities, talks with experts on current affairs.

Some of the initiatives carried out in 2023 include the Spanish Cancer Association (AECC) solidarity stall, a talk on Women's Day with numerous speakers and blood donations organised by the Red Cross at the various asset locations. In addition, MERLIN contributes to different types of social initiatives by illuminating the façade of Torre Glòries in different colours, such as the collaboration with Pride Barcelona or with the Duchenne Syndrome Foundation.

Constantly listening to users

MERLIN believes it is essential to provide tenants and users with sufficient communication channels to maintain active dialogue and generate a relationship of trust. This allows MERLIN to understand their needs and expectations and to detect opportunities and possible areas for improvement in asset management.

Among these channels, satisfaction surveys stand out. In 2023, surveys were sent to all tenants of multi-tenant and single-tenant offices, shopping and logistics centres, with a total participation of 25%. The tenants rated specific aspects that influence their well-being such as the condition of common areas, the management of information and MERLIN's attention to possible incidents, administrative management, treatment of staff and overall satisfaction with the service. The average overall satisfaction rate according to the survey was 2.96 out of 4, which translates to 87% of satisfied tenants.⁵⁵

Regarding the portfolio of logistics assets, since 2020 MERLIN has had a **Facility Management** service integrated in all logistics assets that provides monitoring and advice to tenants on maintenance, technical and legal matters. This initiative creates a framework for collaboration with tenants, which makes it possible to do things like adapt response times to the seriousness of the incident reported by the tenant. To streamline two-way communications, tenants can share information in real time on a collaborative IT platform.

For the shopping centre portfolio, since 2022 MERLIN has enhanced communications with tenants at all levels to build closer relationships. Along these lines, the Company has launched the LIFE! portal at

⁵⁵ A satisfied tenant is one with an Average Quality Index (AQI) higher than 2.5 out of 4.

its centres. Besides serving as an online communication channel, it centralises management and optimises the use of resources in a more efficient, interactive and paper free manner.

With the **LIFE! portal**, tenants have direct, smooth two-way communications with MERLIN's shopping centre management team. The tool also has a repository of documentation with relevant information on each asset and two different marketing sections: the first one with promotions that are then published in the app and on the shopping centre's website; and the second one with promotions for the employees of the operators of MERLIN's shopping centres.

In relation to the offices, the CAU project has been developed, which makes it possible to manage incidents or complaints from users of office assets and monitor the information for better follow-up.

MERLIN maintains a direct relationship with clients so that any type of incident is resolved and managed through the Group's managers located at the assets.

An incident management system is currently in the process of being installed in the office assets where the resolution and handling of incidents can be pooled. In addition, the Group has complaint forms at its shopping centres and a portal on its intranet where tenants and users can report any type of incident.

In 2023, 18 complaints were received (7 more than in 2022) and all 18 were satisfactorily resolved.

6.4 Development and relationship with the environment

Generating positive impacts on the environment

2023 MILESTONES	FUTURE OBJECTIVES
- Start of the construction of the A1 bus lane - Start of the remodelling of the area surrounding the office building located at Plaza Ruiz Picasso 11. - Signing of the protocol with the Madrid City Council for the Renazca project. - Start of renovation work on the Clara Campoamor gardens, in Barcelona	- Complete A1 bus lane. - Complete the remodelling of the area surrounding the office building located at Plaza Ruiz Picasso 11. - Signing of the agreement with the Madrid City Council for the Renazca project. - Complete the renovation of the Clara Campoamor gardens.

KEY INDICATORS FOR THE YEAR		
	DATA 2023	Change 2022-2023
Economic value distributed (€M)	510.8	-41%
Purchases from suppliers (€M)	100.1	-11%
Average period of payment to suppliers (days)	39	55%
Social or environmental complaints from communities (N.º)	0	0
Social contribution of the Group (LBG/ONLBG Method) €M	6.6	78%

6.4.1 Improving cities

MERLIN is firmly committed to and responsible for the physical and social environment in which it operates, and seeks to have the best possible impact through different initiatives to improve the cities in which its assets are located.

Along these lines, all of the Group's assets contribute to the development of the communities in which they are located, for example, through sourcing local products and services. In addition, 26%⁵⁶

of the portfolio assets have specific development programmes, impact assessments and local community participation, with the shopping centre portfolio having the most of these types of programmes (95%), as it has the strongest links to local communities. Meanwhile, 44% of office buildings have specific programmes, while, in 2023, there were no specific programmes in logistics warehouses.

MERLIN's distinguishing features in its relationship with local communities

MERLIN maintains stable and lasting relationships with the local communities around its assets based on the creation of positive impacts and two-way communications using different channels. This enables the Group to identify their needs and expectations, which we try to satisfy through different programmes and initiatives, offsetting any potential negative impacts arising from our activities.

MERLIN continues to work with local agents to enhance the value of public spaces around our assets, reinforcing the social and economic value contributed by these assets.

EUR 6.58 M in MERLIN's contribution to communities	Impact management and value creation MERLIN works to maximise the positive impacts of its activities and to minimise and, where applicable, offset the negative ones.
EUR 5,4 M earmarked in 2023 for the redevelopment of public spaces	Quality spaces MERLIN uses its own resources to renovate the public spaces around its assets, maximising the value of the contribution to the communities surrounding its assets.
More than 165,000 downloads of user relationship apps in shopping centres	Dialogue and transparency MERLIN establishes and maintains ongoing and smooth relations with the communities linked to its assets, continuously adding new channels to strengthen these relationships.
32% growth in followers on LinkedIn compared with 2022 X-Madrid, Spain's shopping centre with the most followers on Instagram	Impact on social media MERLIN meets the milestones and objectives set in terms of followers and engagement rate by following a content strategy that prioritises quality over quantity.

⁵⁶ By GLA; including offices, shopping centres and logistics assets, excluding assets under development (WIP).

Job creation

MERLIN's assets contribute to local employment both directly, through the hiring of personnel, and indirectly through the companies that provide ancillary services such as maintenance, facility management, security and cleaning. In addition, the economic environment surrounding the asset also benefits from the creation of hospitality and retail services to meet the needs of the users of the assets.

Initiatives for improving cities

***Improvement of
public spaces***

The rehabilitation of public spaces surrounding its assets is a key part of MERLIN's strategy of delivering value to local communities, including other assets in the area. MERLIN is currently working on the refurbishment of the spaces adjacent to the Plaza Ruíz Picasso, located in the Azca area of Madrid.

In 2023, together with the Ajuntament de Barcelona and Colonial, the renovation of the Clara Campoamor gardens in the district of Les Corts in Barcelona (around the office building at Diagonal 605) began.

The work takes into account sustainability criteria and aims to improve the immediate surroundings and accessibility of the area, adapting it to the new uses and needs of the citizens.

With this pioneering public-private partnership agreement, MERLIN Properties and Colonial bear the cost of the drafting of the design and two thirds of the cost of the remodelling.

***Enhancement of
the local area***

Through its refurbishment projects such as MERLIN Hub and Renazca, the Group acts as a driver for the revaluation of the areas surrounding its assets.

In 2023, MERLIN started the construction of a new bus lane on Avenida de Burgos to ease the A-1. It will run from the roundabout at Avenida de San Luis to the junction with the carretera de Fuencarral in Las Tablas. The area near the A-1 has become a major business hub and both employees of these business parks and local residents experience heavy traffic every day, especially during rush hour. Specifically, the service road outbound from Madrid on the A-1 registers an average intensity of 28,000 vehicles per day.

The new lane will substantially improve the mobility of people living and working in Madrid along the A-1 and responds to the need for better public transport, so that citizens can reach their workplaces faster and more economically, thus avoiding the need to travel in their private vehicles.

6.4.2 Social initiatives

MERLIN creates value for society by supporting various initiatives and activities that ultimately have a positive impact on the development of the surrounding communities. This contribution is approached from a dual perspective. On the one hand, at the corporate level and on the other hand, at the level of its various assets.

– Contribution at the corporate level

At the corporate level, most of MERLIN's contributions to the community are part of its CSR Plan, under which MERLIN commits up to 0.1% of its gross annual revenue to social programmes or projects. This financial contribution is divided into two parts: the first part is the Group's direct cash contribution, and the second part is MERLIN's matching contribution, in which it doubles the cash donations or volunteer hours of employees, executives and directors. It should be noted that MERLIN does not make any political contributions.

In 2023, the Group donated a total of EUR 230,850 in direct contributions, with a multiplier effect⁵⁷ of EUR189,866 through the collaboration of 42 employees and directors. Together, these contributions have supported 83 foundation.

In addition to the CSR Plan, in 2023, for the seventh year in a row, a total of 23 MERLIN employees taught classes in the university degree programme titled "Intensification in Real Estate Planning and Management" at the School of Quantity Surveyors of the Polytechnic University of Madrid. And once again this year, the training included a talk by Ismael Clemente, the Group's CEO. In all, MERLIN professionals dedicated 164 hours to this activity. In addition, 3 employees of the Group gave classes in the Madrid Chamber of Commerce's Advanced Programme in Property and Financial Management, with a total dedication of 27 hours.

As in past years, MERLIN donated the cash allowance to fund two academic scholarships awarded to the top two students in this degree programme for a total of EUR 3,000.

– Contribution through assets

MERLIN also contributes to local development through its assets, supporting different initiatives and activities in four key areas: training; social action; promotion of culture and local development; and awareness-raising.

⁵⁷ In accordance with the LBG/ONLBG framework, the multiplier effect is considered to be the additional resources that the company manages to raise for an activity or project from third parties or entities.

Breakdown of local development programmes by type



Initiatives promoting social cohesion and inclusion

Training activities

Numerous training activities open to the community and activities aimed at LOOM users were held in the LOOM spaces in 2023. These activities are especially focused on the personal and professional growth of the participants, such as yoga, seminars on topics of interest such as "How to create content for your brand", "Role play games as a tool for teambuilding", "Sustainable Startup Day", "Habits: the path to our goals", etc.

For its part, the Marineda shopping centre celebrated Women's Day in collaboration with the A Coruña City Council with a colloquium (illustration workshop), and in the X-Madrid shopping centre the collaboration with Alcorcón City Council to install the "Together we make history" exhibition, a recognition of the female residents of Alcorcón, should be highlighted

Social action

MERLIN continues to collaborate with the Juan XXIII Roncalli Foundation to install, manage and maintain the urban vegetable gardens at MERLIN Hub, promoting the social and workplace inclusion of workers with intellectual disabilities. In 2023, these gardens yielded 1.02 tonnes of produce. Some 387 kgs of vegetables were donated to the Food Bank to help 230 families, and the rest were distributed among the people who work there. Some 215 environmental awareness actions and activities with tenants were also held, such as Gardening Tips, and this year two new initiatives were included: the Micro Workshop Experiences and the Points Programme.

Various MERLIN shopping centres have solidarity stands in their common areas, which are occupied at various times throughout the year by non-profit organisations such as the Red Cross, UNICEF, Doctors without Borders, etc.

Promoting culture and local development

In 2023, to cite some illustrative examples, in the La Vital shopping centre there was a programme of family shows on Saturday afternoons, with musical performances, concerts, storytelling, puppet shows, magic shows, street parades, mini discos, etc.

In Las Arenas shopping centre, "Drap Art", an exhibition of works by artists who use recycled materials who belong to the organisation, was held over a month. Local, national and international artists took part.

The Porto Pi shopping centre hosted "Let's Art Fest!", a festival to showcase urban artists from Majorca and, at the same time, give visibility to social causes on the island. Each artist chose an association or social cause to which they wish to link their work, to raise awareness of its work.

In addition, the FLECHA project has been ongoing for several years, which allows users of shopping centres such as Arturo Soria Plaza to visit an art exhibition with the works of top level and emerging artists at affordable prices, thus breaking the traditional barrier of art in galleries.

Finally, the Group continued to showcase the work of young Spanish artists through the MERLIN Art Programme, which acquires and exhibits their work in its main assets, while providing tenants with a better experience.

Awareness raising activities

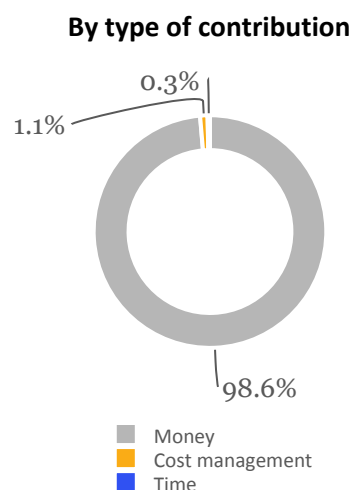
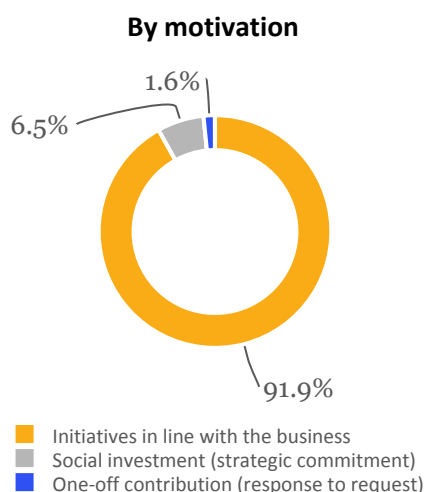
During 2023 MERLIN Hub developed various social awareness events such as the Christmas Campaign in Partenón 12 with the Saint Vincent de Paul Foundation, or the numerous blood donation points set up throughout the year at its assets. In addition, MERLIN's shopping centres have numerous awareness-raising initiatives throughout the year, such as the collaboration in the Artea shopping centre with HASZTEN, an association dedicated to promoting the introduction of sports and physical activity among children with functional diversity in the province of Biscay.

6.4.3 Measuring the distribution of contributions to the MERLIN community

Contribution to the community

After joining the internationally recognised London Benchmarking Group (LBG) in Spain, MERLIN measures its contribution to society using the LBG model. This is the most prestigious standard for measuring the investments made by companies in the form of social and environmental initiatives. LBG recognises voluntary contributions to social or environmental protection programmes and donations to non-profit organisations, not restricted to groups that are related to the Group. All initiatives are located in Spain and are broken down as shown on the following table.

By type of initiative	2022	2023
Social well-being	€310,250	€321,495
Education	€225,930	€259,167
Health	€527,408	€19,681
Art and culture	€2,269	€550,018
Humanitarian aid	€2,219	€4,960
Socioeconomic development	€2,530	€7,755
Environment	€2,592,340	€5,373,358
Employment and entrepreneurship	€0	€181
Diversity and strengthening of the family	€0	€12,363
Other ⁵⁸	€0	€30,062
TOTAL	€3,662,946	€6,579,039



In terms of sponsorship actions, the Group continuously supports the initiatives of the associations with which it collaborates, as is the case with the "Valencia 10K" runner's expo in the Saler shopping centre, which is also the collection point for race bibs, which it has sponsored since 2018.

MERLIN also maintains relationships with associations of which it is a member, such as: The Spanish Association of Offices, Spanish Association of Shopping Centres, European Public Real Estate Association, Spanish Confederation of Business Organisations, Association of Real Estate Companies with Rental Properties (ASIPA), GRI, Portuguese Association of Real Estate Developers and Investors, Madrid Futuro Association and the Barcelona Global Association (see details in Table GRI 2-28).

⁵⁸ Includes collaborative actions with associations in the shopping centre portfolio.

Contribution to the Sustainable Development Goals (SDGs)

Since its incorporation, MERLIN has integrated sustainability into its activities and decisions. For MERLIN, the practical implementation of this commitment takes the form of striving to achieve the Sustainable Development Goals of the 2030 Agenda adopted by the United Nations General Assembly in 2015.

The SDGs that benefit most from MERLIN's contributions, as identified in 2023 by the Company, are discussed below.



SDG 3 - Good health and well-being: MERLIN maximises the user experience by creating quality spaces that prioritise aspects such as air quality, lighting, and accessibility.



SDG 4 - Quality education: MERLIN promotes training initiatives by using its assets to improve social cohesion and inclusion and by offering its employees ongoing professional development.



SDG 5 - Gender equality: equal opportunities for men and women and non-discrimination are key aspects for MERLIN in the performance of its activities.



SDG 7 - Affordable and clean energy: Through its assets, MERLIN contributes to the transition to low-carbon energy by making a commitment to renewable energy and energy efficiency.



SDG 8 - Decent work and economic growth: through the refurbishment and operation of its assets, MERLIN generates quality employment by maximising the user experience and ensuring the best health and safety conditions.



SDG 9 - Industry, innovation and infrastructure: MERLIN's assets integrate the latest trends in innovation and digitalisation at both the building and user level.



SDG 11 - Sustainable cities and communities: Through its assets, MERLIN has a positive impact on cities from both an environmental and social perspective.



SDG 12 - Responsible consumption and production: MERLIN is committed to maximising the environmental performance of its assets in line with the market's benchmark sustainable construction certifications.



SDG 13 - Climate action: MERLIN is aware of its role the decarbonisation of the economy, and in 2021 MERLIN developed an emission reduction strategy ("Pathway to Net Zero") that involves its entire value chain.



SDG 15 - Life on land: MERLIN analyses and minimises the potential negative impacts on biodiversity throughout the life cycle of its assets, especially in new developments and refurbishments.



SDG 17 - Partnerships for the goals: MERLIN builds and consolidates relationships with the public and private stakeholders with which it interacts, especially with the communities where it operates.

7. Capital management

2023 MILESTONES	FUTURE OBJECTIVES
• Maintenance of credit rating and positive outlook. • Compliance with the green/sustainable debt framework. • Payment of the bond at maturity in April 2023 in the amount of EUR 743 million • Publication of Allocation and Impact reports as part of the Green Finance Programme, focusing on sustainability metrics.	• Renewal of the sustainable green debt framework. • Holding of the biannual Capital Market Day (biannual) • Improvement of the Company's credit rating notch

KEY INDICATORS FOR THE YEAR		
	2023	CHANGES 2023-2022
Share price (€)	10.06	+12.72%
Distributions to shareholders (€M) ⁵⁹	207.0	(63.16)%
Number of analysts covering the Group	26	+13.04%
Average daily trading volume (€M)	€13.6 M€	(33.00)%

⁵⁹ The decrease is due to the extraordinary dividend in 2022 from the sale of Tree of EUR 351 M

7.1 Tax information

7.1.1 Tax strategy

MERLIN contributes to supporting public finances through the payment and collection of taxes payable to them.

MERLIN's Board of Directors approved the Group's tax strategy, the aim of which is to determine the fundamental principles and pillars on which MERLIN's fulfillment of its tax obligations is based.

Compliance with its tax obligations is governed by the following principles in its conduct regarding tax matters:

- Fulfillment of tax obligations and payment of legally required taxes. In particular, MERLIN will govern its conduct in accordance with that set out in the REIT regime that applies to it, based on the case law and commentary established in relation to the regime.
- Adoption of actions in tax matters based on a reasonable interpretation of the law.
- Tax treatment and decision making with tax implications based on the business rationale and reality of transactions and on the distribution of resources, risks and adding value.
- Not using structures that are contrived or that make no economic or business sense so as to reduce the tax burden of the Group or its shareholders.
- Not operating in territories classified as tax havens for the main purpose of reducing the tax burden of the Group or its shareholders.
- Maintaining a relationship with the tax authorities based on transparency, good faith, cooperation, reciprocity and professionalism without prejudice to legitimate disputes that may arise with the tax authorities in the defense of its interests or those of its shareholders.
- Promoting, together with business associations, improvements in regulations and the administrative procedures to boost companies' competitiveness and employment.

Together with the above principles, MERLIN's Board of Directors has the necessary internal and external resources to comply with this tax strategy and the policies approved in implementing it.

This tax strategy is applied and monitored by the Tax Department, under the supervision of the Group's Corporate General Manager.

With regard to notification mechanisms, MERLIN channels any concerns regarding unethical or illegal conduct and the organisation's integrity in relation to taxation through the Whistleblower Channel and the continuous availability of the Head of the Tax Department. In addition, content regarding tax matters is verified through external audits and internal tax controls.

Compliance with the tax strategy is monitored and overseen by the Internal Audit Department, which, in accordance with the general procedures established for its function, is configured as an independent function of the Company.

The Audit and Control Committee therefore monitors the effectiveness of the internal control and risk management system for these purposes, and also in accordance with the generally established mechanisms.

7.1.2 Profits earned by country and income tax paid

MERLIN is committed to complying with its tax obligations as an additional way of contributing to the development of the communities in which it operates in both Spain and Portugal. The Company's earnings as at 31 December 2023 were as follows:

- Income obtained

Income from leases to third parties (€M)	2022*	2023
Spain	381.1	399.9
Portugal	57.9	64.9
TOTAL	439.0	464.8

Income from intra-group transactions with other tax jurisdictions (€M)	2022*	2023
Spain	-	-
Portugal	23.4	28.7
TOTAL	23.4	28.7

- Profit before tax

Profit before tax obtained (€M)	2022*	2023
Spain	(17.5)	(120.2)
Portugal	65.7	45.2
TOTAL	48.2	(75.0)

- Tangible assets

Tangible assets other than cash and cash equivalents (€M)	2022*	2023
Spain	10,347.7	10,341.3
Portugal	1,274.4	1,262.9
TOTAL	11,622.1	11,604.2

- Taxes

Taxes paid (€M)	2022*	2023
Spain	207.7	148.5
Portugal	15.7	21.2
TOTAL	223.4	169.7

Corporation tax accrued (€M)	2022*	2023
Spain	(0.9)	1.0
Portugal	7.7	7.5
TOTAL	6.8	8.5

*2022 restated for discontinued operations.

7.1.3 Total Tax Contribution

The Total Tax Contribution (TTC) measures the contribution made by a company or group of companies to the various authorities.

As a general rule, both taxes paid and collected are charged to each fiscal year following a cash basis approach.

- Taxes paid are those taxes that have incurred an effective cost for companies, e.g. income tax, social security contributions paid by the company, or certain environmental taxes.
- Taxes collected are those that have been paid as a result of the company's economic activity, without entailing a cost for the companies other than that of their management, such as employee tax withholdings.

Accordingly, the MERLIN Group's **total tax contribution**, between Spain and Portugal in 2023, amounted to EUR 169.7 million. Based on the nature of the tax and the country of residence of the companies, the following is a breakdown of the total tax contribution collected and paid by the Group in 2023 following a cash basis approach:

Spain:

The total contribution in Spain amounted to EUR 148 taking into account direct and indirect taxation. This amount is differentiated into tax paid and tax collected/withheld. The former are those that entail a cost for the Group, while the latter are those that, without entailing a cost for the Group, consist of a collection on behalf of third parties.

Amounts in million euros.

Taxes paid	2022	2023
Property tax	36.8	34.9
Tax on economic activities	5.0	4.9
Tax on buildings, installations and works	3.1	2.4
Company social security contributions	3.0	3.4
Duties	2.2	1.9
Urban property capital gains tax	1.4	0.3
Transfer tax and stamp duty	1.4	0.5
Corporate Tax	(1.5)	(2.0)
IGEC	-	0.1
IVPEE	-	-
Others	-	-
<i>SUBTOTAL</i>	<i>51.4</i>	<i>46.4</i>
Taxes collected/withheld	2022	2023
VAT/Canary Islands general indirect tax	56.6	52.3
Suppliers personal income tax/non-resident income tax	1.5	3.7
Employees personal income tax/non-resident income tax	24.0	11.2
Dividend personal income tax/non-resident income tax	70.8	34.2
Employee social security contributions	0.6	0.7
<i>SUBTOTAL</i>	<i>153.5</i>	<i>102.1</i>

Portugal:

The total contribution in Portugal amounted to EUR 21.2 million.

Amounts in million euros.

Taxes paid	2022	2023
Property tax	1.0	1.1
Company social security contributions	0.2	0.2
Transfer tax and stamp duty	0.9	-
Corporate Tax	3.0	3.8
Others	-	-
<i>SUBTOTAL</i>	<i>5.1</i>	<i>5.1</i>

Taxes collected/withheld	2022	2023
VAT/Canary Islands general indirect tax	7.7	9.3
Suppliers personal income tax/non-resident income tax	2.5	6.4
Employees personal income tax/non-resident income tax	0.3	0.3
Employee social security contributions	0.1	0.1
<i>SUBTOTAL</i>	<i>10.6</i>	<i>16.1</i>

Impact of MERLIN's total tax contribution 2023

The purpose of this calculation is to measure the business asset represented by the MERLIN Group's tax contribution so that it is effectively incorporated into the reputational value given the value it generates and contributes to society. Therefore, the impact of the various taxes that entail an outflow of cash for the Group is detailed below

Amounts in million euros.

Income tax	2022	2023
Corporation Tax	1.4	1.8
Suppliers personal income tax/non-resident income tax	4.1	10.1
Tax on economic activities	5.0	4.9
Urban property capital gains tax	1.4	0.3
SUBTOTAL	11.9	17.1
Taxes on shareholders	2022	2023
Dividend personal income tax/non-resident income tax	70.8	34.2
SUBTOTAL	70.8	34.2
Property taxes	2022	2023
Property tax	37.8	36.0
SUBTOTAL	37.8	36.0
Employment-related taxes	2022	2023
Employees personal income tax/non-resident income tax	24.2	11.5
Company social security contributions	3.2	3.6
Employee social security contributions	0.7	0.8
SUBTOTAL	28.1	15.9
Taxes on products and services	2022	2023
VAT/Canary Islands general indirect tax	64.3	61.6
Transfer tax and stamp duty	2.3	0.5
Tax on buildings, installations and works	3.1	2.4
SUBTOTAL	69.7	64.4
Environmental taxes	2022	2023
IGEC	-	0.1
Duties	2.2	1.9
Others	0.1	-
SUBTOTAL	2.3	2.0
Total	220.7	169.7

As mentioned above, in 2023 the MERLIN Group's total tax contribution amounted to EUR 169.7 million between Spain and Portugal, of which 30.4% corresponded to taxes paid and 69.6% to taxes collected/withheld.

- The taxes paid by the MERLIN Group in 2023 amounted to 51.5 million, most notably including property tax that amounted to EUR 36.0 million, representing 69.9% of its taxes.
- The taxes collected by the MERLIN Group in 2023 amounted to EUR 118.2million, most notably including taxes withheld on dividends paid that amounted to EUR 34.2 2 million, representing 29.0%, and taxes on products and services, mainly VAT, amounting to EUR 61.6 million, representing 52.1%.

According to the TTC method, the distributed value of a company comprises the sum of the following components: net interest, wages and salaries (net of taxes withheld from employees), taxes (paid and collected) and shareholder value (i.e., dividends, reserves, etc.), among others.

Thus, the ratio of distributed tax value reveals what percentage of the total value generated by MERLIN is allocated to the taxes paid to or collected/withheld for the public authorities. In essence, the distributed tax value reflects the way in which MERLIN contributes the value it generates to society.

Finally, at year-end 2023, the Group has received grants from various public bodies for an immaterial amount.

Financial data (€M and reference to Notes to Consolidated Financial Statements 2023)	2022	2023
Revenue (Note 18.a)	439.0	464.8
Wages and salaries (Note 18.c)	(32.0)	(27.7)
Net interest (Note 18.d)	(105.3)	(117.7)
Changes in value of investment property (Note 7)	(249.3)	(336.0)
Change in value of financial instruments (Note 14)	41.2	(6.2)
Profit before tax	48.2	(75.0)
Profit after tax	41.4	(83.5)
Profit before tax paid	97.9	(32.0)
Profit before tax (without market revaluation)	256.2	267.2
Profit before taxes paid (without market revaluation)	305.9	310.2
Profit after taxes paid (without market revaluation)	249.4	258.7
Total taxes paid	56.5	51.5
Total taxes collected/withheld	164.2	118.2
Total tax contribution	220.7	169.7
Tax contribution indicators		

1. Total tax contribution ratio	18%	17%
2. TTC with regard to revenue	50%	37%
3. Taxes paid as a percentage of revenue	13%	11%
4. Taxes collected/withheld as a percentage of revenue	37%	25%
5. Distributed tax value in the Company	66%	60%

For every EUR 100 of the Company's revenue, EUR 37 was allocated to the payment of taxes, of which EUR 11 are taxes paid and 25 are taxes collected/withheld. In 2023, for the purposes of the total tax contribution, taxes paid represented 16.6% of total profit before tax (without revaluation of the investment property).

7.2 Green Financing

7.2.1 Financial strategy

The Group's strategy is to actively manage both the Group's assets and the liabilities. In relation to liabilities, the goal is to extend the average maturity of the debt and to try to maintain borrowing costs and eliminate the risk arising from interest rate fluctuations. Currently, 99.7% of the Company's debt accrues interest at a fixed rate or is subject to interest rate hedges.

7.2.2 Liquidity and capital resources

Debt

MERLIN carried out several transactions involving its financial liabilities in 2023

The transactions carried out were:

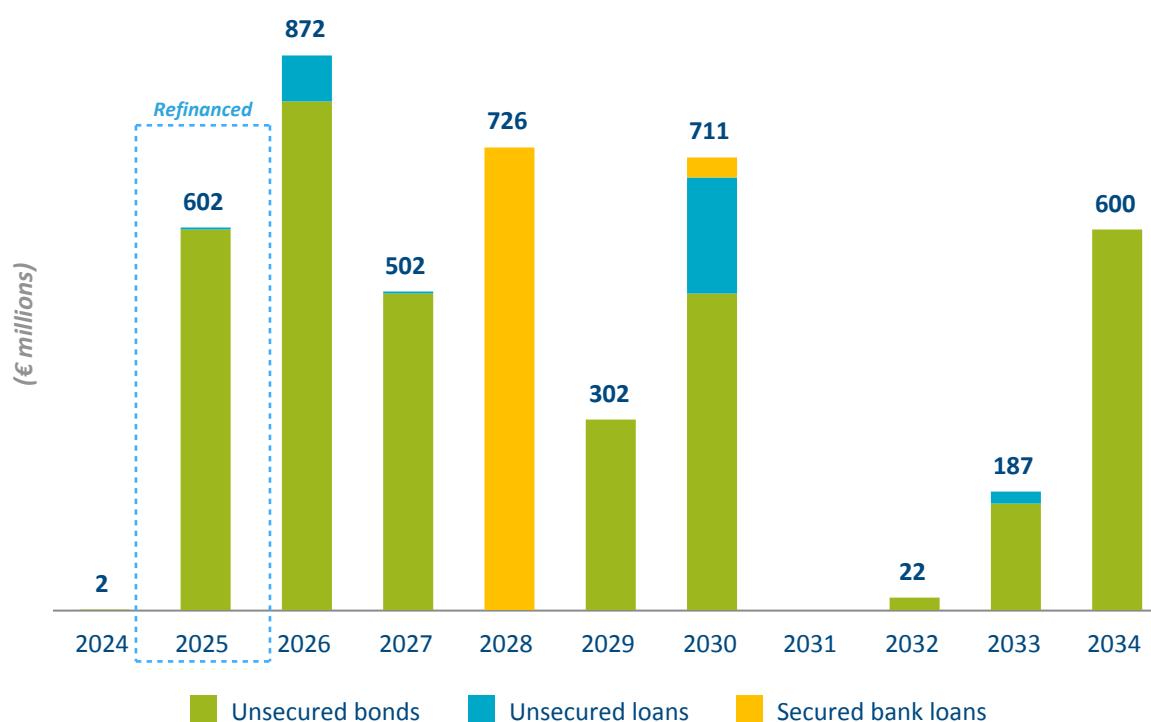
- On 18 November 2022, MERLIN arranged a new senior syndicated loan in the amount of EUR 600 million with the possibility of drawdown before 24 April 2023 for the redemption of the bond maturing in 2023. This facility has a maturity of 5 years from drawdown and accrues a market rate of EURIBOR plus 130 basis points. As long as the facility is undrawn, an undrawn balance fee of 26 basis points applies. On 20 April 2023 the Parent drew down this facility in full.
- On 18 July 2023, the novation of the syndicated loan and the credit line was signed. The senior syndicated loan was increased to EUR 665 million with the incorporation of the amounts of the bilateral loans from Kutxabank and Unicaja described in the following paragraphs. In addition, the credit line limit was increased to EUR 740 million. At the end of December 2023, this credit line was not drawn down.
- On 31 March 2023, the Parent arranged an unsecured loan with Kutxabank, S.A. for EUR 30 million with a maturity of 5 years from drawdown, accruing a market rate of EURIBOR + 130 basis points. As long as the facility is undrawn, an undrawn balance fee of 26 basis points applies. As of 20 April 2023, this facility was fully drawn down.
- On 24 April 2023, the Parent arranged and drew down an unsecured loan with Unicaja Banco, S.A. for EUR 35 million with a maturity of 5 years from drawdown, accruing a market rate of EURIBOR + 130 basis points.
- On 20 December 2018, MERLIN arranged a loan without mortgage security with the European Investment Bank in an amount of EUR 51 million. On 4 November 2019, MERLIN arranged the second tranche of the mortgage-free loan with the European Investment Bank amounting to EUR 64 million, amounting to EUR 115 million. On 20 December 2023, the Group drew down EUR 16.9 million at a rate of 386 basis points. This loan corresponds to the first drawdown of the second tranche of EUR 64 million.

- On 27 July 2023, MERLIN arranged a loan with BBVA secured by a mortgage on the Torre Castellana. The loan is for an amount of EUR 180 million, with a term of 7 years and, accrues a market rate of EURIBOR + 110 basis points.
- On 15 November 2023, MERLIN arranged a loan with Allianz secured by a mortgage on a portfolio of 4 office buildings in Madrid. The loan is for an amount of EUR 170 million, with a term of 10 years, and accrues a fixed rate of 4.523%.
- The Group had undrawn loans and credit facilities at 31 December 2023 with a number of financial institutions totalling EUR 832.3 million (EUR 1,409 million at 31 December 2022).
- On 25 April 2023, the Group repaid the bond corresponding to this maturity in an amount of EUR 742.8 million.
- During 2023 and 2022, the Group executed new interest rate hedges to cover the new syndicated financing for the April 2023 to April 2028 period. The notional contract amounts to EUR 665,000 thousand at a fixed cost of 2.537%.
- In addition, in 2023, an interest rate hedge was contracted to cover the BBVA mortgage loan until its maturity in July 2030 for a notional amount of EUR 180,000 thousand and a fixed cost of 2.363%.

At the end of 2023 the Group's financial debt amounted to EUR 4,526 million made up of corporate financing without mortgage collateral (loans and bonds) and mortgages.

As a result of these transactions, the debt's average maturity at year end stood at 5.1 years and there are no significant debt maturities at short-term, the first relevant maturity being the EUR 600 million bond maturing in 2025, the amount of which would be partially covered by the new financing obtained.

The maturity schedule of the debt is as follows:



Liquidity available

MERLIN's cash position at 31 December 2023 amounts to EUR 477 million, including EUR 15 million in treasury shares.

The liquidity position amounts to EUR 1,309 million by the revolving credit facility, which had not yet been drawn down at the end of 2023, and the undrawn financing from the European Investment Bank and the syndicated loan.

Additionally, the Group has the ability to access the capital markets through the euro medium-term note (EMTN) programme, which has a limit of EUR 6,000 million. At 2023 year end, EUR 2,700 million was available through this programme.

Off-balance-sheet obligations and transactions

The Group's investment strategy currently focuses on two pillars, the refurbishment of core assets in the office and shopping centre branches of activity, developing new logistics warehouses and the new data center branch of activity.

In this regard, at 31 December 2023, the Group does not have firm purchase commitments for investment property, excluding committed investments in construction and improvements.

7.2.3 Green financing framework

On 25 April 2022, the Group published its **Green Financing Framework**. This programme bring its financing strategy into line with its sustainability objectives. The Group therefore requested the conversion of its outstanding senior bonds into green bonds and is committed to linking its future financing to this programme.

The Green Financing Framework is in line with the Green Bond Principles 2021 (GBP) and the Green Lending Principles 2021 (GLP) published respectively by the International Capital Markets Association (ICMA) and the Loan Market Association (LMA), and its four components are as follows:

- Use of proceeds

Allocate the use of the proceeds to a number of eligible project categories in accordance with the eligibility criteria set out in the Green Financing Framework.

Process for project evaluation and selection

In line with the approach of integrating Corporate Social Responsibility (CSR), the MERLIN working group will oversee the allocation of the amounts and their CSR performance based on selecting projects under the criteria described above, the monitoring of the financing instruments issued under the Green Financing Framework and the management of future updates to the framework.

The working group will consist of representatives from the Finance, Treasury, CSR and Investor Relations departments, and from other technical departments when necessary, and will meet at least on a monthly basis or as needed.

The responsibilities of the working group will include:

- Monitor the eligibility criteria in accordance with the eligible project categories during the lifetime of the transactions.
- Manage any identified potential ESG risks associated with the eligible project categories:
 - Under the control of the Board of Directors and the Audit and Control Committee, MERLIN oversees the effectiveness, adequacy and integrity of the Group's internal control and risk management systems. ESG risk management is part of the first line of defence in MERLIN's risk management plan.
 - MERLIN has also established a certified Environmental Management System based on ISO 14001 and ISO 50001 standards.
 - Furthermore, as part of the Group's vision and values, MERLIN is committed to long-term value creation in a context of transparency, ethics and responsibility in business and society.
- In particular, when any eligible sustainable building leaves MERLIN's portfolio or when the ESG Committee decides to remove an eligible sustainable building from the portfolio of eligible sustainable buildings, the ESG Committee will make every effort to replace these assets as soon as possible, once a suitable eligible sustainable building has been identified for replacement.

- Management of proceeds

MERLIN will allocate the equivalent amount of all the Group's outstanding green financing to the eligible project categories set out above.

The working group will allocate any future financing by verifying on an annual basis the adequacy of the pre-selected eligible project categories with the total amount of funds obtained through green financing. In addition, the working group will establish a process in its Internal Reporting System to follow up on the use of the proceeds from the outstanding green financing.

- Reporting

MERLIN, in its commitment to transparency and sustainable engagement, will publish on an annual basis a report on the allocation of the proceeds and an impact report on the main indicators set out in the Green Financing Framework:

- A verification report (ISAE 3000) of the allocation of the proceeds detailing the different green financing or financial instruments and the amount allocated to each eligible project category divided up by each eligibility criteria.
- A report that will include a quantitative and qualitative measurement of the main CSR indicators for the eligible project categories selected for allocation of the proceeds.

Eligible project category	Example of impact indicators
Sustainable buildings	Breakdown of external certification by asset type (shopping centres, offices and logistics centres) Average energy intensity of buildings included in the portfolio of eligible sustainable buildings (in kWh/sqm/year) by asset type (shopping centres, offices and logistics centres) Average greenhouse gas emissions intensity of buildings included in the portfolio of sustainable eligible buildings (in tCO₂eq/sqm) by asset type (shopping centres, offices and logistics centres) CO₂ emissions avoided by buildings included in the portfolio of sustainable eligible buildings (in tCO₂eq/year) by asset type (shopping centres, offices and logistics centres)
Renewable energy	Installed capacity (MW) Expected renewable energy generation (MWh/year) CO₂ emissions avoided (in tCO₂e/year)
Energy efficiency	Expected energy savings (MWh/year)
Clean transport	Number of electric chargers CO₂ emissions avoided (in tCO₂e/year)
Pollution prevention and control	Estimated CO ₂ emissions offset (in tCO ₂ e/year).

At year-end 2023, the eligible project category selected by the Group for allocation of the proceeds was Sustainable Buildings. The main indicators of the Sustainable Buildings portfolio by asset class for 2023 are as follows:

Indicator ⁶⁰	Offices	Shopping Centers	Logistics
Energy intensity (in kWh/sqm/year)	66.78	71.10	28.24
GHG Intensity (in tCO ₂ eq/sqm) Market-based	0.002	0.001	0.000
Avoided CO ₂ emissions (in tCO ₂ e/year)	9,904	7,391	280

In addition to the above, the Group has a corporate revolving credit facility in the amount of EUR 740 million, signed in April 2019, and a mortgage loan in the amount of EUR 70 million, signed in May 2019, which are labelled as sustainable financing and are linked to the fulfilment of at least three of the following KPIs:

- Make sustainable investments in the portfolio
- Obtain LEED/BREEAM asset certifications
- Obtain AIS accessibility certifications
- Ensure that a certain amount of energy consumption comes from renewable energy sources

The Group has met the target set for 2023 in all 4 categories.

⁶⁰ Information on assets under operational control within the Sustainable Buildings portfolio. In business parks consisting of sustainable and non-sustainable buildings, for the purposes of the Green Financing Programme, and a single supply point, the total consumption has been considered.

8. About this report

8.1 Basis of preparation of this report

Reporting scope

MERLIN reports social, environmental and governance performance information for the office, logistics, shopping centre and data center portfolios, excluding companies with a minority (and therefore non-controlling) shareholding.

In this regard, assets with minority shareholdings are excluded from the calculation of environmental performance, on the understanding that their non-financial risks are similar to those presented in this SNFI, as they are companies with the same or a complementary corporate purpose to that of MERLIN, and their inclusion would not significantly change the analysis of risks and actions described in this SNFI.

Where relevant, information from the two previous years has also been included to show the evolution of the Group's performance, in particular the information on environmental performance.

Standards employed

The statement of non-financial information was prepared in accordance with current company law applicable to MERLIN and following the criteria of chosen **Sustainability Reporting Standards issued by the Global Reporting Initiative (GRI Standards)**, and other criteria described in accordance with each topic in the Table of Contents of the Statement of Non-Financial Information.

In this year, the Dual Materiality analysis has been carried out taking the EFRAG and CSRD's draft "Materiality Assessment Implementation Guidance" as a reference, as well as the definitions in the ESRS (European Sustainability Reporting Standards).

Likewise, although not yet applicable to MERLIN, some indicators or breakdowns required by the ESRS (European Sustainability Reporting Standards) have been included.

Principles applied

The GRI Standards Sustainability Report guidelines lay down a number of principles that have been taken into account when preparing the report, which are as follows:

- **Stakeholder inclusiveness.** The 2023 Statement of Non-Financial Information has been prepared with stakeholder expectations and concerns regarding the Group's operations and performance in mind. These expectations have been considered through the MERLIN Properties staff who are in contact with their stakeholders and relevant matters published in the media and included in questionnaires and sustainability ratings targeting investors, such as DJSI/CSA, EPRA or GRESB have also been analysed.
- **Sustainability context at MERLIN Properties.** The way in which the Group's activities and services interact with the social, economic and environmental context in which it operates has been evaluated.
- **Materiality.** A dual materiality analysis has been conducted to define the most relevant sustainability aspects for MERLIN Properties and its environment.

- **Completeness.** After identifying material aspects, the content of the Statement of Non-Financial Information has been designed 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 Statement of Non-Financial Information has been drawn up following the GRI principles established to ensure the quality of the information:

- **Balance.** This principle indicates that reports should reflect both positive and negative aspects of the Group's performance. By applying this principle, a broad and unbiased picture of MERLIN Properties' overall performance has been provided.
- **Comparability.** The Group has compiled and reported information so that stakeholders can analyse how its performance has evolved in recent years, thus facilitating comparison with the performance of other organisations.
- **Accuracy.** The information contained in this Statement of Non-Financial Information is intended to include sufficient details to meet the expectations expressed by the Group's stakeholders.
- **Timeliness.** MERLIN Properties' aims to update the content of this Statement of Non-Financial Information on an annual basis to provide stakeholders with regular access to information on the Group's performance.
- **Clarity.** MERLIN Properties seeks to report on its performance in a manner that is accessible and clear to all its stakeholders.
- **Reliability.** MERLIN Properties has described in detail the process for preparing this Statement of Non-Financial Information, which guarantees that the content can be subject to external examination to establish the quality and degree of materiality of the information.

Robustness of the information

MERLIN has a **Non-Financial Information Control System (NFICS)**, subsequently audited by Internal Audit, to ensure the accuracy and completeness of the information included in the statement of non-financial information.

Additionally, to prepare it, there is a formal review procedure, from its drafting by the Internal Sustainability Committee, review by Internal Audit and subsequent review by the Governing Bodies.

In this respect, **MERLIN has a procedure for coordination between the different Board Committees: Appointments and Remuneration Committee, Sustainability and Innovation Committee and Audit and Control Committee, for the review and assessment by each of them of the sections of information for the review** of which they are responsible. Subsequently, together with the comments received from the other Committees, it is submitted to the Audit and Control Committee for review, which is ultimately responsible for reviewing the financial and non-financial information that the Group sends to the markets and its recommendation to the Board of Directors for its authorisation for issue together with the Consolidated Financial Statements, issuing any recommendations that it deems appropriate to improve the process of preparing said information.

Contact details

If you require any clarification regarding the information contained in this Statement of Non-Financial Information or any aspect of the Group's sustainability performance, please contact MERLIN Properties at the following address: info@merlinproperties.com

8.2 Information on MERLIN Properties' sustainability performance

Contents	Response
Aspect: Environment	
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 I of this report.
GHG emissions per production unit	The GHG emissions (Location Based) ratio in terms of surface area, for all operational assets for which MERLIN exercises operational control, is 0.021 tCO ₂ e/sqm, including scope 1, scope 2 and scope 3 emissions
Energy consumption per production unit	The energy consumption ratio in terms of surface area, for all operational assets for which MERLIN exercises operational control, is 0.255 GJ/sqm
Number and amount of significant environmental fines	No significant fines of an environmental nature were recognised during 2023.
Policies regarding energy consumption, water consumption, GHG emissions and waste	In accordance with its Sustainability and Corporate Social Responsibility Policy, MERLIN is committed to reducing the consumption of resources and improving the circularity of its assets throughout their life cycle through operational efficiency and minimising the carbon footprint of the entire value chain.
Aspect: Society	
Complaints and quality assurance policy	For the purposes of understanding the expectations and needs 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, any 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 minimisation, accuracy and limited storage periods).
Donations to foundations and other types of donations	The total amount donated to foundations by the Group was EUR 421 thousand.
Percentage of female executives and middle managers	The percentage of women in senior management is 4% (1 out of 28) and in middle management 35% (28 out of 80)
Anti-Money Laundering, Terrorist Financing, Corruption and Bribery Policy	In 2023, MERLIN unified the Anti-Corruption, Bribery and Fraud Policy into the Anti-Money Laundering, Terrorist Financing, Corruption and Bribery Policy. Its aim is to lay out the Group's basic guiding principles for preventive actions and proactive steps in the fight against corruption, bribery and fraud in all areas of its business activities. In addition, the Group is certified under the ISO 37.001 Anti-Corruption and Bribery standard.

Lost days rate (LDR) associated with employees	The average days lost in 2023 among MERLIN employees is 0 for men and 0 for women.
Total recordable incident rate (TRIR) associated with employees (TRIR)	The total recordable incident rate (TRIR) in 2023 among MERLIN employees is 0%
Number of suppliers	The number of suppliers with orders in 2023 was 195
Number of suppliers audited and audits carried out	Suppliers with orders are analysed in terms of compliance and finance, which includes being up to date with the tax and social security authorities, and the financial solvency of the supplier. In addition, if the tender is for more than EUR 1 million, the supplier's execution capacity and the Group's degree of exposure are analysed. In 2023, there were a total of 599 orders (OpEx and CapEx) and 195 suppliers.
Percentage of suppliers audited	100% of MERLIN's critical suppliers (>EUR 1 M) are audited.
Percentage of assets with public transport connection ⁶¹	The percentage of assets with a public transport connection nearby is 100%.
Aspect: Governance	
Years with the auditor	MERLIN's consolidated financial statements have been audited by the same financial auditor for the last 10 years (since the audit corresponding to 2014).
Number of executive and non-executive directors	The Board of Directors is composed of 2 executive directors and 11 non-executive directors (7 independent and 4 proprietary directors).
Number of directors and independent directors on the Audit and Control Committee	The Audit and Control Committee is composed of 5 directors, 4 of whom are independent.
Number of directors and independent directors on the Appointments and Remuneration Committee	The Appointments and Remuneration Committee is composed of 6 directors, 5 of whom are independent.
Number of directors and independent directors on the Sustainability and Innovation Committee	The Sustainability and Innovation Committee is composed 4 directors, 3 of whom are independent.
Number of female executives	Senior Management is composed of 1 woman and 10 men (for a total of 11, including executive directors).
Number of female directors	The Board of Directors is composed of 4 women and 9 men (for a total of 13 members).
Number of Board meetings and percentage of attendance	MERLIN's Board of Directors met 11 times with 97.9% attendance.

⁶¹ Percentage obtained in terms of surface area, taking into account those assets that are located at least 500 metres from a public transport or station. Includes only those assets from the offices and shopping centres portfolios in operation.

Number of Audit and Control Committee meetings and percentage of attendance	The Audit and Control Committee met 10 times with 89.33% attendance.
Number of Appointments and Remuneration Committee meetings and percentage of attendance	The Appointments and Remuneration Committee met 9 times with 94.44% attendance.
Number of Sustainability and Innovation Committee meetings and percentage of attendance	The Sustainability and Innovation Committee met 6 times with 100% attendance.
Share ownership	MERLIN has guidelines for its executives regarding the minimum requirements for holding the Group's shares on an ongoing basis.
Content considered non-material for the Group	
Emissions of particulates, SO2 and NOx	The main fuel consumed by MERLIN is natural gas, a gas that barely emits SO2 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. In addition, NOx 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 acquired by MERLIN is low, given that the refurbishment processes of the assets are carried out by subcontracted companies.
Policy against child labour	MERLIN has implemented a Respect for Human Rights Policy that expressly rejects the exploitation of children. Nonetheless, due to the location of MERLIN's assets (Spain and Portugal) and the type of activities carried out by the Group, it is considered that there are no risks concerning child labour.
Supply chain management at a societal level	In 2022, MERLIN amended the Procurement Procedure to require suppliers to answer an ESG questionnaire on social and governance issues for all tenders over EUR 150,000. In 2023, MERLIN requested information from all suppliers in tenders for improvement and refurbishment of assets (CAPEX) in excess of EUR 150,000, covering information and details on environmental, social and regulatory compliance matters, including aspects regarding human rights compliance (policies, demands, etc.) for each third party assessed. Internal Audit subsequently reviewed the questionnaires.

8.3 Table of contents of 11/2018 Law

Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
General information		
A brief description of the business model including its business environment, organisation and structure	1. Our business model Pg 8-10 2.1 Environment (sector) Pg 20-22	GRI 2-1 GRI 2-6 GRI 2-22
Markets in which it operates	1.4 Business activities Pg 11-18	
Objectives and strategies of the organisation	1.5 Main milestones and corporate objectives Pg 18-20	
Main factors and trends that may affect its future progress	2.3 Outlook Pg 22-23	
Reporting framework used	8.1 Basis of preparation of this report Pg 140-143	GRI 1 – Requirement 8
Principle of materiality	2.5 A Deep Dive into the Materiality of Sustainability Pg. 27-31	GRI 3-1 GRI 3-2
Environmental issues		
Management approach: description and results of the policies related to these matters and the main risks related to these matters linked to the Group's activities	4. Climate change and operational efficiency management, our ecological footprint Pg. 57-85	GRI 3-3
General detailed information		
Detailed information on the current and foreseeable effects of the Company's activities on the environment and, if applicable, on health and safety	4. Climate change and operational efficiency management, our ecological footprint Pg. 57-85	GRI 3-3
Environmental assessment and certification procedures	4.6 Carbon footprint certification 4.7 Validation of MERLIN's commitments by independent third parties Pg 78-82	GRI 3-3

Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
Resources allocated to the prevention of environmental risks	4.2 Environmental and energy Management System Pg 61	GRI 3-3
Application of the precautionary principle	4.2 Environmental and energy Management System Pg 61	GRI 2-23 GRI 3-3
Amount of provisions and guarantees for environmental risks	4.2 Environmental and energy Management System Pg 61	GRI 3-3
Pollution		
Measures to prevent, reduce or redress carbon emissions that seriously affect the environment, taking into account any type of activity-specific atmospheric pollutants including noise and light pollution	4.5 Decarbonisation of MERLIN Properties' portfolio Pg 71-78	GRI 3-3
Circular economy and waste prevention and management		
Measures for the prevention, recycling, reuse and other forms of recovering and eliminating waste.	4.4 Sustainability advances in the MERLIN's portfolio Pg 65-71	GRI 3-3 GRI 306-1 (2020) GRI 306-2 (2020) GRI 306-3 (2020) GRI 306-4 (2020) GRI 306-5 (2020)
Actions taken to combat food waste	4.4 Sustainability advances in MERLIN's portfolio Pg 71	GRI 3-3
Sustainable use of resources		
Water consumption and supply in accordance with local limitations	4.4 Sustainable progress in the MERLIN portfolio Pg 68-69	GRI 303-3 (2018) as regards the origin of water consumed GRI 303-5 (2018)
Consumption of raw materials and measures taken to use them more efficiently	-	Non-material

Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
Direct and indirect energy consumption	4.4 Sustainability advances in MERLIN's portfolio Pg 65-67	GRI 302-1
Measures taken to improve energy efficiency	4.3 Development and operation of sustainable assets Pg 62-65	GRI 3-3
Use of renewable energies	2.4 MERLIN's commitment to sustainable management Pg 23-27	GRI 302-1
Climate change		
Greenhouse gas emissions generated as a result of the Company's activities, including use of the goods produced and services provided	4.5.1 Scope 1 and scope 2 greenhouse gas (GHG) emissions Pg 72-77	GRI 3-3 GRI 305-1 GRI 305-2
Measures adopted to adapt to the consequences of climate change	Appendix IV. Climate risk reporting in accordance with TCFD methodology Pg 208-217	GRI 3-3
Medium- and long-term targets voluntarily established to reduce greenhouse gas emissions and the means implemented for this purpose	2.4 MERLIN's commitment to sustainable management Pg 23-27	GRI 3-3 GRI 305-5
Protection of biodiversity		
Measures taken to preserve or restore biodiversity	4.9 Protection of biodiversity Pg 83-85	GRI 3-3
Impacts caused by activities or operations in protected areas	4.9 Protection of biodiversity Pg 83-85	GRI 3-3

Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
Social and personnel matters		
Management approach: description and results of the policies related to these matters and the main risks related to these matters linked to the Group's activities	5. Talent creation Pg 85-86	GRI 3-3
Employment		
Total number of employees and breakdown by country, gender, age and professional classification	5.1.1 Composition of the workforce Pg 88-91	GRI 2-7 GRI 405-1
Total number and distribution of types of employment contracts	5.1.1 Composition of the workforce Pg 88-91	GRI 2-7 GRI 405-1
Annual average of permanent, temporary and part-time contracts by gender, age and professional classification.	5.1.2 Average contracts Pg 91	GRI 2-7 GRI 405-1
Number of dismissals by gender, age and professional classification	5.1.3 Departures by type, sex, age and professional classification Pg 92	GRI 3-3 GRI 401-1
Average remuneration and changes in salaries broken down by gender, age and professional classification or equal value	5.2 Employee compensation Pg 94-97	GRI 3-3 GRI 2-21
Wage gap	5.2.1 Wage gap analysis Pg 95-98	GRI 3-3 GRI 405-2
Remuneration for the Company's equal or average job positions	5.2.1 Wage gap analysis Pg 95-97	GRI 3-3 GRI 405-2
Average remuneration for directors and executives, including variable remuneration, attendance fees, termination benefits, long-term savings/pension plans and any other compensation, broken down by gender	5.2.2 Remuneration of non-executive directors Pg 97 5.2.1 Wage gap analysis Pg 95-97	GRI 3-3 GRI 2-19 GRI 2-21
Implementation of work disconnection policies	5.3.4 Implementation of work disconnection policies Pg 99-100	GRI 3-3

Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
Number of employees with disabilities	5.5.4 Employees with disabilities Pg 103	GRI 3-3 GRI 405-1
Organisation of work		
Organisation of working hours	5.3.1 Organisation of work Pg 98	GRI 3-3
Number of hours of absenteeism	5.3.2 Total hours of absenteeism Pg 98-99	GRI 3-3 GRI 403-9 (2018)
Measures designed to facilitate work-life balance and promote the sharing of responsibility by both parents	5.3.3 Work-life balance measures Pg 99	GRI 3-3
Health and safety		
Occupational health and safety conditions	5.4 Safety, health and well-being of employees Pg 100-101	GRI 403-1 (2018) GRI 403-2 (2018) GRI 403-3 (2018) GRI 403-4 (2018) GRI 403-5 (2018) GRI 403-6 (2018) GRI 403-8 (2018)
Occupational accidents, in particular their frequency and seriousness, and work-related illness, broken down by gender	5.4 Safety, health and well-being of employees Pg 100-101	GRI 403-9 (2018) GRI 403-10 (2018) as regards occupational accidents, in particular their frequency and seriousness, and work-related illness
Labour relations		
Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff	5.5.1 Organisation of social dialogue Pg 101	GRI 3-3
Percentage of employees covered by collective bargaining agreements by country	5.5.2 Balance of collective bargaining agreements Pg 101-102	GRI 2-30

Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
Balance of collective bargaining agreements, particularly as regards occupational health and safety	5.5.3 Mechanisms to promote employee involvement in management Pg 102-103	GRI 3-3 GRI 403-4 (2018)
Training		
Policies implemented in the area of training	5.1.4 Training Pg 93-94	GRI 3-3
Total number of training hours by professional category	5.1.4 Training Pg 93	GRI 404-1
Universal accessibility		
Universal accessibility for people with disabilities	6.3 Maximising the well-being of users of the assets Pg 111-117	GRI 3-3
Equality		
Measures taken to foster equal treatment and opportunities for men and women	5.6 Diversity and equal opportunities Pg 103-106	GRI 3-3
Equality plans	5.6 Diversity and equal opportunities Pg 103-106	GRI 3-3
Measures taken to promote employment		
Protocols against sexual and gender-based harassment		
Non-discrimination and diversity management policies	5.6 Diversity and equal opportunities Pg 103-106	GRI 3-3

Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
Integration and universal accessibility of persons with disabilities	6.3 Maximising the well-being of users of the assets Pg 111-117	GRI 3-3
Respect for human rights		
Management approach: description and results of the policies related to these matters and the main risks related to these matters linked to the Group’s activities	3.3 Ethics and compliance Pillars of Exemplary Business Conduct Pg 51-57	GRI 3-3
Application of due diligence procedures		
Application of due diligence procedures on human rights	3.3 Ethics and compliance Pillars of Exemplary Business Conduct Pg 53-54	GRI 2-23
Prevention of risks of human rights infringements and, where appropriate, measures to mitigate, manage and redress possible abuses committed		GRI 2-26 GRI 412-2
Complaints of human rights violations	3.3 Ethics and compliance Pillars of Exemplary Business Conduct Pg 54	GRI 406-1
Measures implemented for the promotion of and compliance with the provisions of the ILO core conventions related to: – respect for freedom of association and the right to collective bargaining; – the elimination of discrimination in employment and occupation; – the elimination of forced or compulsory labour; – the effective abolition of child labour.	3.3 Ethics and compliance Pillars of Exemplary Business Conduct Pg 53-54	GRI 3-3 GRI 406-1 GRI 407-1 GRI 408-1 GRI 409-1
Fight against corruption and bribery		
Management approach: description and results of the policies related to these matters and the main risks related to these matters linked to the Group’s activities	3. Foundations and practices of responsible management Pg 31-57	GRI 3-3
Measures taken to prevent corruption and bribery	3.3 Ethics and compliance Pillars of Exemplary Business Conduct Pg 53-54	GRI 2-23 GRI 2-26 GRI 205-2
Anti-money laundering measures	3.3 Ethics and compliance Pillars of Exemplary Business Conduct Pg 53	GRI 205-2

Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
Contributions to foundations and non-profit entities	6.4.2.Social initiatives and 6.4.3 Measuring the distribution of contributions to the MERLIN community Pg 120-125	GRI 413-1
Society matters		
Management approach: description and results of the policies related to these matters and the main risks related to these matters linked to the Group's activities	6. Management of stakeholders Pg 106-125	GRI 3-3
Commitment to sustainable development		
Impact of the Company's activities on employment and local development	6.4.1. Improving cities 6.4.2 Social initiatives Pg 117-122	GRI 203-1
Impact of the Company's activities on local communities and on the land	6.4.1 Improving cities Pg 117-120	GRI 3-3 GRI 413-1
Engagement with local community representatives, and communication channels in place	6.4.1 Improving cities Pg 117-120	GRI 2-29 GRI 413-1
Association or sponsorship activities	6.4.3 Measuring the distribution of contributions to the MERLIN community Pg 122-124	GRI 2-28
Subcontracting and suppliers		
Inclusion of social, gender equality and environmental matters in the procurement policy	6.2 Supply chain Pg 110-111	GRI 3-3
Consideration of social and environmental responsibility in relationships with suppliers and subcontractors	6.2 Supply chain Pg 110-111	GRI 2-6 GRI 308-2 GRI 414-1
Monitoring and audit systems and results	6.2 Supply chain Pg 110-111	GRI 3-3
Consumers		

Information required by Spanish Law 11/2018	Page or section of the report providing the response to the requirement of Law 11/2018	Reporting criteria: GRI
Measures for the health and safety of consumers	6.3 Maximising the well-being of users of the assets Pg 113-114	GRI 3-3 GRI 416-1
Consumer claims, complaints and grievance systems	6.3 Maximising the well-being of users of the assets Pg 114-117	GRI 3-3
Tax information		
Profits earned on a country-by-country basis	7.1.2 Profits earned on a country-by-country basis and income tax paid Pg 127-128	GRI 207-4 (2019)
Income tax paid	7.1.2 Profits earned on a country-by-country basis and income tax paid. Pg 127-128	GRI 207-4 (2019)
Government grants received	7.1.3 Total tax contribution Pg 132	GRI 207-4 (2019)

a. GRI Content Index

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
2-1		a. Pg 6 2-1.c Back cover 2-1.d Spain and Portugal MERLIN Properties is included in the main benchmark indices: -IBEX 35. -Euro STOXX 600. -FTSE EPRA/ NAREIT Global Real Estate Index. -GPR Global Index. -GPR-250 Index. -MSCI Small Caps. - Dow Jones Sustainability Index Europe & World		Organisational details
2-2		8.1. Pg 140 Appendix III – Pg 199-208 The organisation's financial statements include MERLIN Properties and all its subsidiaries. Further information can be found in the financial statements included in the management report. The management report is available at www.merlinproperties.es		Entities included in the organisation's sustainability report
2-3		8.1. Pg 140 2-3.a 2023-2022. MERLIN Properties prepares the report on an annual basis.		Reporting period, frequency and contact point

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
2-4		In 2023, MERLIN continued the criteria for calculating its GHG emissions established in 2022, based on operational control and its share of equity in the assets as established in the GHG Protocol, using the market-based method, based on which the data on emission factors arising from electricity consumption must be obtained from the suppliers from which the electricity has been purchased. The Group previously calculated the emission factor based on the electricity mix for Spain and Portugal (location-based method). In view of the above, the data for the two previous years have been recalculated to facilitate year-on-year. Pg 60-61		Restatement of information
2-5		MERLIN's Statement of Non-Financial Information has been externally audited by Deloitte S.L., whose report is included in Appendix VII. Pg 235		External assurance
2-6		1.4. Pg 11-18 6.2. pg 110-111 2-6.b The Group's supply chain mainly comprises project contractors and other service providers in the operation of the buildings		Activities, value chain and other business relationships
2-7		5.1.1 y 5.1.2 Pg 88 a 92		Employees
2-9	Gov-Board	3.1. Pg 32-38		Governance structure and composition
2-10	Gov-Selec	Pg 35.- The processes for appointing and selecting members of the highest governing body and its committees are described in the Annual Corporate Governance Report (ACGR) and are established in the Group's Director Selection Policy		Appointing and selecting members of the highest governance body
2-11		3.1. Pg 35		Chair of the highest governance body

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
2-12		3.1. Pg 34 3.2. Pg 38- 44		Role of the highest governance body in monitoring impact management
2-14		Board of Directors MERLIN's Board of Directors is composed of a majority of independent directors and its activities are focused on defining, supervising and monitoring the policies, strategies and general guidelines to be followed by the Group.		Role of the highest governance body in sustainability reporting
2-15	Gov-Col	Section 28 of the Board Regulations sets out the mechanisms established to prevent and manage potential conflicts of interest		Conflicts of interest
2-16		This information is available in the Annual Corporate Governance Report		Communicating critical concerns
2-17		Pg 37		Collective knowledge of highest governing body
2-18		Pg 37		Assessment of the highest governance body's performance
2-20		5.2. Pg 94-97 2-20. a. ii Through the General Meeting		Process for determining remuneration
2-21		5.2. Pg 94-97		Annual total compensation ratio
2-22		2.5. Pg 23-27		Statement on the sustainable development strategy
2-23		3.1 Pg 31-34		Policy commitments

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
2-26		Directors may seek external advice. These mechanisms are explained in the Group's ACGR 2023.		Mechanisms for seeking advice and raising concerns

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
2-28		- Spanish Association of Offices (AEO) [EUR 3,151] - Spanish Association of Shopping Centres (AECC) [EUR 34,498] - European Public Real Estate Association (EPRA) [EUR 25,000] - Spanish Confederation of Business Organisations (CEOE) [EUR 14,520] - Association of Property Companies with Rental Property (ASIPA) [EUR 18,150] - Patio Campus [EUR 62,500] - Madrid Green Urban Mobility Lab [EUR 17,310] - GRI [EUR 5,400] - Associação Portuguesa de Promotores e Investidores Imobiliários [EUR 1,257] - Madrid Futuro Association [EUR 15,000] - Associació Barcelona Global [EUR 10,000] - Association of Business Owners of Southern Spain (CESUR) [EUR 4,840] - Spanish Global Compact Network [EUR 4,700] - Spanish Association for Investor Relations (AERI) [EUR 4,598] - Companies for Sustainable Mobility [EUR 4,235] - Association for the Progress of Management (APD) [EUR 2,355] - Institute of Internal Auditors (IIA) [EUR 2,277] - Business Owners Circle [EUR 2,971] - WIRES - Women in Real Estate [EUR 560] - ISMS FORUM [EUR 650] - Association for the Promotion of the Port of Seville [EUR 1,200] - Barcelona Catalunya Centre Logístic [EUR 1,150] - Associação Portuguesa de Logística (APLOG) [EUR 4,312] - Association of SAP Users Spain (AUSAPE) [EUR 1,514] TOTAL 2023 - EUR 242,149		List of membership of associations

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
2-29		6.1. Pg 106-110		Approach to stakeholder engagement
2-30		5.5.2 Pg 101-102 100% of the Group's employees in Spain are covered by collective bargaining agreements (this does not apply in Portugal)		Collective bargaining agreements
3-1		2.6 Pg 27-31		Process for determining material issues
3-2		2.6. Pg 29		List of material aspects

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
3		2.6 Pg 27-31		Management
3-1		2.6 Pg. 27-29		Process for determining material issues
3-2		2.6. Pg. 29		List of material aspects
3-3		4, 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.8, 2.5, 5, 5.1.3, 5.2, 5.2.1, 5.2.2, 5.1.4, 5.5.5, 5.3.1, 5.3.2, 5.3.3, 5.5.1, 5.5.2, 5.5.3, 5.6, 6.3, 3.3, 3, 6, 6.4.2, 6.2, 6.3		Management of material topics
201-1		1.1 Pg. 8. After joining the London Benchmarking Group (LBG) in Spain, as well as the value distributed to stakeholders, MERLIN measures its contribution to society using the LBG model.		Direct economic value generated and distributed

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
201-3		MERLIN Properties does not have a pension plan, so this does not apply to the Group		Defined benefit plan obligations and other retirement plans
201-4		Pg 132. MERLIN Properties has not received significant financial support from government bodies		Financial assistance received from government
Indirect economic impacts				
3		6.4. Pg 117-125		Management approach
203-1		Construction of bus lane on the A1 in Madrid (EUR 2.4 M) Renovation of Clara Campoamor gardens in Barcelona (EUR 0.7 M). Refurbishment of the surroundings of Plaza Ruiz Picasso 11 (EUR 2.3 M)		Infrastructure investments and services supported
203-2		6.4.2. Pg 120- 125		Significant indirect economic impacts
Taxation				
207-1		7.1. Pg 126 - 132		Approach to tax
207-2		7.1.1. Pg 126		Tax governance, control and risk management
20-3		7.1.3. CTT Pg 128-134		Stakeholder engagement and management of concerns related to tax
207-4		7.1.2. Pg 127-128		Country-by-country reporting

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
ENVIRONMENTAL PERFORMANCE				
Energy				
3		4.Pg 57 - 85		Management approach
302-1	Elec-Abs Elec-LfL DH&C-Abs DH&C-LfL Fuels-Abs Fuels-LfL	4.4. 65-68		Energy consumption within the organisation
302-2	Elec-Abs Elec-LfL DH&C-Abs DH&C-LfL Fuels-Abs Fuels-LfL	4.4. 65-68		Energy consumption outside of the organisation
302-3		4.4. 65-68		Energy intensity
G4-CRE1	Energy-Int	4.4. 65-68		Energy intensity of buildings
Water				
3		4.Pg 57 - 85		Management approach
303-1		4.4. Pg 68		Interactions with water as a shared resource
303-2		4.4. Pg 68. Water from the assets is discharged to the municipal sanitation system, and is treated as domestic water discharge		Management of water discharge-related impacts
303-3	Water-Abs Water-LfL	4.4. Pg 68 Water is mainly withdrawn through the municipal water supply. Also, part of the water collected in the Marineda and Torre Chamartin assets comes from cisterns, and in Alvia there is a well.		Water withdrawal

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
G4-CRE2	Water-Int	4.4. Pg 68		Water consumption intensity of buildings
Emissions				
3		4.5 Pg 71-78		Management approach
305-1	GHG-Dir-Abs GHG-Dir-LfL	4.5. Pg 71- 77		Direct GHG emissions (scope 1)
305-2	GHG-Indir-Abs GHG-Indir-LfL	4.5. Pg 71- 77		Indirect GHG emissions (scope 2)
305-3	GHG-Indir-Abs GHG-Indir-LfL	4.5 Pg 77-78		Indirect GHG emissions (scope 3)
305-4	GHG-Int	4.5. Pg 71-77		GHG emissions intensity
G4-CRE3	GHG-Int	4.5. Pg 71- 77		GHG emissions intensity of buildings
Effluents and waste				
3		Pg 57-85		Management approach
306-3	Waste-Abs Waste-LfL	Pg 69-71		Waste by type and disposal method
Environmental compliance				
3		Pg 57-85		Management approach
307-13		MERLIN Properties has not received any fines or sanctions		Non-compliance with environmental laws and regulations
SOCIAL PERFORMANCE - LABOUR PRACTICES AND DECENT WORK				
Employment				
3		5. Pg 85-106		Management approach

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
401-1	Emp-Turnover	Turnover 5.1.3. Pg 92 New hires 5.6. Pg 103		New employee hires and employee turnover
401-2		5.2. Pg 94. 100% of employees have access to social benefits		Benefits provided to full-time employees that are not provided to temporary or part-time employees
401-3		Pg 98. 8 men and 5 women in 2023		Parental leave
Occupational health and safety				
3		5.4. Pg 100-103		Management approach
403-1		5.4. Pg 100-103		Occupational health and safety management system
403-2		Pg 100. MERLIN has an external Occupational Risk Prevention Service that inspects the offices where employees work on an annual basis to assess the risks.		Hazard identification, risk assessment and incident investigation

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
403-3		Pg 100. MERLIN has an external Occupational Risk Prevention Service that inspects the offices where employees work on an annual basis to assess the risks and the adequacy of the facilities in terms of safety and occupational risk prevention		Occupational health services
403-4		Health and safety committees have not yet been formed		Worker participation, consultation, and communication on occupational health and safety
403-5		Pg 102. As part of the Welcome Pack, all employees receive mandatory training on Occupational Risk Prevention, receiving information on the risks of their jobs and the main mitigation measures.		Worker training on occupational health and safety
403-6		5.4. Safety, health and well-being of employees Pg. 100-101		Promotion of worker health

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
403-7		5.4. Safety, health and well-being of employees Pg. 100-101		Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
403-9	H&S-Emp	MERLIN also ensures the health and safety of contractors who work on its refurbishment or construction projects. In 2020, the Group launched and it continues to operate a reporting system that compiles information on occupational accidents recorded at its assets, including the type of accident, the number of days of sick leave involved and the corrective measures to be taken		Work-related injuries
G4-CRE6		Not applicable.		Percentage of the organisation operating in verified compliance with an internationally recognised health and safety management system
Training and education				
3		5. Talent creation Pg 85-106		Management approach
404-1	Emp-Training	5.1.4 Training Pg. 103-106		Average hours of training per year per employee

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
404-2		5.1.4 Training Pg. 103-106		Programmes to improve employee skills and transition assistance programmes
404-3	Emp-Dev	100% of employees receive performance assessments once a year		Percentage of employees receiving regular performance and career development reviews
Diversity and equal opportunities				
3		5.6 Diversity and equal opportunities		Management approach
405-1	Diversity-Emp	5.6 Diversity and equal opportunities Pg. 103-106		Diversity of governing bodies and employees
SOCIAL PERFORMANCE - SOCIETY				
Local communities				
3		6.4. Development and relationship with the environment Pg. 117-125		Management approach
413-1	Comty-Eng	6.4.2. Social initiatives Pg. 120-122 In all assets, dialogue and participation mechanisms have been developed, as described in the management approach		Operations with local community engagement, impact assessments, and development programmes
413-2		Not applicable		Operations with significant actual and potential negative impacts on local communities

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
G4-CRE7		No one has had to be displaced or resettled		Number of people voluntarily and involuntarily displaced and/or resettled by the Group's activities, broken down by project
Anti-corruption				
3		3. Foundations and practices of responsible management Pg. 31-57		Management approach
205-1		3.3 Ethics and compliance Pillars of Exemplary Business Conduct Pg. 51-57 Risks in general, including corruption, are assessed through the Group's Risk Management System.		Operations assessed for risks related to corruption
205-2		3.3 Ethics and compliance Pillars of Exemplary Business Conduct Pg. 51-57		Communication and training about anti-corruption policies and procedures
205-3		No cases of corruption have been detected		Confirmed incidents of corruption and actions taken
Anti-competitive behaviour				
3		3. Foundations and practices of responsible management Pg 31-57		Management approach
206-1		MERLIN Properties has not received any lawsuits for anti-competitive behaviour		Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
Socioeconomic compliance				
3		3. Foundations and practices of responsible management		Management approach
419-15		MERLIN Properties has paid EUR 177,302.64 euros in fines.		Non-compliance with laws and regulations in the social and economic area
SOCIAL PERFORMANCE - RESPONSIBILITY OVER PRODUCTS				
Customer health and safety				
3		5.4. Safety, health and well-being of employees		Management approach
416-1		MERLIN assesses the potential health and safety impacts of all its assets on their occupants (tenants and users).		Assessment of the health and safety impacts of product and service categories
416-2	H&S-Comp	We have not been notified of any incident of non-compliance with health and safety regulations.		Incidents of non-compliance concerning the health and safety impacts of product and service
Product and service labelling				
3		-		Management approach
417-2		Not applicable		Incidents of non-compliance concerning product and service information and labelling
G4-CRE8	Cert-Tot	4.7. Validation of MERLIN's commitments by independent third parties Pg. 79-82		Type and number of sustainability certification, rating and labelling schemes for new developments, management, occupation and refurbishment

Information on management approach and indicators	EPRA Sustainability Performance Measures	Page or direct answer	Omissions	Description
Customer privacy				
3		3.3 Ethics and compliance Pillars of Exemplary Business Conduct Pg 51-57		Management approach
418-1		MERLIN Properties has not received any claims for breach of customer privacy or leak of customer data		Substantiated complaints concerning breaches of customer privacy and losses of customer data

b. EPRA sBPR Table of Contents

EPRA Code	GRI Standard	Description	Page and/or direct answer
ENVIRONMENTAL PERFORMANCE INDICATORS			
Elec-Abs	302-1	Total electricity consumption	177
Elec-LfL	302-1	Like-for-like total electricity consumption	177
DH&C-Abs	302-1	Total district heating & cooling consumption	177
DH&C-LfL	302-1	Like-for-like district heating & cooling consumption	177
Fuels-Abs	302-1	Total fuel consumption	177
Fuels-LfL	302-1	Like-for-like fuel consumption	177
Energy-Int	CRE1	Energy intensity of buildings	177
GHG-Dir-Abs	305-1	Direct greenhouse gas (GHG) emissions	190
GHG-Indir-Abs	305-2	Indirect greenhouse gas (GHG) emissions	190
GHG-Int	CRE3	Greenhouse gas (GHG) emissions intensity from energy consumption of buildings	190
Water-Abs	303-1	Total water consumption	184
Water-LfL	303-1	Like-for-like water consumption	184
Water-Int	CRE2	Water consumption intensity of buildings	184
Waste-Abs	306-3	Total weight of waste by disposal method	188
Waste-LfL	306-3	Like-for-like weight of waste by disposal method	188
Cert-Tot	CRE8	Type and number of sustainably certified assets	191
SOCIAL PERFORMANCE INDICATORS			
Diversity-Emp	405-1	Employee gender diversity	88
Diversity-Pay	405-2	Ratio of basic salary and remuneration of women to men	98
Emp-Training	404-1	Average hours of training per year per employee	93
Emp-Dev	404-3	Percentage of employees receiving regular performance and career development reviews	MERLIN Properties employees receive continuous feedback from their managers and have direct and constructive communication with them to help them progress in their professional development. In addition, 100% of employees are evaluated each year by area managers and senior management. The results of this evaluation determine the distribution of variable remuneration
Emp-Turnover	401-1	New employee hires and employee turnover	96. In 2023 there were a total of 18 departures. The voluntary turnover rate in 2023 was 7%.
H&S-Emp	403-2	Employee health and safety	100

EPRA Code	GRI Standard	Description	Page and/or direct answer
H&S-Asset	416-1	Assessment of the health and safety of the assets	100 MERLIN assesses the potential health and safety impacts of all its assets on their occupants (tenants and visitors).
H&S-Comp	416-2	Compliance with health and safety regulations concerning the assets	No incident of non-compliance with health and safety regulations has been detected
Comty-Eng	413-1	Community engagement, impact assessments and development programmes	120 In all assets, dialogue and participation mechanisms have been developed, as described in the management approach.
GOVERNANCE PERFORMANCE INDICATORS			
Gov-Board	2-9	Governance structure and composition	35-37 More information on this indicator can be found in the Annual Corporate Governance Report (ACGR).
Gov-Selec	2-10	Appointing and selecting members of the highest governance body	The processes for appointing and selecting members of the highest governing body and its committees are described in the Annual Corporate Governance Report (ACGR) and are established in the Group's Director Selection Policy
Gov-Col	2-15	Management of conflicts of interest	Section 28 of the Board Regulations sets out the mechanisms established to prevent and manage potential conflicts of interest

Appendix I. Environmental performance reporting in accordance with the EPRA Sustainability Best Practices Recommendations (sBPR)

MERLIN's environmental performance report on its assets was prepared in accordance with the EPRA Sustainability Best Practice Recommendations (3rd edition, 2017). In line with these recommendations, the following tables include the environmental KPIs of MERLIN's assets, as established by the EPRA in these Guidelines⁶². The tables reflect the environmental performance of the assets in terms of energy consumption, greenhouse gas (GHG) emissions, water withdrawal and waste generation, and the percentage of assets with environmental certification.

Key concepts

In accordance with the recommendations in the EPRA sBPR Guidelines, only assets in operation in 2023 have been included in the reporting scope for calculating MERLIN's environmental performance information.

In particular, and in view of their strategic importance to the Group's overall assets, environmental performance information for the offices, logistics assets, shopping centres, and data centers has been included, in that order, based on the floor area in each portfolio, and the calculation excludes any asset in which it holds a non-controlling interest⁶³. In addition, information on the environmental performance of its own offices, and properties leased by the Group for the LOOM space, is reported separately.

Based on the EPRA sBPR Guidelines, MERLIN also reports on a series of environmental indicators or KPIs (integrated in the EPRA Sustainability Performance Measures). These KPIs cover information on energy consumption, GHG emissions, water withdrawal and waste generation⁶⁴.

There are two types of KPI: Absolute KPIs and like-for-like KPIs. Absolute KPIs are calculated in terms of the total asset portfolio, while like-for-like KPIs are calculated considering only assets that have been in continuous operation for the last three years.

In addition, some of the KPIs are calculated in terms of energy consumption intensity, GHG emissions and water consumption. These KPIs are calculated as the ratio of the absolute or like-for-like value of consumption or GHG emissions and the reported floor area for that consumption or those GHG emissions.

Information on the coverage of each KPI is also included throughout the environmental report. Coverage is defined as the proportion of assets for which there is information available to calculate each KPI, expressed in this Non-Financial Information Statement in terms of number of assets.

For more accurate performance management of its assets in terms of energy consumption efficiency, water withdrawal and carbon footprint, MERLIN separates the data for these KPIs by type of property:

⁶² EPRA Sustainability Performance Measures.

⁶³ The scope excludes the Barcelona ZAL Port assets, as they constitute a non-controlling interest.

⁶⁴ The full definition of the above KPIs is given in detail in chapter 8.b. "EPRA sBPR Table of Contents" of this report.

- Assets over which the Group exercises operational control. These are generally multi-tenant assets where the Group continuously assesses their environmental impact to take the relevant steps to monitor and reduce environmental impacts.
- Assets over which the Group does not exercise operational control. For these single-tenant assets, MERLIN's name is on the power and water utility contracts, so it is able to collect the data to record the environmental performance of these assets. However, consumption tracking is handled by the lessee.
- MERLIN'S corporate headquarters and LOOM spaces leased by the Group (only information on energy consumption and GHG emissions is available for these properties).

Regarding the KPIs related to the amount of waste generated, MERLIN collects waste from the assets included in its ISO 14001 Corporate Environmental Management System (except in those cases where this is handled by the owners' associations), and from other assets that are not included in the Environmental Management System. MERLIN therefore reports on these KPIs for all of the assets where it is responsible for waste management.

In general terms, the KPIs are calculated using the based on the invoices issued by power, water, and waste collection utility service providers and refrigerant gas recharge reports. The estimates calculated were all immaterial. Furthermore, in the case of assets that form part of an owner's association, the coefficient of ownership is applied to the energy and water consumption data. In these cases, the surface area taken into account in the calculations represents the proportional part of the coefficient of MERLIN's ownership or expense in the asset.

Energy consumption

Energy consumption at assets over which MERLIN exercises operational control

With regard to the managed assets, MERLIN has like-for-like energy consumption information for 78 office assets, 12 shopping centres, and 28 logistics warehouses, and absolute data for 89 office assets, 12 shopping centres, and 30 logistics warehouses, and 2 data centers⁶⁵. The coverage area of the information on energy consumption is broken down below.

Like-for-Like portfolio		Absolute portfolio	
	Reported surf.	Reported surf.	% area covered (surface)
Offices	816,820 sqm	908,129 sqm	72%
Logistics warehouses	436,333 sqm	470,018 sqm	29%
Shopping centres	470,216 sqm	470,216 sqm	99%
Data center	0 sqm	40,131 sqm	73%
Total	1,723,369 sqm	1,888,495 sqm	55%

⁶⁵ Appendix III contains a list of the assets included in the reporting of this type of environmental performance information.

Broken down by country, the floor area covered in Spain was 1,773,292 sqm in absolute terms and 1,608,167 sqm in like-for-like terms, and in Portugal the breakdown was 115,203 sqm and 115,203 sqm.

It can also be noted that the source of energy consumption data depend on the type of asset and the type of energy source. The following distinctions are made when it comes to calculating electricity usage:

- Assets where MERLIN controls the total electricity used throughout the building, including common areas and tenant (or private) areas. In these cases, coverage is calculated based on the surface area of the corresponding asset.
- Assets where MERLIN controls the electricity used for lighting the common areas and running the air conditioning systems of the entire asset. In these cases, it is also calculated based on the surface area of the corresponding asset.
- Assets where MERLIN only controls the electricity consumed in the common areas. In these cases, coverage is calculated based only on the surface area of the corresponding asset common areas.

Energy consumption information for fuel is available for the overall asset.

The following district heating & cooling cases were compiled:

- Assets where MERLIN controls the total electricity used throughout the building, including common areas and tenant (or private) areas. In these cases, coverage is calculated based on the surface area of the corresponding asset.
- Assets where MERLIN controls the electricity consumed in the common areas only. In these cases, coverage is calculated based only on the surface area of the corresponding asset common areas.

For both the like-for-like portfolio and the absolute portfolio, the highest share of energy consumption comes from the grid, with a much smaller proportion from the use of fuel (diesel or natural gas) for some of the offices and shopping centres within the reported coverage. To a lesser extent, it also includes absolute district heating & cooling consumption at four office assets in Barcelona, Torre Glòries, Pere IV, and the Poble Nou 22@ business park, connected to the Districlima network and PLZFA connected to the Ecoenergies network, and at three assets in Portugal, Central Office, Torre Zen, and Arts, connected to the Climaespço network.

Like for Like asset energy consumption⁶⁶, decreased 2.2% compared to 2022, mainly due to implementation of energy saving measures and control of the installations, as it was expected that there would be an increase in this type of consumption compared to 2022 because of higher occupation of offices, logistics activity, and shopping centre traffic in 2023.

Energy consumption at like-for-like assets in 2023 was 109,125,926 kWh, of which 60% was at offices, 29% at shopping centres, and the rest (10%) at logistics assets. Broken down by type of energy source, 93,790,906 kWh came from electricity (86%), 10,689,845 from natural gas (10%), 2,150,875 kWh from diesel fuel and gasoil (2%) and 2,605,735 kWh from District Heating & Cooling (2%). As regards consumption by country, 101,165,424 kWh was in Spain, and (92%) and 9,343,317 was in Portugal (8%).

In the like-for-like office portfolio, energy consumption was 65,998,410 very similar to consumption in 2022. This consumption was 80% from electricity, 13% from natural gas, 3% diesel fuel and gasoil, and 4% District Heating & Cooling. In the like-for-like logistics assets, energy consumption was

⁶⁶ Assets that have been operating continuously for the last three years are included.

10,956,191 kWh (all electricity) compared to 11,185,240 kWh in 2022. The energy consumed at shopping centres was 32,171,324 kWh, down 3.1% from 2022, broken down into 94% electricity and 6% natural gas.

In 2023 absolute energy consumption was similar to that in 2022. Absolute Energy consumption in 2023 was 118,762,772 kWh among offices (61%), logistics warehouses (10%), shopping centres (28%) and data center (1%). By type of energy source, 100,331,722 kWh came from electricity (84%), 10,865,942 kWh from natural gas (9%), 2,039,440 kWh from diesel fuel and gasoil (2%) and 5,525,668 kWh from District Heating & Cooling (5%). By country, energy consumption in Spain accounted for 108,212,694 kWh (92%) and in Portugal 9,343,317 kWh (8%).

Absolute energy consumption for the office portfolio in 2023 was 72,258,395.73 kWh, an increase of 0.46% with respect to 2022. The breakdown of this energy consumption was 77% electricity, 12% natural gas, 3% diesel fuel and gasoil, and 8% District Heating & Cooling. Energy consumption for the like-for-like logistics assets was 12,021,055 kWh (all electricity), compared to 11,868,372 kWh in 2022. The energy consumed at shopping centres was 33,272,434 kWh, down 9.8% on 2022, broken down into (94%) electricity and (6%) natural gas.

Energy intensity in the like-for-like portfolio was 70.74 kWh/sqm, down 1% on 2022, and in the absolute portfolio it was 55.76 kWh/sqm, down 3.0% on 2022.

Generation of renewable energy for self-consumption in assets under operational control in 2023 was 3,595,455 kWh; 2,310,218 kWh at office assets, 1,145,720 kWh at shopping centres, and 139,518 at logistics assets. In addition, 582,790 kWh produced at logistics buildings (556,464 kWh) and at office buildings (26,326 kWh) were fed into the grid. These assets are included in Project SUN, with the number of photovoltaic generation facilities expected to increase in the coming years.

MERLIN continued to increase the proportion of renewable electricity purchased from green energy suppliers for assets under its operational control. Electricity consumption from these types of suppliers totalled 99.98% in 2023, similar to the value for the previous year.

In terms of other energy sources used by the assets, district heating & cooling energy consumption is partially renewable (5,334,828 kWh) and partially non-renewable (190,840 kWh). Energy consumption from fuels comes from entirely non-renewable sources.

Energy consumption for MERLIN Properties' portfolios (under operational control)

EPRA Code	Indicator and units			Total MERLIN					Offices					Shopping centres					Logistic assets					Data Centers				
				Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
				2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.
Elect-Abs, Elect-LfL	Electricity (kWh)	Electricity consumption	Common areas	25,619,696	26,177,644	24,270,512	23,966,732	1.3%	14,219,288	14,291,415	13,607,908	13,673,589	-0.5%	10,379,569	11,032,112	9,914,855	9,507,499	4.3%	875,533	854,118	747,749	785,644	-4.8%	145,306	0	0	0	
			Tenant space	74,712,026	76,141,513	69,520,394	69,922,789	-0.6%	41,478,854	42,496,550	38,893,790	38,925,985	-0.1%	21,022,069	22,630,708	20,418,161	20,597,207	-0.9%	11,145,523	11,014,255	10,208,442	10,399,597	-1.8%	1,065,581	0	0	0	
		Electricity from renewable sources (%)		99.98%	99.34%	99.98%	99.92%		100.00%	98.84%	100.00%	99.88%		99.95%	99.96%	99.95%	99.96%		100.00%	100.00%	100.00%	100.00%		100.00%	—%	—%	—%	
		Total electricity consumption		100,331,722	102,319,157	93,790,906	93,889,521	-0.1%	55,698,142	56,787,965	52,501,698	52,599,574	-0.2%	31,401,638	33,662,820	30,333,016	30,104,707	0.8%	12,021,055	11,868,372	10,956,191	11,185,240	-2.0%	1,210,887	0	0	0	
DH&C-Abs, DH&C-LfL	District heating & cooling (kWh)	Electricity consumption	Common areas	1,657,065	854,881	547,327	416,553	31.4%	1,657,065	854,881	547,327	416,553	31.4%	0	0	0	0		0	0	0	0		0	0	0	0	
			Tenant space	3,868,603	1,601,834	2,058,408	1,509,816	36.3%	3,868,603	1,601,834	2,058,408	1,509,816	36.3%	0	0	0	0		0	0	0	0		0	0	0	0	
		District heating & cooling from renewable sources (%)		97%	99%	100%	99%		97%	99%	100%	99%		—%	—%	—%	—%		—%	—%	—%	—%		—%	—%	—%	—%	
		Total district heating & cooling consumption		5,525,668	2,456,715	2,605,735	1,926,369	35.3%	5,525,668	2,456,715	2,605,735	1,926,369	35.3%	0	0	0	0		0	0	0	0		0	0	0	0	
Fuels-Abs, Fuels-LfL	Fuel (kWh)	Fuel	Common areas	1,181,473	2,150,875	1,148,985	2,022,647	-43.2%	0	0	0	0		1,181,473	2,150,875	1,148,985	2,022,647	-43.2%	0	0	0	0		0	0	0	0	
			Tenant space	11,723,909	13,765,995	11,580,300	13,759,625	-15.8%	11,034,586	12,679,642	10,890,977	12,673,272	-14.1%	689,323	1,086,353	689,323	1,086,353	-36.5%	0	0	0	0		0	0	0	0	
		Fuel from renewable sources (%)		—%	—%	—%	—%		—%	—%	—%	—%		—%	—%	—%	—%		—%	—%	—%	—%		—%	—%	—%	—%	
		Total fuel consumption		12,905,382	15,916,871	12,729,285	15,782,272	-19.3%	11,034,586	12,679,642	10,890,977	12,673,272	-14.1%	1,870,796	3,237,228	1,838,308	3,109,000	-40.9%	0	0	0	0		0	0	0	0	
Energy-Int	Energy intensity (kWh/sqm)			56	58	71	71		77	77	80	80		68	71	68	71		19	19	43	44		22	0	0	0	
Coverage (based on number of assets)				133	132	118	118		89	88	78	78		12	14	12	12		30	30	28	28		2	0	0	0	
% of data estimated				—%	—%	—%	—%		—%	—%	—%	—%		—%	—%	—%	—%		—%	—%	—%	—%		—%	—%	—%	—%	

Energy consumption at assets over which MERLIN does not exercise operational control

With regard to the assets not under MERLIN's operational control (single-tenant), the Group has like-for-like information on energy consumption for 2 logistics warehouse and 1 office assets and absolute information for 1 office assets and 2 logistics warehouses⁶⁷ (all located in Spain). The table below shows the coverage area of the information on energy consumption.

Like-for-Like portfolio		Absolute portfolio	
	Reported surf.	Reported surf.	% area covered (surface)
Offices	14,205 sqm	14,205 sqm	1%
Logistics warehouses	62,059 sqm	97,051 sqm	6%
Shopping centres	0 sqm	0 sqm	—%
Total	76,264 sqm	111,255 sqm	3%

Absolute energy consumption for assets not under the Company's operational control was 3,302,127 kWh in 2023, (31%) for offices and (69%)for logistics warehouses. Electricity accounted for all of the energy consumed, distributed in the same proportion. There was a slight decrease of 0.6% from 2022.

In the like-for-like portfolio (made up of one logistics asset), energy consumption was 3,302,127 kWh, all electricity. This consumption was 0.6% lower than in 2022.

Energy intensity in the absolute portfolio was 45.5 kWh/sqm and 45.5 kWh/sqm in the Like-for-Like portfolio.

⁶⁷ Appendix III contains a list of the assets included in the reporting of this type of environmental performance information.

Energy consumption for MERLIN Properties' portfolios (not under operational control)

EPRA code	Indicator and units		Total MERLIN					Offices					Shopping centres					Logistic assets				
			Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
			2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.
Elect-Abs, Elect-LfL	Electricity (kWh)	Electricity consumption	3,302,127	3,321,149	3,302,127	3,321,149	-1%	1,028,227	904,984	1,028,227	904,984	14%	0	0	0	0		2,273,900	2,416,165	2,273,900	2,416,165	-6%
		Electricity from renewable sources (%)	100%	99%	100%	100%	—%	100%	100%	100%	100%	0%	0%	0%	0%	0%		100%	100%	100%	100%	0%
DH&C-Abs, DH&C-LfL	District heating & cooling (kWh)	Total district heating & cooling consumption	0	0	0	0		0	0	0	0		0	0	0	0		0	0	0	0	
		Fuel from renewable sources (%)	0%	0%	0%	0%		0%	0%	0%	0%		0%	0%	0%	0%		0%	0%	0%	0%	
Fuels-Abs, Fuels-LfL	Fuel (kWh)	Total fuel consumption	0	0	0	0		0	0	0	0		0	0	0	0		0	0	0	0	
		District heating & cooling from renewable sources (%)	0%	0%	0%	0%		0%	0%	0%	0%		0%	0%	0%	0%		0%	0%	0%	0%	
Energy-Int	Energy intensity (kWh/sqm)		45.5	45.8	45.5	45.8		98.0	86.2	98.0	86.2	14%	0.0	0.0	0.0	0.0		36.6	38.9	36.6	38.9	
Coverage (based on number of assets)			3	3	3	3		1	1	1	1	0%	0	0	0	0		2	2	2	2	
% of data estimated			9%	0%	9%	0%		0%	0%	0%	0%		0%	0%	0%			0%				

Electricity consumption at MERLIN's corporate headquarters and LOOM spaces

MERLIN has corporate headquarters in Madrid, Barcelona and Lisbon. Given that the Madrid headquarters, with a floor area of 2,412 sqm, are the most representative, the energy consumption figures for that office are reported below. Electricity consumption was 206,410 kWh, which indicates a consumption intensity of 85.58 kWh/sqm, 58 kWh/sqm, an increase of 4% compared to 2022, with no fuel consumption at this building.

In addition, the Company has three buildings, of which it is the lessee, that exclusively host FlexSpace areas as part of the LOOM brand (Fábrica de Tapices, Huertas and Salamanca). Of these three buildings, the Group controls electricity consumption at Huertas and Salamanca, with total floor areas of 3,031 sqm, 1,100 sqm, and 1,931 sqm, respectively.

In 2023, electricity consumption was 469,456 kWh (161,029 kWh at Huertas and 308,427 kWh at Salamanca), a decrease of 11.3% over 2022 (529,511 kWh). Consumption intensity was 154.88 kWh/sqm. There is no fuel consumption at these locations.

Energy consumption at properties leased by LOOM

EPRA Code	Indicator		Buildings leased by LOOM		
			2023	2022	Evol.
Elect-Abs, Elect-LfL	Electricity (kWh)	Total electricity consumption	469,456	529,511	-11%
		Electricity from renewable sources (%)	100%	100%	
Fuels-Abs, Fuels-LfL	Fuel (kWh)	Total fuel consumption	N/A	N/A	
		Fuel from renewable sources (%)	N/A	N/A	
Energy-Int	ENERGY INTENSITY (kWh/m2)		154.88	174.70	-11%
% of estimated data			0	0	

Energy consumption at MERLIN Properties' corporate headquarters⁶⁸

EPRA Code	Indicator		Buildings leased by LOOM		
			2023	2022	Evol.
Elect-Abs, Elect-LfL	Electricity (kWh)	Total electricity consumption	206,410	198,185	4%
		Electricity from renewable sources (%)	100%	100%	
Fuels-Abs, Fuels-LfL	Fuel (kWh)	Total fuel consumption	N/A	N/A	
		Fuel from renewable sources (%)	N/A	N/A	
Energy-Int	ENERGY INTENSITY (kWh/m2)		85.58	82.17	4%
% of estimated data			0	0	

⁶⁸ The energy consumption figures for the corporate headquarters do not include fuel consumption, so the consumption figures on the table refer exclusively to the electricity grid.

Water withdrawal

MERLIN has like-for-like information on water withdrawal at multi-tenant assets under its operational control for 78 office assets, 26 logistics warehouses, and 12 shopping centres. There is absolute information for 89 office assets, 30 logistics warehouses, 12 shopping centres, and 1 data center⁶⁹. The table below shows the information on water withdrawal and the corresponding floor area coverage.

Like-for-Like portfolio		Absolute portfolio	
	Reported surf.	Reported surf.	% area covered (surface)
Offices	811,630 sqm	940,633 sqm	74%
Logistics warehouses	396,742 sqm	463,612 sqm	28%
Shopping centres	470,216 sqm	470,216 sqm	99%
Data center	0 sqm	15,005 sqm	27%
Total	1,678,588 sqm	1,889,467 sqm	55%

By country, the floor area covered for water withdrawal in Spain was 1,774,264 sqm in the absolute portfolio and 1,563,386 sqm in the like-for-like portfolio. In Portugal, that area was 115,203 sqm and 115,203 sqm, respectively.

For office and shopping centre assets, the source information available to MERLIN refers, as a general rule, to the water withdrawal for the entire asset. However, the data for logistics assets sometimes refers to common areas only and other times to the entire asset.

With regard to like-for-like performance data, the total volume of water withdrawal at the assets under MERLIN's operational control in 2023 was 668,306 m3, broken down as follows: office assets (42%), logistics warehouses (7%) and shopping centres (51%). Compared to 2022, there was a 1% increase, mainly from the increase in traffic in the office and shopping centre portfolio and the high temperatures recorded in summer, resulting in more frequent and longer watering for all landscaped areas at the assets and in water consumption by the cooling towers.

In the like-for-like office portfolio, water withdrawal in 2023 was 281,943 m3, up 3% on 2022. At the logistics warehouses, water withdrawal was 44,169 m3, down 11% from 2022. Lastly, the volume at shopping centres was 342,194 m3, up 1% on 2022.

In absolute terms, the volume of water withdrawal in 2023 was 690,204 m3 among offices (43%), logistics warehouses (6%) and shopping centres (51%). The absolute volume of water withdrawal increased by (2.0)% compared with 2022. By country, the volume of water withdrawal was 627,709 m3 in Spain (91% of the total) and 62,495 m3 in Portugal (9% of the total).

⁶⁹ Appendix II contains a list of the assets included in the reporting of this type of environmental performance information

In the office portfolio, absolute water withdrawal in 2023 was 295,655 m³, up 1.2% from 2022; at the logistics assets it was 44,169 m³, down 11% from 2022; and at the shopping centres it was 349,289 m³, up (3.7%) on 2022.

Practically all water withdrawals come from the municipal network, representing a total volume of 671,141 m³ in absolute terms (97.2% of the total water withdrawn). Some of the water used at the Marineda shopping centre in A Coruña and at the Torre Chamartín office asset comes from a rainwater tank. There is a groundwater well at the Alvia business park asset. The water withdrawal data for the two office assets come from meter data, and the volume of water collected and used at the Marineda asset was estimated based on the rainfall recorded in the A Coruña area in 2023 and the collection surface area of the rainwater tank⁷⁰, yielding a total water withdrawal of 19,063 m³ for the three assets.

Lastly, water withdrawal intensity in the like-for-like portfolio was 0.488 m³/sqm, up 1% on 2022, and in the absolute portfolio it was 0.477 m³/sqm, down 2% from 2022.

⁷⁰ The estimate considers the annual recorded rainfall in La Coruña in 2023, according to data provided by Meteogalicia, and a catchment area of about 16,000 sqm. A 10% loss rate was assumed.

Water withdrawal for MERLIN Properties' portfolios (under operational control)

EPRA Code	Indicator and units	Total MERLIN					Offices					Shopping centres					Logistic assets					Data center				
		Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
		2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.
Water-Abs, Water-LfL	Water consumption in common areas (m3)	211,892	238,350	210,829	230,173	-8%	43,537	41,435	42,583	40,284	6%	160,592	188,877	160,592	181,850	-12%	7,654	8,039	7,654	8,039	-5%	109	0	0	0	
	Water consumption in tenant spaces (m3)	491,289	484,088	477,549	449,858	6%	252,118	250,612	239,360	232,832	3%	201,674	192,100	201,674	175,650	15%	36,515	41,376	36,515	41,376	-12%	982	0	0	0	
	Water consumption in the entire building (m3)	690,204	704,215	668,306	660,003	1%	295,655	292,047	281,943	273,116	3%	349,289	362,753	342,194	337,472	1%	44,169	49,415	44,169	49,415	-11%	1,091	0	0	0	
	Total water consumption (m3)	690,204	704,215	668,306	660,003	1%	295,655	292,047	281,943	273,116	3%	349,289	362,753	342,194	337,472	1%	44,169	49,415	44,169	49,415	-11%	1,091	0	0	0	
Water-Int	Water consumption intensity (m3/sqm)	0.477	0.484	0.488	0.482		0.362	0.357	0.367	0.356		1.008	0.986	1.027	1.014		0.164	0.184	0.164	0.184		0.073	0.00	0.00	0.00	
Coverage (based on number of assets)		127	129	116	116		88	89	78	78		12	14	12	12		26	26	26	26		1	0	0	0	
% of data estimated		—%	—%	—%	—%		—%	—%	—%	—%		—%	—%	—%	—%		—%	—%	—%	—%		—%	—%	—%	—%	

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

MERLIN has absolute and like-for-like information on water withdrawal at single-tenant assets not under its operational control for 4 office assets⁷¹(all located in Spain). The table below shows the information on water withdrawal and the corresponding floor area coverage.

Like-for-Like portfolio		Absolute portfolio	
	Reported surf.	Reported surf.	% area covered (surface)
Offices	48,189 sqm	48,189 sqm	4%
Logistics warehouses	0 sqm	0 sqm	0%
Shopping centres	0 sqm	0 sqm	0%
Total	48,189 sqm	48,189 sqm	1%

For assets not under MERLIN'S operational control, absolute water withdrawal from the municipal network amounted in 2023 to 17,486 (water withdrawal intensity of 0.268 m3/sqm in, with office assets accounting for all consumption. Consumption in 2023 was 13% lower than in 2022.

In 2023, the like-for-like portfolio, consumption was 17,486 m3 (water withdrawal intensity of 0.268 m3 /sqm) a decrease of 13% from 2022.

⁷¹ Appendix III contains a list of the assets included in the reporting of this type of environmental performance information.

Water withdrawal for MERLIN Properties' portfolios (not under operational control)

EPRA Code	Indicator and units	Total MERLIN					Offices					Shopping centres					Logistic assets				
		Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
		2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.
Water-Abs, Water-Lfl	Total water consumption (m3)	17,486	20,205	17,486	20,205	-13%	17,486	20,205	17,486	20,205	-13%	0	0	0	0		0	0	0	0	
Water-Int	Water consumption intensity (m3/sqm)	0.268	0.310	0.268	0.310		0.310	0.310	0.310	0.310		0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.000	
Coverage (based on number of assets)		4	4	4	4		4	4	4	4		0	0	0	0		0	0	0	0	
% of data estimated		0%	0%	0%	0%			0%		0%		0%	0%	0%	0%		0%	0%	0%	0%	

MERLIN has no water data for its corporate headquarters or for the leased LOOM buildings.

Waste management

For waste management, the Group has like-for-like information on 71 office assets, 10 shopping centres, and 1 logistics warehouse, and it has absolute information on 91 office assets, 11 shopping centres, and 10 logistic warehouses⁷² (all located in Spain). The table below shows the coverage area of the information on waste management.

Like-for-Like portfolio		Absolute portfolio	
	Reported surf.	Reported surf.	% area covered (surface)
Offices	748,351 sqm	791,549 sqm	62%
Logistics warehouses	36,234 sqm	169,030 sqm	10%
Shopping centres	363,494 sqm	363,494 sqm	77%
Total	1,148,079 sqm	1,324,073 sqm	39%

In 2023, assets in the like-for-like portfolio accounted for a total of 6,100 tonnes of waste, 99.9% of which was non-hazardous waste and the remainder hazardous. The assets in the absolute portfolio accounted for 6,668 tonnes of waste, 99.9% of which was non-hazardous waste and the remainder hazardous.

There was an overall decrease in the like-for-like waste managed in 2023 compared to 2022 (4%). This decrease was mainly due to waste managed at logistics warehouses.

In contrast, in absolute terms, in 2023 compared to 2022 there was a 6% decrease in the amount of waste managed. This was a slightly higher decrease than in the like-for-like portfolio.

⁷² Appendix III contains a list of the assets included in the reporting of this type of environmental performance information.

Waste generation at assets managed by MERLIN

EPRA Code	Indicator	Total MERLIN					Offices					Shopping centres					Logistics assets				
		Absolute		Like-for-like			Absolute		Like-for-like			Absolute		Like-for-like			Absolute		Like-for-like		
		2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.
Waste-Abs, Waste-Lfl	Total generation of non-hazardous waste (t)	6,659.2	7,047.5	6,091.7	6,337.3	-4%	185.1	180.9	175.4	180.8	-3%	6,037.2	6,412.9	5,617.2	5,702.9	-2%	437.0	453.7	299.1	453.7	-34%
	Total generation of hazardous waste (t)	9.1	6.1	8.8	5.6	56%	3.1	2.7	3.1	2.2	41%	5.9	3.4	5.7	3.4	69%	0.0	0.0	0.0	0.0	-96%
	Waste to be eliminated (t)	126.0	356.8	0.5	116.6	-100%	0.6	0.6	0.4	0.4	7%	0.0	356.2	0.0	116.2	-100%	125.4	0.0	0.0	0.0	
	Waste to be recovered through energy (t)	598.8	42.8	336.3	4.6	7212%	2.8	4.3	1.6	3.7	-57%	503.7	38.5	242.5	0.9	28061%	92.3	0.0	92.3	0.0	9226900%
	Waste to be recovered (t)	13.9	2.8	13.9	2.7	421%	2.5	1.4	2.5	1.3	95%	11.4	1.4	11.4	1.4	742%	0.0	0.0	0.0	0.0	-95%
	Waste to be recycled (t)	5,929.5	6,651.2	5,749.6	6,642.1	-13%	182.2	177.4	173.8	177.2	-2%	5,528.0	6,020.2	5,369.0	6,011.2	-11%	219.3	453.7	206.8	453.7	-54%
Coverage (based on number of assets)		112 of 188	95 of 180	82 of 82	82 of 82		91 of 117	81 of 110	71 of 71	71 of 71		11 of 12	13 of 14	10 of 10	10 of 10		10 of 56	1 of 6	1 of 1	1 of 1	
% of data estimated		0%	0%	0%	0%		0%	0%	0%	0%		0%	0%	0%	0%		0%	0%	0%	0%	

There is no information available on waste generation at corporate headquarters or the LOOM buildings.

Scope 1 and scope 2 greenhouse gas (GHG) emissions

GHG emissions at assets over which MERLIN exercises operational control

First, applying the location-based calculation method⁷³ to the like-for-like portfolio, the sum of Scope 1 and Scope 2 GHG emissions was 10,491 tCO₂eq, 21% lower than in 2022. Specifically, direct emissions (Scope 1), including emissions from fuel consumption and refrigerant gas recharges at the assets, amounted to 2,416 tCO₂eq. Indirect emissions (Scope 2) associated with the generation of electricity consumed and District Heating & Cooling consumption at the assets amounted to 8,077 tCO₂eq.

In the breakdown of like-for-like emissions by portfolio, Scope 1 and 2 emissions from office assets were 2,025 tCO₂eq and 4,181 tCO₂eq, 89 tCO₂eq of Scope 2 emissions from logistics warehouses and 391 tCO₂eq and 3,806 tCO₂eq from shopping centres, respectively.

For the absolute portfolio, the sum of Scope 1 and Scope 2 location-based GHG emissions was 10,762 tCO₂eq, 24.1% lower than in 2022. By scope, 2,422 tCO₂eq were Scope 1 emissions⁷⁴ and the remaining 8,340 tCO₂eq were Scope 2 emissions⁷⁵. By asset type, absolute Scope 1 and Scope 2 emissions at office assets were 2,025 tCO₂eq and 4,281 tCO₂eq and 105 tCO₂eq Scope 2 emissions from logistics warehouses. From shopping centres 397 tCO₂eq and 3,936 tCO₂eq, respectively.

Compared to 2022 there was a slight decrease in Scope 1 emissions and an appreciable decrease in Scope 2 emissions, mainly due to the decrease in the Spanish emission factor published by REE [Spain's grid operator].

Furthermore, by country, in absolute terms, Spain produced 9,606 tCO₂eq of Scope 1 and Scope 2 GHG emissions (2,408 tCO₂eq Scope 1 and 7,198 tCO₂eq Scope 2), while Portugal produced 1,156 tCO₂eq (14 tCO₂eq Scope 1 and 1,142 tCO₂eq Scope 2).

GHG emission intensity was 0.007 tCO₂eq (21% lower than in 2022) for the like-for-like portfolio and 0.007 tCO₂eq (25% lower than in 2022) for the absolute portfolio.

Direct emissions from fuel consumption in assets under MERLIN's operational control (scope 1) obtained following the recommendations of the Ministry of Ecological Transition and Demographic Challenge (MITERD).

A location-based calculation method was used to determine the indirect emissions associated with electricity consumption at assets under MERLIN'S operational control (scope 2). For this calculation MERLIN used the emission factors for the countries where its assets are located, Spain and Portugal⁷⁶.

⁷³ Scope 1 emissions were calculated considering the factors recommended by the Spanish Ministry for Ecological Transition and Demographic Challenge (MITERD). Scope 2 location-based emissions from electricity consumption were calculated considering the emission factor of the electricity mix for Spain and Portugal. The emission factor of the electricity mix is a rate that represents the CO₂ emission intensity associated with generating the electricity that is consumed. Therefore, it is a significant indicator of the ratio of low carbon energy sources to the country's total electricity production. Scope 2 location-based emissions from district heating were obtained from the emission factor provided by Districlima, and emissions from district cooling were obtained considering the emission factor of the Spanish electricity mix and a grid loss percentage of 10%.

⁷⁴ Includes fuel consumption and refrigerant gas recharges.

⁷⁵ Includes electricity consumption and district heating & cooling

⁷⁶ The 2023 factor for Spain was obtained from the information published by Red Eléctrica de España (REE), while the factor for Portugal was taken from the data published by the Energy Observatory run by the Portuguese Ministry of Environment and Climate Action.

Location-based greenhouse gas emissions for MERLIN Properties' portfolios (under its operational control)

EPRA Code	Indicator and units	Total MERLIN					Offices					Shopping centres					Logistic assets					Data center				
		Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
		2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.
-	Direct scope 1 emissions, refrigerant gases (tCO2eq)	2,183	2,232	2,183	2,156	1%	2,025	1,533	2,025	1,457	39%	158	699	158	699	-77%	0	0	0	0		0	0	0	0	
-	Direct scope 1 emissions, fuels (tCO2eq)	239	436	233	410	-43%	0	0	0	0		239	436	233	410	-43%	0	0	0	0		0	0	0	0	
GHG-Dir-Abs, GHG-Dir-LfL	Direct scope 1 emissions (tCO2eq)	2,422	2,668	2,416	2,566	-6%	2,025	1,533	2,025	1,457	39%	397	1,135	391	1,109	-65%	0	0	0	0		0	0	0	0	
GHG-Indir-Abs, GHG-Indir-LfL	Indirect scope 2 emissions (tCO2eq)	8,340	11,518	8,077	10,727	-25%	4,281	5,849	4,181	5,650	-26%	3,936	5,530	3,806	4,950	-23%	105	139	89	128	-30%	18	0	0	0	
-	Total emissions - Scopes 1+2 (tCO2eq)	10,762	14,186	10,491	13,293	-21%	6,305	7,382	6,206	7,106	-13%	4,334	6,665	4,197	6,059	-31%		139	89	128	-30%	18	0	0	0	
GHG-Int	EMISSIONS INTENSITY (tCO2eq/sqm)	0.007	0.009	0.007	0.009		0.007	0.009	0	0		0	0	0	0		0	0	0	0		0	0	0	0	
Coverage (based on number of assets)		137	139	119	119		90	95	79	79		14	14	12	12		31	30	28	28		2	0	0	0	
% of data estimated		0%	0%	0%	0%		0%	0%	0%	0%		0%	0%	0%	0%		0%	0%	0%	0%		—%	—%	—%	—%	

Location-based greenhouse gas emissions for MERLIN's portfolios (not under its operational control)

EPRA Code	Indicator and units	Total MERLIN					Offices					Shopping centres					Logistic assets				
		Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like			Absolute		Like for Like		
		2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.	2023	2022	2023	2022	Evol.
-	Scope 3 emissions, refrigerant gases (tCO ₂ eq)	0	0	0	0		0	0	0	0		0	0	0	0		0	0	0	0	
-	Scope 3 emissions, fuels (tCO ₂ eq)	0	0	0	0		0	0	0	0		0	0	0	0		0	0	0	0	
-	Indirect scope 3 emissions, electricity (tCO ₂ eq)	325	444	325	444	-27%	125	148	125	148	-15%	0	0	0	0		200	296	200	296	-33%
GHG-IndirAbs, GHG-Indir-LfL	Total scope 3 emissions (tCO ₂ eq)	325	444	325	444	-27%	125	148	125	148	-15%	0	0	0	0		200	296	200	296	-33%
GHG-Int	EMISSIONS INTENSITY - Scope 3 (tCO ₂ eq/sqm)	0.004	0.006	0.004	0.006		0.012	0.014	0.012	0.014		0.000	0.000	0.000	0.000		0.004	0.006	0.004	0.006	
Coverage (based on number of assets)		3	3	3	3		1	1	1	1							2	2	2	2	
% of data estimated		0%	0%	0%	0%		0%	0%	0%	0%		0%	0%	0%	0%		0%	0%	0%	0%	

Certificates

The table below details the number and types of asset certifications in each portfolio. They include energy certifications under Royal Decree 235/2013; LEED/BREEAM sustainable construction certificates; and ISO 14001 and ISO 50001 Management Systems certifications.

The percentage of certified assets is calculated by floor area based only on the assets in operation in the office, shopping centre, and logistics portfolios and the WIP assets, Plaza Pablo Ruiz Picasso, Josefa Valcárcel 48, and the Cerro Gamos business park WIP. The calculations did not include the Barcelona ZAL Port assets, other non-strategic assets, or the rest of the WIP assets.

Certificates

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
Cert-Tot	Energy certificates (% surface area)	91%	96%	96%	98%	93%	90%	90%	100%
	Coverage (based on number of assets)	171 of 188	115 of 118	113 of 116	74 of 76	11 of 12	11 of 12	55 of 55	30 of 30
	Sustainable building certificates (% surface area)	87%	100%	95%	100%	77%	100%	86%	100%
	Coverage (based on number of assets)	171 of 188	117 of 118	106 of 116	75 of 76	12 of 13	12 of 12	53 of 56	30 of 30
	Management systems (% surface area)	36%	66%	67%	88%	66%	66%	5%	100%
	Coverage (based on number of assets)	91 of 188	80 of 118	80 of 116	66 of 76	8 of 13	8 of 12	3 of 56	3 of 30

Appendix II. Methodology for calculating scope 3 GHG emissions

In line with its Path to Net Zero strategy, in 2023, the Company enhanced its calculation of its Scope 3 indirect GHG emissions, those resulting from the Company's activities at sources that are neither owned nor controlled by the Company. MERLIN therefore calculated its GHG emissions in the most relevant categories defined in the GHG Protocol based on the Group's lines of business

Type of emission	GHG protocol category	Emissions (tCO ₂ eq)
Emissions related to the supply chain	1. Goods and services purchased	7,976
	2. Capital goods	66,805
	4. Upstream transport and distribution	1,713
Upstream emissions from fuels	3. Fuel and energy-related activities	1,995
Emissions associated with employee commuting	7. Employee commuting	8,605
Emissions associated with assets where MERLIN is a tenant	8. Upstream leases	82
Emissions associated with assets where MERLIN is a landlord	13. Downstream leases	58,891
TOTAL		146,067

Category 13 - Downstream leased assets

Based on the emission intensity data per square meter (kgCO₂eq/sqm) included in the energy certifications for most of MERLIN'S strategic assets (as discussed in section 4.7 of this Non-Financial Information Statement, in the subsection titled "Energy rating of MERLIN'S assets"), MERLIN has estimated GHG emissions from energy consumption at assets over which the Company does not exercise operational control. Emissions of this type fall in category 13 of Scope 3 (called "Downstream leases" in the GHG Protocol). The calculation focuses on the asset portfolios designated as strategic, as they are most representative of the Group's assets (offices, logistics assets, shopping centres, and data centers).

Given the characteristics of this type of emissions, GHG emissions in this category are calculated using a location-based method (i.e., taking as the basis the electricity mix for the country where the asset is located).

Depending on the type of asset, GHG emissions from energy sources managed and/or controlled by tenants (scope 3, category 13 GHG emissions) may account for the total (see point 1 below) or only a portion of the asset's GHG emissions (see point 2). There are also some cases where MERLIN manages and/or controls all of the asset's energy consumption and, therefore, the scope 3, category 13 GHG emissions associated with that asset are zero (see point 3)⁷⁷.

1. In the case of **single-tenant assets**, the tenant has control over all of the fuel (if fuel is used for heating) and electricity consumption. Thus, based on the energy certification reports, the GHG emissions of the asset as a whole were estimated and assigned to scope 3, category 13.
2. For **most multi-tenant assets**, the tenant has partial control over the electricity consumed at the asset. Based on the energy certification reports, the GHG emissions from electricity consumption (under the tenant's control) were calculated and the GHG emissions were assigned to scope 3, category 3⁷⁸.
3. For the **remaining multi-tenant assets** where the tenant does not control any of the asset's energy sources, no estimates are made of the asset's GHG emissions².

In all cases, a GHG emissions intensity factor per square meter (kgCO₂e/sqm), "updated" to 2023, is obtained at the asset-to-asset level. This correction of the factor is critical to the calculations, as both Spain and Portugal have experienced a sharp increase in energy generation from renewable sources in recent years. The intensity factor is based on the GHG emissions intensity that appears on the energy certification, considering both the year in which the certification report is issued, and the type of energy sources used by the asset (electricity and fuel or only electricity)⁷⁹.

For assets that do not have an energy rating, an average emissions intensity factor was calculated and considered for each strategic portfolio (offices, logistics assets and shopping centres).

In the particular case of single-tenant assets for which MERLIN has compiled energy consumption data for 2023 based on invoices, which are in turn re-invoiced to the tenant (see the sub-section on "Energy consumption at assets over which MERLIN does not exercise operational control" in Appendix I⁸⁰), GHG emissions were calculated by multiplying the consumption data on the invoices by the same emission factors used to calculate the Scope 1 and Scope 2 emissions (using a location-based method). In these specific cases, it was not necessary to create estimates from data on energy ratings.

Estimated GHG emissions for this category were 58,891 tCO₂eq. The breakdown among strategic portfolios is 19,954 tCO₂eq for offices, 31,594 tCO₂eq for logistics assets, and 6,533 tCO₂eq for shopping centres. The table below shows the GHG emissions for single-tenant assets and private energy consumption at multi-tenant assets:

⁷⁷ According to the GHG Protocol guidelines for electricity consumption, the buyer of the electricity (i.e., the party billed by the electricity seller) is the one that controls the energy

⁷⁸ GHG emissions associated with energy sources under MERLIN's control refer to the Scope 1 and Scope 2 GHG emissions reported in the section of Schedule I titled "Scope 1 and Scope 2 greenhouse gas (GHG) emissions"

⁷⁹ Since energy certification reports are valid for 10 years, there are cases where the data on GHG emissions intensity (kgCO₂e/sqm) for an asset refer to equipment and systems that have already been replaced with more efficient ones (especially on refurbishment projects). Consequently, on a global level the estimates are considered to provide an "upwards" value of the scope 3 GHG emissions of the portfolios.

⁸⁰ See also Schedule III: "Breakdown of the environmental performance reporting scope". These assets are the ones in the "Energy Report" column marked "Yes*" ("Yes" followed by an asterisk).

Portfolio	Total scope 3, category 13 GHG emissions	Scope 3 by asset type	
		Single-tenant	Multi-tenant (private energy consumption)
Offices	19,954 ton CO ₂ e	6,931 ton CO ₂ e	13,023 ton CO ₂ e
Logistics warehouses	31,594 ton CO ₂ e	22,749 ton CO ₂ e	8,845 ton CO ₂ e
Shopping centres	6,533 ton CO ₂ e	0 ton CO ₂ e	6,533 ton CO ₂ e
Data center	809 ton CO ₂ e	0 ton CO ₂ e	809 ton CO ₂ e
Total	58,891 ton CO₂e	29,680 ton CO₂e	29,211 ton CO₂e

Other scope 3 categories

Emissions related to the supply chain

Using billing data from suppliers, in 2023 MERLIN estimated the Scope 3 emissions associated with its supply chain (GHG Protocol categories 1, 2, and 4) based on its purchase data for 2023. The Group has therefore followed an Environmentally-Extended Input-Output Model (based on the WIOD 2016 database), which takes into account national emission factors by activity sectors. Under this approach, GHG emissions in 2023 were 76,494 tCO₂eq. This category includes embodied carbon incurred in carrying out work in progress.

Upstream emissions from fuels

Category 3 of the GHG Protocol calculates GHG emissions from fuels consumed by MERLIN that occur upstream (prior to combustion), GHG emissions associated with electricity losses during transport and distribution, and upstream GHG emissions from fuels used in electricity generation⁸¹. Applying the above concepts yields GHG emissions of 1,995 for this category in the absolute portfolio.

Emissions associated with employee commuting

In relation to emissions from employee commuting (category 7 of the GHG Protocol), MERLIN calculated the emissions associated with the Group's employees commuting to and from work and those associated with MERLIN Hub users commuting to and from these assets.

To learn more about how MERLIN employees commute, the Group launched a survey to find out about their commuting habits to and from work. Total GHG emissions in 2023 were therefore estimated to be 247 tCO₂eq, 0.93 tCO₂eq per employee.

In addition to the calculations discussed in this section, GHG emissions produced by office workers at the MERLIN Hub Madrid Norte (New Business Area A-1 in Madrid) were also estimated. To do so, the Company used information from the Transport to Work Plans (TWP) prepared for this set of assets by the Office of Sustainability and Mobility (OSM). The effects of the shuttle service arranged by MERLIN (through the OSM) on the mobility of these users were also taken into account. The shuttle connects key points in the city of Madrid with the group of offices that make up MERLIN Hub Madrid Norte. Taking into consideration that there are an estimated 18,000 employees working at offices in this area of Madrid, GHG emissions in 2023 stood at 8,358 tCO₂eq (0.46 tCO₂eq per employee).

⁸¹ The data on electricity losses in the transmission grid as a percentage of demand in Spain were obtained from the Red Eléctrica de España (REE) 2022 Sustainability Report.

The difference between the GHG emissions intensity ratio per employee in the case of MERLIN staff compared to MERLIN Hub Madrid Norte employees is mainly due to a higher rate of remote working among MERLIN Hub Madrid Norte employees compared to MERLIN employees.

These GHG emissions are associated with the commuting of MERLIN office users and, like the GHG emissions produced by commuting MERLIN employees (reported in this section), they are assigned to Scope 3, category 7 in accordance with GHG Protocol guidelines. However, both types of emissions are reported separately, since the calculation of GHG emissions associated with the commuting of the users of these assets is optional within this category.

Emissions associated with assets where MERLIN is a lessee

MERLIN also calculates scope 3, category 8 emissions as defined by the GHG Protocol by accounting for emissions from assets where it is a lessee. This category includes GHG emissions associated with electricity consumption at the Group's corporate headquarters in Madrid and GHG emissions from the LOOM Huertas and LOOM Salamanca locations. Overall GHG emissions in this category in 2023, were 82.46 tCO₂eq (0.015 tCO₂eq/sqm) broken down between the corporate headquarters (25.2 tCO₂eq, 0.010 tCO₂eq/sqm) and LOOM locations (57.3 tCO₂eq, 0.019 tCO₂eq/sqm).

Scope 3 emissions report in accordance with EPRA sBPR

Greenhouse gas emissions for properties leased by LOOM⁸²

EPRA Code	Indicator and units	Offices		
		2023	2022	Evol.
GHG-Dir-Abs, GHG-Dir-LfL	Direct emissions – Scope 1 (t CO ₂ eq)	N/A	N/A	
GHG-Indir Abs, GHG-Indir-LfL	Indirect emissions - Scope 2 (t CO ₂ eq)	57.3	86.3	-34%
-	Total emissions – Scope 1+2 (t CO ₂ eq)	57.3	86.3	-34%
GHG-Int	EMISSIONS INTENSITY (t CO ₂ eq/m ²)	0.019	0.028	-34%
% of estimated data		—%	—%	

Greenhouse gas emissions for MERLIN Properties' corporate headquarters⁸³

EPRA Code	Indicator and units	Offices		
		2023	2022	Evol.
GHG-Dir-Abs, GHG-Dir-LfL	Direct emissions – Scope 1 (t CO ₂ eq)	21.6	19.3	12%
GHG-Indir Abs, GHG-Indir-LfL	Indirect emissions - Scope 2 (t CO ₂ eq)	25.2	32.3	-22%
-	Total emissions – Scope 1+2 (t CO ₂ eq)	46.8	51.6	-9%
GHG-Int	EMISSIONS INTENSITY (t CO ₂ eq/m ²)	0.019	0.021	-9%
% of estimated data		—%	—%	

⁸² Scope 2 market-based emissions are zero. Direct emissions include those emissions from mobile sources.

⁸³ Market-based emissions are zero.

Appendix III. Breakdown of the environmental performance reporting scope

Asset name	Portfolio	Building number	Surface (m2)	Energy reported (GJ)	Water reported (m2)	Waste reported (ton)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
Torre Castellana 259	Offices	1	21,390	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Castellana 280	Offices	1	16,853	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Castellana 278	Offices	1	14,468		Yes*		LEED GOLD			Yes
Castellana 93	Offices	1	11,621	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
Alcala 40	Offices	1	9,315							Yes
Principe de Vergara 187	Offices	1	11,710				LEED GOLD			Yes
Alfonso XI	Offices	1	19,890	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Pedro de Valdivia 10	Offices	1	6,721	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
PE Churruca	Offices	4	17,674	Yes	Yes	Yes	LEED GOLD(2)/ SILVER(2)	Yes	Yes	Yes
PE Complejo Princesa	Offices	3	33,573	Yes	Yes	Yes	BREEAM GOOD	Yes	Yes	Yes
Juan Esplandiu 11-13	Offices	1	28,008	Yes	Yes	Yes	BREEAM GOOD	Yes	Yes	Yes
Eucalipto 33	Offices	1	7,301	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Eucalipto 25	Offices	1	7,368	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Santiago de Compostela 94	Offices	1	13,130	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
PE Alvento	Offices	2	32,926	Yes	Yes	Yes	LEED SILVER	Yes	Yes	Yes
Cristalia	Offices	1	11,713	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
PE Puerta de las Naciones	Offices	4	39,150	Yes**	Yes**	Yes**	LEED PLATINUM(1)/ GOLD(3)	Yes (2)	Yes (2)	Yes
Ribera del Loira 60	Offices	1	54,960				LEED GOLD			Yes
Partenon 12-14	Offices	1	19,609	Yes	Yes		LEED GOLD	Yes	Yes	Yes
Partenon 16-18	Offices	1	18,345	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Arturo Soria 128	Offices	1	3,226	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
Torre Chamartin	Offices	1	18,295	Yes	Yes	Yes	LEED PLATINUM	Yes	Yes	Yes

Asset name	Portfolio	Building number	Surface (m2)	Energy reported (GJ)	Water reported (m2)	Waste reported (ton)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
Arturo Soria 343	Offices	1	6,621	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Elipse	Offices	1	7,515	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
Fuente de la Mora	Offices	1	4,482	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Aquamarina	Offices	1	10,685	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
PE Via Norte	Offices	6	37,224	Yes**	Yes**	Yes**	LEED GOLD (5)	Yes (5)	Yes (5)	Yes
PE Sanchinarro	Offices	2	17,191	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
PE Las Tablas	Offices	3	27,184	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
Avenida de Burgos 210	Offices	1	6,176				LEED GOLD			Yes
Avenida de Burgos 208	Offices	1	1,200				LEED GOLD			Yes
Encinar	Offices	1	3,623	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Avenida de Bruselas 24	Offices	1	9,163	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Avenida de Bruselas 26	Offices	1	8,895	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Avenida de Bruselas 33	Offices	1	33,718				LEED GOLD			Yes
Avenida de Europa 1A	Offices	1	12,606		Yes*	Yes	LEED PLATINUM	Yes		Yes
Avenida de Europa 1B	Offices	1	10,495	Yes*	Yes*	Yes	LEED PLATINUM	Yes	Yes	Yes
Maria de Portugal T2	Offices	3	19,038	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
PE Adequa	Offices	5	75,545	Yes	Yes	Yes	BREEAM VERY GOOD (2) / LEED PLATINUM (3)	Yes	Yes	Yes
PE Ática	Offices	4	23,405	Yes	Yes	Yes	LEED GOLD (3) / BREEAM GOOD (1)	Yes	Yes	Yes
Atica 5	Offices	1	9,526	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Atica 6	Offices	1	3,434	Yes	Yes					Yes
PE Atica XIX	Offices	3	15,411	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
PE Cerro Gamos	Offices	4	27,775	Yes**	Yes	Yes	LEED GOLD (3) / LEED SILVER(1)			Yes

Asset name	Portfolio	Building number	Surface (m2)	Energy reported (GJ)	Water reported (m2)	Waste reported (ton)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
PE Alvia	Offices	3	23,567	Yes	Yes	Yes	LEED GOLD (1) / BREEAM GOOD (1)	Yes (2)	Yes (2)	Yes
Diagonal 605	Offices	1	15,009	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Diagonal 514	Offices	1	10,263	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Diagonal 458	Offices	1	4,174	Yes	Yes	Yes	LEED -	Yes	Yes	Yes
Balmes 236-238	Offices	1	6,187							Yes
Vilanova 12-14	Offices	1	16,494				LEED GOLD			Yes
E-Forum	Offices	1	5,190	Yes						Yes
Torre Glories	Offices	1	37,614	Yes	Yes	Yes	LEED GOLD / BREEAM EXCELLENT	Yes	Yes	Yes
Diagonal 199	Offices	1	5,934	Yes	Yes	Yes	LEED SILVER	Yes	Yes	Yes
PE Poble Nou 22@	Offices	4	31,337	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
WTC6	Offices	1	14,461	Yes	Yes		LEED GOLD	Yes	Yes	Yes
WTC8	Offices	1	14,597	Yes	Yes		LEED GOLD	Yes	Yes	Yes
PLZFB	Offices	1	10,541	Yes	Yes	Yes	BREEAM GOOD	Yes	Yes	Yes
Sant Cugat I	Offices	1	15,377	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
Sant Cugat II	Offices	1	10,008	Yes	Yes	Yes	LEED GOLD	Yes	Yes	Yes
Marques de Pombal 3	Offices	1	12,461	Yes	Yes		LEED GOLD			Yes
Torre Lisboa	Offices	1	13,715				LEED GOLD			Yes
Central Office	Offices	1	10,310	Yes	Yes		LEED GOLD			Yes
Torre Zen	Offices	1	10,207	Yes	Yes		LEED GOLD			
Art	Offices	1	22,150	Yes	Yes		LEED GOLD			Yes
TFM	Offices	1	7,837							
Lisboa Expo	Offices	1	6,740				LEED GOLD			
Nestle	Offices	1	12,260				LEED GOLD			Yes
Lerida - Mangraners	Offices	1	3,228							Yes

Asset name	Portfolio	Building number	Surface (m2)	Energy reported (GJ)	Water reported (m2)	Waste reported (ton)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
Sevilla - Borbolla	Offices	1	13,037				LEED SILVER			Yes
Granada - Escudo del Carmen	Offices	1	2,041							Yes
Castellana 85	Offices	1	16,474	Yes	Yes	Yes	LEED PLATINUM	Yes	Yes	Yes
PLZFA	Offices	1	11,723	Yes	Yes		LEED GOLD	Yes	Yes	Yes
Pere IV	Offices	1	2,018	Yes	Yes		LEED GOLD	Yes	Yes	Yes
Plaza de Cataluña 9	Offices	1	3,026	Yes	Yes					Yes
Monumental	Offices	1	25,358				LEED GOLD			Yes
Liberdade, 195	Offices	1	16,510							Yes
Covered area (surface)	Offices		1,198,005	908,129	940,633	791,549	1,140,517	813,442	800,835	1,152,849
Covered area (number of assets)	Offices		112	88	92	78	103	79	78	109
% Covered area (surface)	Offices			76%	79%	66%	95%	68%	67%	96%
% Covered area (number of assets)	Offices			79%	82%	70%	92%	71%	70%	97%
Plaza Ruiz Picasso	Offices WIP	1	32,950		Yes		LEED SILVER	Yes	Yes	Yes
PE Cerro Gamos	Offices WIP	1	8,413				LEED GOLD			Yes
Serante	Offices WIP	1	8,602							Yes
Josefa Valcarcel 48	Offices WIP	1	19,893				LEED GOLD			Yes
Covered area (surface)	Offices WIP		69,857	0	0	0	64,354	32,950	32,950	69,857
Covered area (number of assets)	Offices WIP		4	0	0	0	3	1	1	4
Covered area (surface)	Total Offices		1,267,862	908,129	940,633	791,549	1,204,871	846,391	833,785	1,222,706
Covered area (number of assets)	Total Offices		116	88	92	78	106	80	79	113
% Covered area (surface)	Total Offices			72%	74%	62%	95%	67%	66%	96%
% Covered area (number of assets)	Total Offices			76%	79%	67%	91%	69%	68%	97%
Marineda	Shopping Centers	1	100,528	Yes	Yes	Yes	BREEAM EXCELLENT	Yes	Yes	Yes

Asset name	Portfolio	Building number	Surface (m2)	Energy reported (GJ)	Water reported (m2)	Waste reported (ton)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
Arturo Soria	Shopping Centers	1	6,069	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
Centro Oeste	Shopping Centers	1	10,867	Yes	Yes	Yes	BREEAM GOOD			Yes
Tres Aguas	Shopping Centers	1	67,223	Yes	Yes	Yes	BREEAM VERY GOOD			Yes
X-Madrid	Shopping Centers	1	47,120	Yes	Yes	Yes	BREEAM EXCELLENT	Yes	Yes	
Larios	Shopping Centers	1	37,956	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
Porto Pi	Shopping Centers	1	32,720	Yes	Yes	Yes	BREEAM GOOD	Yes	Yes	Yes
Artea	Shopping Centers	1	25,922	Yes	Yes	Yes	BREEAM EXCELLENT	Yes	Yes	Yes
Arenas	Shopping Centers	1	31,905	Yes	Yes	Yes	BREEAM GOOD	Yes	Yes	Yes
Saler	Shopping Centers	1	28,953	Yes	Yes	Yes	BREEAM VERY GOOD	Yes	Yes	Yes
La Vital	Shopping Centers	1	20,878	Yes	Yes	Yes	BREEAM VERY GOOD			Yes
Almada	Shopping Centers	1	60,076	Yes	Yes					Yes
Vilamarina	Shopping Centers	1	32,191	Yes	Yes		BREEAM VERY GOOD			
Bonaire	Shopping Centers	1	14,455	Yes						
Covered area (surface)	Shopping Centers		470,216	470,216	470,216	363,494	363,494	311,173	311,173	437,845
Covered area (number of assets)	Shopping Centers		12	12	12	9	12	8	8	11
% Covered area (surface)	Shopping Centers			100%	100%	77%	77%	66%	66%	93%
% Covered area (number of assets)	Shopping Centers			100%	100%	75%	100%	67%	67%	92%
Callao 5	Shopping Centers WIP	1	4,640							Yes

Asset name	Portfolio	Building number	Surface (m2)	Energy reported (GJ)	Water reported (m2)	Waste reported (ton)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
Covered area (surface)	Shopping Centers WIP		4,640	0	0	0	0	0	0	4,640
Covered area (number of assets)	Shopping Centers WIP		1	0	0	0	0	0	0	1
Covered area (surface)	Total Shopping Centers		492,544	487,903	473,448	381,182	381,182	311,173	311,173	442,486
Covered area (number of assets)	Total Shopping Centers		13	12	11	9	12	8	8	12
% Covered area (surface)	Total Shopping Centers			99%	96%	77%	77%	63%	63%	90%
% Covered area (number of assets)	Total Shopping Centers			92%	85%	69%	92%	62%	62%	92%
A2-Coslada	Logistics	1	28,491				BREEAM CORRECT			Yes
A2-Coslada Complex	Logistics	1	36,234	Yes	Yes	Yes	BREEAM GOOD	Yes	Yes	Yes
A4-Getafe (Cla)	Logistics	1	16,100		Yes		BREEAM GOOD			Yes
A2-Meco I	Logistics	1	35,285	Yes*			BREEAM GOOD			Yes
A4-Pinto I	Logistics	1	11,099				BREEAM GOOD			Yes
A4-Pinto II	Logistics	1	58,990				BREEAM GOOD			Yes
A4-Getafe (Gavilanes)	Logistics	2	39,591	Yes	Yes		LEED GOLD	Yes		Yes
A2-Meco II	Logistics	1	59,814				LEED PLATINUM			Yes
A2-San Fernando I	Logistics	1	11,179	Yes	Yes		LEED GOLD			Yes
A2-San Fernando II	Logistics	1	33,592	Yes	Yes		LEED GOLD			Yes
A4-Seseña	Logistics	1	28,731	Yes	Yes		LEED GOLD			Yes
A2-Alovera	Logistics	1	38,763				BREEAM GOOD			Yes
A2-Azuqueca II	Logistics	1	96,810				LEED PLATINUM			Yes
A2-Cabanillas I	Logistics	1	70,134				BREEAM GOOD			Yes

Asset name	Portfolio	Building number	Surface (m2)	Energy reported (GJ)	Water reported (m2)	Waste reported (ton)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
A2-Cabanillas II	Logistics	1	15,078							Yes
A2-Cabanillas III	Logistics	1	21,879				LEED GOLD			Yes
A2-Cabanillas Park I A	Logistics	1	38,054				LEED GOLD			Yes
A2-Cabanillas Park I B	Logistics	1	17,917				LEED GOLD			Yes
A2-Cabanillas Park I C	Logistics	1	48,468				LEED GOLD			Yes
A2-Cabanillas Park I D	Logistics	1	47,892				LEED GOLD			Yes
A2-Cabanillas Park I E	Logistics	1	49,793				LEED SILVER			Yes
A2-Cabanillas Park I F	Logistics	1	20,723				LEED SILVER			Yes
A2-Cabanillas Park I G	Logistics	1	22,506	Yes			LEED GOLD			Yes
A2-Cabanillas Park I H	Logistics	1	25,247				LEED GOLD			Yes
ZAL Port	Logistics	0	0							
Barcelona-PLZF	Logistics	9	132,796	Yes	Yes		BREEAM GOOD			Yes
Zaragoza-Pedrola	Logistics	1	21,579				BREEAM GOOD			Yes
<i>Zaragoza-Plaza I</i>	<i>Logistics</i>	<i>1</i>	<i>20,764</i>	Yes						
Valencia-Almussafes	Logistics	1	26,613	Yes	Yes		BREEAM GOOD			Yes
Valencia-Ribarroja	Logistics	1	34,992				BREEAM VERY GOOD			Yes
Vitoria-Jundiz I	Logistics	1	72,717				BREEAM VERY GOOD			Yes
Vitoria-Jundiz II	Logistics	1	26,774	Yes*			BREEAM CORRECT			Yes
Sevilla Zal	Logistics	13	138,777	Yes	Yes		LEED GOLD (1)/LEED SILVER (2)/BREEAM CORRECT (10)			Yes
Lisboa Park A	Logistics	1	45,171							Yes
A2-Cabanillas Park II A	Logistics	1	47,211				LEED GOLD			Yes
A2-Cabanillas Park I J	Logistics	1	44,644				LEED GOLD			Yes
Covered area (surface)	Logistics		1,463,641	532,077	463,612	169,030	1,403,393	75,825	36,234	1,463,641
Covered area (number of assets)	Logistics		55	32	30	10	53	3	1	55

Asset name	Portfolio	Building number	Surface (m2)	Energy reported (GJ)	Water reported (m2)	Waste reported (ton)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
% Covered area (surface)	Logistics			36%	32%	12%	96%	5%	2%	100%
% Covered area (number of assets)	Logistics			58%	55%	18%	96%	5%	2%	100%
A2-Cabanillas Park II B	Logistics WIP	1	163,523							
Covered area (surface)	Logistics WIP		163,523	0	0	0	0	0	0	0
Covered area (number of assets)	Logistics WIP		1	0	0	0	0	0	0	0
Covered area (surface)	Total Logistics		1,627,164	532,077	463,612	169,030	1,403,393	75,825	36,234	1,463,641
Covered area (number of assets)	Total Logistics		56	32	30	10	53	3	1	55
% Covered area (surface)	Total Logistics			33%	28%	10%	86%	5%	2%	90%
% Covered area (number of assets)	Total Logístico			57%	54%	18%	95%	5%	2%	98%
A4-Getafe (Data Center)	Data Center	1	15,005		Yes					
Barcelona Data Center	Data Center	1	22,131	Yes						
Bilbao Data Center	Data Center	1	18,000	Yes						
Covered area (surface)	Data Center		55,136	40,131	15,005	0	0	0	0	0
Covered area (number of assets)	Data Center		3	2	1	0	0	0	0	0
% Covered area (surface)	Data Center			73%	27%	—%	—%	—%	—%	—%
% Covered area (number of assets)	Data Center			67%	33%	—%	—%	—%	—%	—%
Covered area (surface)	Total Data Center		55,136	40,131	15,005	0	0	0	0	0
Covered area (number of assets)	Total Data Center		3	2	1	0	0	0	0	0
% Covered area (surface)	Total Data Center			73%	27%	—%	—%	—%	—%	—%

Asset name	Portfolio	Building number	Surface (m2)	Energy reported (GJ)	Water reported (m2)	Waste reported (ton)	Sustainable construction certificate	ISO 14001	ISO 50001	Energy rating
% Covered area (number of assets)	Total Data Center			67%	33%	—%	—%	—%	—%	—%
Covered area (surface)	Total		3,425,019	1,950,554	1,889,467	1,324,073	2,971,758	1,233,389	1,181,192	3,128,833
Covered area (number of assets)	Total		188	134	135	97	171	91	88	180
% Covered area (surface)	Total			57%	55%	39%	87%	36%	34%	91%
% Covered area (number of assets)	Total			71%	72%	52%	91%	48%	47%	96%

* MERLIN does not exercise operational control over these assets and, therefore, consumption data are included in the environmental performance information of the asset portfolio not under operational control.

** MERLIN exercises operational control over only some of the buildings in these business parks, and so the consumption data reported in the portfolio of assets with operational control is limited to those attributable to MERLIN.

Like-for-like assets are highlighted in bold.

The Vilamarina, Bonaire, and Zaragoza-Plaza I assets were excluded from the portfolio in 2023 and, therefore, only consumption data for the time during which they were in operation are reported.

NOTE: Land reserves are not included in the table above.

Appendix IV. Climate risk reporting in accordance with TCFD methodology

Since its inception, MERLIN has integrated sustainability into both its activities and decision-making process, understanding its relevance not only in stakeholder relations, but also in the performance of financial metrics.

As a leader in its sector, MERLIN is aware of the substantial changes taking place due to climate change and its impact on the economy and, specifically, on its business activities.

In 2022, MERLIN prepared its first report following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), thus disclosing information on climate change risks and opportunities in a transparent and comparable manner for its stakeholders.

The Company is therefore ahead of and well positioned regarding regulation on climate-related risks such as Spanish Law 7/2021, of 20 May, on climate change and energy transition (Ley 7/2021 de cambio climático y transición energética), Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088 (and delegated acts implementing the above that supplement the regulation associated with the European green taxonomy) or the Corporate Sustainability Reporting Directive (CSRD).

The TCFD recommendations, launched in 2017, are structured around four pillars: (i) Governance, (ii) Strategy, (ii) Risk Management, and (iv) Metrics and Targets, and eleven recommendations that support effective disclosure in each pillar.

In October 2021, the TCFD issued an update on the implementation of the TCFD recommendations. This document also includes recommendations at the sector level, in particular for real estate asset management companies such as MERLIN. This report details the four pillars and eleven recommendations, and the sector-specific issues. **The data included in this report refer to the financial year from 1 January to 31 December 2023, and include the entire MERLIN Group and controlled subsidiaries.**

Scenario analysis

To identify climate-related risks and opportunities, MERLIN first prepared a preliminary list of risks and opportunities based on the risks identified by the TCFD and in the Commission Delegated Regulation 2021/2139 (climate delegated act), information on competitors and an analysis of scientific and regulatory literature. The result of this work was adapted to MERLIN's reality and circumstances through interviews with the Company's main managers.

The preliminary list of physical risks was analysed for the scenario in which emissions remain stable, SSP2-4.5 "Middle of the road", and the scenario where emissions are very high SSP5-8.5 "Fossil-fuelled development". Risks were assessed for the short (2021-2040), medium (2041-2060) and long term (2081-2100) for all of the Company's assets.

Transition risks were analysed considering the Net Zero Emissions by 2050 Scenario (NZE Scenario of the International Energy Agency). This scenario is considered to be consistent with the European target of achieving net zero emissions by the same date.

For the preliminary risks and opportunities, different criteria were analysed to identify the inherent and residual risk of each asset. Finally, a cut-off has been established for the residual risk level resulting from the analysis carried out to differentiate between risks that are considered material and those that are not.

Governance

Supervisory functions of the Board

MERLIN's highest governing body is the Board of Directors, which is made up of 13 directors, most of whom are independent directors. The Board focuses on defining, supervising and monitoring the policies, strategies and guidelines to be followed by the Group. The Board is also responsible for long-term strategy and for monitoring its implementation. The Board relies on its delegated committees for practical implementation.

The **Audit and Control Committee**, with the support of the **Sustainability and Innovation Committee**, has been responsible for identifying and assessing MERLIN's financial and non-financial risk management and control systems since 2021, including those related to climate change. In addition, the main function of the Sustainability and Innovation Committee is to promote responsible and sustainable business practices, integrating environmental, social and governance aspects, and to promote innovation and the digitalisation of the Company.

In 2023 the Board of Directors met 11 and dealt with specific climate change issues at 6 of these meetings⁸⁴. In addition, in 2023, the Sustainability and Innovation Committee reviewed the ESG risks identified and assessed, and particularly focused on climate-related risks, supporting the Audit and Control Committee in preparing MERLIN's Corporate Risk Map, which has been updated and approved by the Board of Directors on 2 occasions, each time including ESG risks such as those related to climate change.

Supervisory functions of the Management Team

MERLIN's **Chief Executive Officer** (CEO) and **Chief Operating Officer** (COO), who are also Board members, are ultimately responsible for executing the strategy approved by the Board of Directors, including the implementation of the sustainability strategy. In turn, this strategy includes those aspects linked to climate-related risks and opportunities.

At the operational level, a **Sustainability Committee** has been in place since 2021 to monitor the progress of the Company's various sustainability plans and initiatives, and to follow up on sustainability objectives and indicators. The Committee comprises several members of the management team who lead the asset management, technical, treasury and finance, investor relations and internal audit areas of the Company.

The asset management area and the technical department take into consideration the vision of the assets and how they pertain to climate-related risks and opportunities. The investor relations area is actively involved in the two-way communication of investors' concerns regarding this issue. The treasury and finance area takes into consideration financial markets and green financing compliance indicators (100% reclassified by 2022). Lastly, the internal audit department, in supporting the Audit and Control Committee, is responsible for drawing up and updating the Company's Risk Map, which includes climate-related risks.

In 2023 as a result of the climate risk identification and assessment analysis, 7 material or priority climate-related risks were identified.

In addition, the **Investment Committee** takes into consideration climate-related risks and opportunities when preparing the Company's investment plans.

⁸⁴ More information on MERLIN's organisational structure and corporate governance can be found at

- ACGR: <https://www.merlinproperties.com/gobierno-corporativo/informes-anuales/>
- SNFI: <https://www.merlinproperties.com/inversores/informacion-financiera/>

The management team, the CEO, the COO and the Sustainability and Innovation Committee report on a regular basis to the Board of Directors on the progress made regarding sustainability.

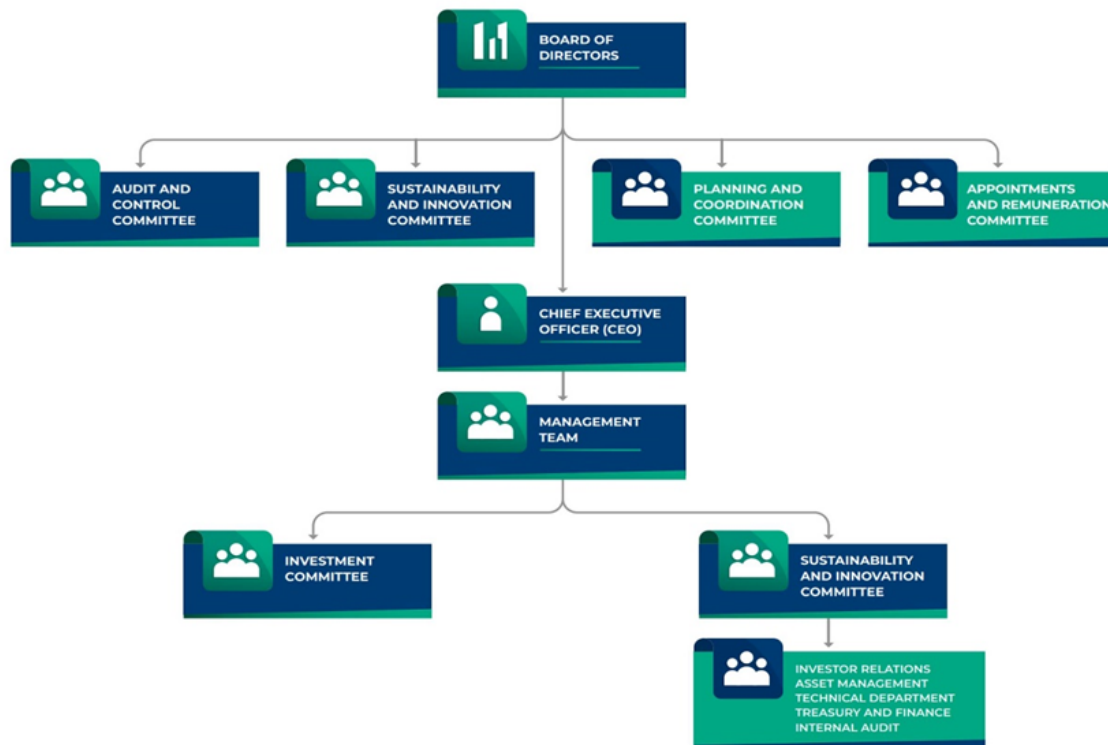


Figure 1: MERLIN's organisational structure. Source: Own preparation

Strategy

Climate-related impacts and resilience

Based on historical data on MERLIN's operations and business development, it seems that physical risks, mainly extreme precipitation, including snowfall, and high winds, are the most recurrent. In addition, these climate-related risks have occasionally affected some of the Company's assets, causing damage to structural elements and resulting in unforeseen expenses for repairs such as maintenance work due to leaks and waterproofing. As a preventive measure, technical specifications have been tightened in recent years in tenders for the construction of asset structures.

To date, no transition risks have been identified that have had a significant impact on the Company, with the exception of the potential mandatory installation of electric vehicle charging points (pending legislative approval). MERLIN has gone beyond the potential minimum regulatory requirements, looking ahead at potential regulations and changes in consumer preferences, and accelerating the development of a low carbon economy.

These types of events, in addition to MERLIN's commitment, have encouraged the Company to develop and implement adaptation and mitigation measures to respond to such risks. MERLIN has therefore incorporated climate-related aspects into its overall risk management system, which is described in detail in the next section of the report on risk management.

In addition, the decarbonisation of buildings is one of the challenges facing the property sector. MERLIN has therefore taken climate-related aspects into consideration in its strategy from the very beginning. In 2023 the Company continued to make progress in this regard by monitoring its **Pathway to Net Zero**.

General process for identifying climate-related risks

In line with its climate change commitment, in 2023 MERLIN continued to further improve the identification and assessment of climate-related risks and opportunities. It has therefore taken the following steps:

1. Prepare a list of physical and transition risks indicated by the [TCFD](#) reference framework and the [Commission Delegated Regulation 2021/2139 \("climate delegated act"\)](#).
2. Analyse MERLIN's main competitors in terms of information reported in their TCFD and CDP (Carbon Disclosure Project) reports.
3. Review and analyse scientific articles related to the building sector and specific applicable regulations.
4. Review MERLIN's ability to adapt to the main physical and transition risks identified given the current context.
5. Interview MERLIN's stakeholders to conduct a more comprehensive analysis of climate change-related risks and opportunities, and the adaptation and mitigation measures in place.
6. Obtain the preliminary list identifying both physical and transition risks, and opportunities.

This list of risks is expected to be updated on a regular basis.

Risk management

General risk management

MERLIN has a Risk Management System based on the principles, key elements and methodology established in the COSO Framework⁸⁵, which aims to minimise the volatility of results (profitability) and, therefore, maximise the Group's economic value, incorporating risk and uncertainty into the decision-making process to provide reasonable assurance of achieving the strategic objectives established, providing shareholders, other stakeholders and the market in general with an adequate level of guarantees to ensure that the value generated is protected.

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

The general guiding principles regarding risk management are set out in MERLIN's **Risk Management and Control Policy**⁸⁶ which was initially approved by the Board of Directors in February 2016 and updated in April 2023.

MERLIN's non-financial risks are managed by the Board of Directors, through the **Audit and Control Committee** and with the coordination and cooperation of the **Sustainability and Innovation Committee and the Appointments and Remuneration Committee**, and by senior management with the support of the Internal Audit department.

In 2023, **MERLIN's Risk Map** was regularly updated to reflect every six months the perception of the Company's main executives and governing bodies of the risks faced by MERLIN.

MERLIN's Risk Map is broken down into different key areas for achieving the Group's objectives: strategy, governance, business, resources, social and sustainability. This last group includes the risks related to climate change based on the review and recommendations of the on Sustainability and Innovation Committee.

MERLIN's Risk Management System assesses all risks in terms of impact and probability, obtaining a residual risk indicator for the current year, identifies those key performance indicators (KPIs) and key risk indicators (KRIs) to be reported, and assigns those responsible for reporting, and those responsible for implementing or developing the mitigating measures identified for each of the risks. In addition, all risks are assessed in terms of time frame (short, medium and long term), and in terms of speed, persistence and adaptability⁸⁷.

Climate risk management

First, it should be noted that the management of climate-related risks and opportunities is integrated into MERLIN's overall risk management process described in the previous section.

The Internal Audit department is responsible for coordinating the identification and assessment of climate-related risks and opportunities, along with the Company's other risks, although in this case it may rely on support from the Sustainability Committee, as mentioned in the "Governance" section.

⁸⁵ Committee of Sponsoring Organizations of the Treadway Commission.

⁸⁶ More information can be found at <https://www.MERLINproperties.com/gobierno-corporativo/normativa-de-gobierno-corporativo/>

⁸⁷ More information on MERLIN's organisational structure and corporate governance can be found at
- ACGR: <https://www.merlinproperties.com/gobierno-corporativo/informes-anales/>
- SNFI: <https://www.merlinproperties.com/inversores/informacion-financiera/>

To identify climate-related risks, MERLIN analyses climate scenarios for the short (2021-2040), medium (2041-2060) and long term (2081-2100) for its assets. Physical risks are classified as acute and chronic events, while transition risks include regulatory, legal, technological, market and reputational risks.

The same methodology is followed regarding climate-related opportunities, which are classified in terms of resource efficiency, energy source, products and services, and markets.

After identifying climate change risks and opportunities, they are assessed in terms of likelihood and impact on a qualitative scale of 1 to 5. Any mitigation and adaptation measures implemented in the assets to reduce the impact of the risk should it materialise are also taken into account.

The Company reviews the Risk Map every six months to analyse whether any climate-related risks that may affect MERLIN need to be included or modified.

The Company is also aware of the role tenants play in achieving its climate strategy and managing related risks. Therefore, as mentioned in the previous section, MERLIN's Pathway to Net Zero focuses on reducing tenant emissions, which can have a considerable impact in relation to transition risks.

Assets subject to physical risks

MERLIN has chosen two climate change scenarios to model the potential future impacts of climate change on its business and the resilience of its strategy. These scenarios have been taken from the **Intergovernmental Panel on Climate Change (IPCC)** and include five possible climate futures with different emission concentrations and socioeconomic changes in areas such as population, urban density, education, land use and wealth. Each scenario is labelled to identify both the level of emissions and the Shared Socioeconomic Pathway (SSP)⁸⁸, used in these calculations.

MERLIN's climate-related risk analysis has taken into account a scenario in which emissions remain stable, SSP2-4.5 **"Middle of the road"**, and the scenario where emissions are very high SSP5-8.5 **"Fossil-fuelled development"**. In both cases, risks have been assessed in the short (2021-2040), medium (2041-2060) and long term (2081-2100), in line with the IPCC recommendations, focusing on the consequences in Spain and Portugal as this is where the Company's assets are located.

For each physical risk initially identified, the following criteria have been analysed at the asset level to calculate the inherent risk level:

- (1) Hazard/Climate impact, taking into account the driving variable.
- (2) Exposure of the asset, analysed through external sources that assess the location of the asset and the impact of the driving variable.
- (3) Vulnerability of the asset.
- (4) The measures that MERLIN takes to adapt its assets have also been considered, which allows the residual risk for each asset to be obtained.

⁸⁸ Shared Socioeconomic Pathways.

Identification of transition risks

Similarly, in relation to transition scenarios, the medium- and long-term forecasts of the **International Energy Agency** (IEA) use a scenario approach to examine future energy trends.

Of the three scenarios proposed by the IEA, the normative scenario of **Net Zero Emissions by 2025 (NZE Scenario)** has been used in the transition risk analysis applied to MERLIN; this scenario has an emissions trajectory consistent with keeping the global temperature rise below 1.5°C, would enable universal access to modern energy services and would result in significant improvements in air quality.

Similar to the physical risks, the following criteria have been analysed for the transition risks identified on a preliminary basis to obtain the inherent risk level at the asset level: (i) economic impact that a measure may have on MERLIN's business and (ii) likelihood of occurrence of the identified transition risk. The mitigation measures implemented by MERLIN have also been analysed to determine the Company's capacity to react to the transition risks identified. This gives a level of residual risk per asset.

Identification of climate-related opportunities

The opportunities related to climate change vary depending on MERLIN's strategic planning or risk management. Following a preliminary identification of climate-related opportunities, they have been assessed in accordance with the following criteria:

- Potential impact of measures currently in place that generate savings or that may be beneficial for future change.
- Likelihood of application of the measure in question or opportunity for access to be implemented at the **Company**.

Identification of assets with material risks and opportunities and their financial impact

Depending on the methodology used to assess both the physical and transition risks, and the material opportunities of MERLIN's assets, a threshold has been considered regarding the level of residual risk resulting from the analysis carried out to determine materiality.

The main climate-related risks and opportunities identified for MERLIN are set out below.

Type	Risk characterisation	Potential impact for MERLIN
Physical climate-related risk (acute)	Extreme precipitation	Breakage and damage to structural elements of the asset and possible personal injury.
	Periods of drought	Devaluation of the asset in the medium to long term, increase in the price of the insurance policy for future years and financial losses.
	River flooding	Change in behaviour of asset users in the face of water restrictions (Catalonia).

Transition climate-related risk (regulatory/legal)	Applying a carbon price to direct or indirect greenhouse gas emissions	Financial impact in the medium or long term by applying a carbon price for direct greenhouse gas emissions from its assets, and indirect upstream and downstream emissions from its value chain.
Transition climate-related risk (regulatory/legal)	Mobility-related urban planning policies that can change travel patterns	Increased investment in retrofitting existing assets to new requirements for low emission zones in urban areas and other mitigation or adaptation measures with an impact on buildings and transport.
Transition climate-related risk (market)	Potential devaluation of assets as a result of the rate decarbonisation being insufficient	Potential devaluation of assets (stranded assets) in the case of slower decarbonisation than the trend required by the European Union.
Transitional climate-related risk (technological)	Increase in operating expenses due to higher energy prices	Increased operating expenses as a result of volatile energy prices, which may disrupt project development and lead to supply shortages for suppliers.
Opportunity (mitigation-linked services)	Use of more efficient modes of transport	Potential leadership in the sector and increase in asset value as a result of the installation of charging points for electric vehicles.
Opportunity (mitigation-linked services)	Switching to more efficient buildings and use of low-emission energy sources	Potential leadership in the sector with energy efficient assets and reduced carbon footprint by using energy from renewable sources (e.g. solar photovoltaic).
Opportunity (mitigation-linked services)	Use of incentives in supporting policies	Potential leadership in the sector and promotion of consumer awareness (green clause in leases).

Opportunity (energy saving)	Use of new technologies	Decrease in costs as a result of reduced energy consumption from fossil fuels.
Opportunity (adaptation-linked services)	Commitment and transparency	External verification of all sustainability commitments assumed to generate confidence among the various stakeholders.

Table 1: Main climate-related risks and opportunities identified for MERLIN. Source: Own preparation

MERLIN has also begun to internally assess the financial impacts of the risks and opportunities related to climate change from a financial perspective in line with the EFRAG climate change standard published on 15 November 2022, which is effective for reporting financial years beginning on or after 01/01/2024.

The conclusions drawn from the process of analysing physical and transitional risks and climate-related opportunities are taken into account in the Company's strategic and financial planning, e.g. in determining MERLIN's investment and divestment plan. The Company also continues to implement various measures in line with its decarbonisation strategy on the Pathway to Net Zero.

Appendix V. Reconciliation of Alternative Performance Measures

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA), the alternative performance measures are described below.

GLOSSARY

Average maturity period (years) - It represents the average term of the Company's debt until its maturity. It is an important measure as it provides investors with important information on its commitments to repay its the financial obligations. It is calculated as the sum of the years remaining to maturity of each loan multiplied by the outstanding debt of the loan and divided by the total outstanding amount of all loans. Given the nature of this measure, it is not possible to reconcile it with the Group's financial statements; however, the main information is available in the consolidated financial statements.

Passing rent - This represents the rent per square meter per month at which an asset or category of assets is leased at a particular point in time. Average passing rent is a relevant performance measure as it shows the implicit rents of all the Company's current leases at a particular point in time per square meter per month, enabling it to be compared to market rents. Given the nature of this measure, it is not possible to reconcile it with the Financial Statements.

Release spread - The difference between the new rent signed and the previous rent in renewals (same space, same tenant) or relets (same space, different tenant) over the last twelve months. The release spread provides investors with an insight into rental behaviour (rental trends) when negotiating with tenants. It is calculated on a rent-by-rent basis and, therefore, cannot be reconciled with the financial statements.

Like-for-like rents (Lfl rent) - Amount of comparable gross rents between two periods. Assets are calculated on a per-asset basis, excluding income from investments or divestments made between the two periods and other atypical adjustments, such as compensation for early termination of rental agreements. We consider gross like-for-like rent growth a relevant measure that allows us to compare, on a homogeneous basis, the evolution of rental income for an asset or category of assets. It is calculated on an asset-by-asset basis and, therefore, cannot be reconciled with the financial statements.

Annualised GRI - Passing rent at the balance sheet date multiplied by 12. We consider annualised GRI to be a relevant performance measure since it represents the total amount of rent from the Company's current leases at a given point in time, allowing the return on each asset (Gross Return) to be calculated. Given the nature of this measure, it is not possible to reconcile it with the Financial Statements.

GAV - The portfolio value according to the latest available external appraisal, plus prepayments at cost for turnkey projects and developments GAV is a standard measurement for comparative purposes, recognised globally in the real estate sector, and calculated by an independent external appraiser.

Gross yield or gross return - Represents the gross return of an asset or asset class. It is calculated by dividing the annualised GRI by the latest available GAV.

WAULT - Weighted average unexpired lease term, calculated as the number of years of unexpired lease terms from the balance sheet date to the first break of a lease weighted by the GRI from each lease. We consider WAULT a relevant measure as it provides investors with the period of risk and opportunity to renegotiate current leases. Given the nature of this measure, it is not possible to reconcile it with the Financial Statements.

Total revenue - Consists of the sum of total GRI and all other operating income excluding extraordinary income. Reconciliation with IFRS is shown in the table below.

Accounting EBITDA - Accounting EBITDA is calculated as earnings before interest, taxes, depreciation and amortisation. Accounting EBITDA is a performance measure widely used by investors to assess companies, as well as by rating agencies and creditors to evaluate the level of debt by comparing accounting EBITDA with net debt and the debt service. Reconciliation with IFRS measures is shown in the table below.

EBITDA - EBITDA is calculated as accounting EBITDA by deducting non-overhead expenses and the provision for the LTIP. EBITDA is a very useful measure as it excludes the impact of atypical costs incurred in the period. Non-overhead expenses are those associated with the acquisition or sale of assets and compensation, inter alia (as described in the IPO prospectus). Reconciliation with IFRS measures is shown in the table below.

Accounting FFO and FFO - Accounting FFO or Accounting Funds from Operations is calculated as EBITDA less net financial expenses and taxes (excluding taxes from divestments and other events). FFO is calculated by deducting the company's non-overhead expenses from the accounting FFO. It is a globally recognised measure of performance and liquidity in the property sector.

Loan to Value (LTV) - Loan to Value is calculated as net debt divided by the fair value of the company's assets (GAV + transaction costs). LTV is a performance metric widely used by investors to assess the risk level, as well as by rating agencies and creditors to assess the level of debt. The reconciliation with IFRS metrics is shown in the table below.

MERLIN Properties, as a member of the EPRA (European Public Real Estate Association), follows best practice standards in reporting that enables investors to more easily compare certain measures that are specific to the real estate sector. The measures are published twice a year and are detailed in the Directors' Report.

EPRA costs - It is calculated as the company's total management costs divided by GRI net of incentives. This performance measure shows operating efficiency on a recurring basis. The reconciliation with the financial statements is provided in the Appendix to this report.

EPRA net earnings - Core earnings from strategic businesses as recommended by EPRA. The reconciliation with the financial statements is provided in the Appendix to this report.

EPRA NRV, EPRA NTA and EPRA NDV **EPRA: Net Reinstatement Value (NRV)** - Assumes that the Company never sells assets and intends to represent the value necessary to rebuild the Company **EPRA Net Tangible Assets (NTA)**: assumes that the companies buy and sell assets, thus crystallizing certain levels of deferred tax liabilities **EPRA Net Disposal Value (NDV)**: represents the value of shareholders under a liquidation scenario, in which deferred tax liabilities, financial instruments and other adjustments are calculated taking into account all the latent liabilities, net of any tax.

EPRA Yields -

Net Initial Yield: Annualised rental income based on the passing rent at the balance sheet date, less non-recoverable operating expenses, divided by the fair value of the assets (GAV) plus the acquisition costs. **EPRA "Topped-up" NIY**: Adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents). These are two relevant performance measures as they are a globally recognised standard of comparison in the real estate sector, providing the net return on the portfolio assets based on the leases in force at a particular date regardless of the Company's financial structure, as recommended by the EPRA. The calculation is provided in the Appendix to this report. Given the nature of this measure, it is not possible to reconcile it with the Financial Statements.

EPRA vacancy ratio - It is calculated as the Estimated Market Rental Value ("ERV") of vacant space divided by ERV of the whole portfolio. Given the nature of this measure, it is not possible to reconcile it with the Financial Statements.

Net financial debt - Net financial debt (or net debt) is a financial metric calculated by subtracting cash (cash and cash equivalents, treasury shares and deferred payments on sale of assets) from the nominal amount owed by the consolidated group to financial institutions and bondholders (gross financial debt). This metric provides information about the company's level of debt by providing the amount owed to financial institutions and bondholders after deducting cash.

Leverage ratio - The leverage ratio is calculated as net debt divided by net debt plus equity. The leverage ratio is a performance metric widely used by investors to assess the risk level, as well as by rating agencies and creditors to assess the level of debt. The reconciliation with NIIF metrics is shown in the table below.

Financial debt - Financial debt is calculated as the sum of any amounts owed by the Group in the short and long term as a result of loans, credits, bonds, debentures and, in general, any instrument of a similar nature. Financial debt is a performance metric widely used by investors to assess the risk level, as well as by rating agencies and creditors to assess the level of debt. The reconciliation with IFRS metrics is shown in the table below.

Percentage of fixed-rate debt or debt with interest rate hedges - Corresponds to the sum of the amount of fixed-rate financial debt and the amount of floating-rate financial debt with associated interest rate risk hedging transactions with respect to the Group's financial debt.

Average cost of debt - The average cost of debt is calculated as the ratio between past interest cost, including derivatives, on interest-bearing debt and the Group's financial debt. The average cost of debt is a performance metric widely used by investors to assess the cost of borrowed funds, as well as by rating agencies and creditors to assess the ability to meet interest obligations. Given the nature of this metric, it is not possible to reconcile it with the Group's Financial Statements; however, the main information is available in the consolidated financial statements.

Liquidity position - This is calculated as the sum of the Group's cash plus the amount of receivables from corporate transactions, the treasury shares position at market value and available credit facilities. Liquidity position is an operational metric commonly used by investors to analyse the level of financial flexibility, as well as by rating agencies and debtors to assess the ability to repay debt. The reconciliation with IFRS metrics is shown in the table below.

Net debt - Net debt is calculated as financial debt minus cash and cash equivalents (e.g. receivables or treasury shares). Net debt is a performance metric widely used by investors to assess the risk level, as well as by rating agencies and creditors to assess the level of debt. The reconciliation with NIIF metrics is shown in the table below.

Investment in energy efficiency improvements - Investments aimed at measuring, controlling, or directly or indirectly reducing energy consumption or carbon footprint in all assets over which we have operational control. This allows us to continuously improve the energy performance of our assets.

Total tax contribution - The Total Tax Contribution (TTC) measures the contribution made by a company or group of companies to the various authorities. As a general rule, both taxes paid and collected are charged to each fiscal year following a cash basis approach.

- Taxes paid are those taxes that have incurred an effective cost for companies, e.g. income tax, social security contributions paid by the company, or certain environmental taxes.

- Taxes collected are those that have been paid as a result of the company's economic activity, without entailing a cost for the companies other than that of their management, such as employee tax withholdings.

Reconciliation of the APM with the Financial Statements

(€ thousand)	Notes	FY23	FY22
<i>Total revenues</i>	6	464,779	439,038
<i>Other operating income (1)</i>	Consolidated income statement	4,790	2,650
<i>Personel expenses</i>	18	(34,845)	(39,673)
<i>Other operating expenses</i>	18	(73,325)	(73,818)
Accounting EBITDA		361,400	328,197
<i>Costs related to acquisition and disposals</i>	18	2,166	2,112
<i>Other costs</i>	n.a.	300	331
<i>Severances</i>	18	282	—
<i>Non-overhead costs</i>		2,747	2,443
<i>Long term incentive plan</i>	18	2,804	4,014
EBITDA		366,952	334,654
Financial expenses excluding debt arrangement costs	Consolidated income statement	(109,185)	(91,532)
Equity method attributable FFO	n.a.	19,458	22,021
IFRS16 Adjustment	n.a.	14,751	—
Discontinued operations	n.a.	—	31,177
Current taxes (2)	n.a.	(7,737)	(5,836)
FFO		284,239	290,483
Non-overhead costs	n.a.	(2,747)	(2,443)
Accounting FFO		281,491	288,040

- (1) Result for the period excluding the revaluation adjustment, derivative impact and including income from dividends received
- (2) Current tax excluding impact from sales of fixed assets

(€ thousand)	Notes	FY23	FY22
<i>Gross rental income</i>	Consolidated income statement	475,614	452,842
<i>Revenue from rendering of services</i>	6	17,572	10,884
<i>Other net operating income</i>	n.a.	(4,918)	(3,033)
Revenues		488,268	460,723

€ million	Notes	FY23	FY22
Investment property	7	10,639.8	10,714.2
Equity method(1)	9	522.5	491.0
Non current financial assets(2)	10	92.5	91.0
Non-current assets	n.a.	0.9	0.9
Inventory(3)	n.a.	7.0	6.7
Total balance sheet items		11,262.6	11,303.8
IFRS-16 (concessions)	n.a.	(51.9)	(37.2)
Equity method adjustment	n.a.	58.5	50.3
Non-current assets adjustment(4)	n.a.	0.3	0.3
Total valuation		11,269.6	11,317.2
Offices		6,191.3	6,387.5
Logistics		1,409.8	1,400.1
Shopping centers		2,005.8	2,134.5
Logistics WIP & Office landbank		293.7	—
Data Centers		341.6	—
Others		353.8	762.8
Equity method		673.5	632.4

(1) Including Silicius at amortized cost (€ 78.3m) net of derivatives impact

(2) DCN loan

(3) Net value paid by MERLIN. Excludes both amounts not paid yet and pre-sold inventory. Total inventory amounts to €38.2m as of FY23

(4) MtM of the non-current assets

	(€ m)	Notes	FY23	FY22
A	GAV	Section 4 Results Report	11,270	11,317
B	Transaction costs	n.a	299	292
C=A+B	GAV + transaction		11,569	11,609
N	Net debt	Section 5 Results Report	4,050	3,792
D= N/C	LTV		35.0%	32.7%
E	Net debt	Section 5 Results Report	4,050	3,792
F	Equity	Balance sheet	6,539	6,849
G= E+F	Total capital		10,589	10,641
H=E/G	Leverage ratio		38.2%	35.6%
I	Financial debt	Section 5 Results Report	4,526	4,239
J= K+L+M	Cash and cash		477	447
K	Cash	Balance sheet	461	429
L	Receivables		—	—
M	Treasury stock	Balance sheet	15	17
N=I-J	Net debt		4,050	
J	Cash and cash		477	447
O	Undrawn credit	14.1	832	1,409
P=J+O	Liquidity position		1,309	1,856

FY23

EPRA Net Asset Value Metrics	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	6,539	6,539	6,539
Include / Exclude:			
<i>i) Hybrid instruments</i>	—	—	—
Diluted NAV	6,539	6,539	6,539
Include:			
<i>ii.a) Revaluation of IP (if IAS 40 cost option is used)</i>	—	—	—
<i>ii.b) Revaluation of IPUC1 (if IAS 40 cost option is used)</i>	—	—	—
<i>ii.c) Revaluation of other non-current investments</i>	58.8	58.8	58.8
<i>iii) Revaluation of tenant leases held as finance leases</i>	—	—	—
<i>iv) Revaluation of trading properties</i>	—	—	—
Diluted NAV at Fair Value	6,597.8	6,597.8	6,597.8
Exclude:			
<i>v) Deferred tax in relation to fair value gains of IP</i>	535.6	507.8	—
<i>vi) Fair value of financial instruments</i>	(21.0)	(21.0)	—
<i>vii) Goodwill as a result of deferred tax</i>	—	—	—
<i>viii.a) Goodwill as per the IFRS balance sheet</i>		—	—
<i>viii.b) Intangibles as per the IFRS balance sheet</i>		(1.6)	
Include:			
<i>ix) Fair value of fixed interest rate debt</i>			287.7
<i>x) Revaluation of intangibles to fair value</i>	—		
<i>xi) Real estate transfer tax</i>	299.2	—	—
NAV	7,412	7,083	6,886
Fully diluted number of shares	469,770,750	469,770,750	469,770,750
NAV per share	15.78	15.08	14.66

FY22 — The EPRA NAV metrics for 2022. This information corresponds to that included in the consolidated financial statements for 2022.

EPRA Net Asset Value Metrics	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	6,849.2	6,849.2	6,849.2
Include / Exclude:			
<i>i) Hybrid instruments</i>	—	—	—
Diluted NAV	6,849.2	6,849.2	6,849.2
Include:			
<i>ii.a) Revaluation of IP (if IAS 40 cost option is used)</i>	—	—	—
<i>ii.b) Revaluation of IPUC1 (if IAS 40 cost option is used)</i>	—	—	—
<i>ii.c) Revaluation of other non-current investments</i>	50.6	50.6	50.6
<i>iii) Revaluation of tenant leases held as finance leases</i>	—	—	—
<i>iv) Revaluation of trading properties</i>	—	—	—
Diluted NAV at Fair Value	6,899.8	6,899.8	6,899.8
Exclude:			
<i>v) Deferred tax in relation to fair value gains of IP</i>	534.8	508.8	—
<i>vi) Fair value of financial instruments</i>	(44.1)	(449.1)	—
<i>vii) Goodwill as a result of deferred tax</i>	—	—	—
<i>viii.a) Goodwill as per the IFRS balance sheet</i>	—	—	—
<i>viii.b) Intangibles as per the IFRS balance sheet</i>	—	(1.7)	—
Include:			
<i>ix) Fair value of fixed interest rate debt</i>	—	—	532.5
<i>x) Revaluation of intangibles to fair value</i>	—	—	—
<i>xi) Real estate transfer tax</i>	291.6	—	—
NAV	7,682.2	6,957.9	7,432.3
Fully diluted number of shares	469,770,750	469,770,750	469,770,750
NAV per share	16.35	15.67	15.82

FY23

EPRA NIY and 'topped-up' NIY	(€ million)	Offices	Logistics	Shopping Centers	Data Centers	Others	Total
Investment property – wholly owned		6,284	1,611	2,006	—	354	10,596
Investment property – share of JVs/Funds		—	—	—	—	—	—
Trading property (including share of JVs)		—	—	—	—	—	—
Less: developments		(732)	(201)	—	342	(74)	(1,348)
Completed property portfolio		5,552	1,410	2,006	—	280	9,248
Allowance for estimated purchasers' costs		176	36	45	—	8	265
Gross up completed property portfolio valuation	B	5,728	1,445	2,051	—	289	9,512
Annualised cash passing rental income		259	78	122	—	14	474
Property outgoings		(37)	(6)	(17)	—	(1)	(62)
Annualised net rents	A	222	72	105	—	13	412
Add: notional rent expiration of rent free periods or other lease incentives		19	1	5	—	0	25
Topped-up net annualised rent	C	240	74	109	—	13	436
EPRA NIY	A/B	3.9%	5.0%	5.1%	—%	4.4%	4.3%
EPRA "topped-up" NIY	C/B	4.2%	5.1%	5.3%	—%	4.5%	4.6%

FY22 – The EPRA NAV metrics for 2022. are presented below. This information corresponds to that included in the consolidated financial statements for 2022

EPRA NIY and 'topped-up' NIY	(€ million)	Offices	Logistics	Shopping Centers	Others	Total
Investment property – wholly owned		6,504	1,641	2,135	405	10,685
Less: developments		(648)	(241)	—	(88)	(977)
Completed property portfolio		5,856	1,400	2,135	317	9,708
Allowance for estimated purchasers' costs		169	41	44	10	264
Gross up completed property portfolio valuation	B	6,025	1,442	2,179	327	9,972
Annualised cash passing rental income		257	72	124	12	466
Property outgoings		(28)	(5)	(19)	(1)	(54)
Annualised net rents	A	229	67	105	11	412
Add: notional rent expiration of rent free periods or other lease incentives		10	1	5	0	16
Topped-up net annualised rent	C	238	68	110	11	428
EPRA NIY	A/B	3.8%	4.6%	4.8%	3.4%	4.1%
EPRA "topped-up" NIY	C/B	4.0%	4.7%	5.0%	3.5%	4.3%

FY23

EPRA Cost Ratios	Notes (€ thousand)	
Include:		
Administrative/operating expense line per IFRS income statement	18	108,170
Net service charge costs/fees		—
Management fees less actual/estimated profit element		—
Other operating income/recharges intended to cover overhead expenses less any related profits		—
Share of Joint Ventures expenses		—
Exclude (if part of the above):		
Investment property depreciation		—
Ground rent costs		—
Service charge costs recovered through rents but not separately invoiced		—
EPRA Costs (including direct vacancy costs)	A	108,170
Direct vacancy costs		7,127
EPRA Costs (excluding direct vacancy costs)	B	101,043

Gross Rental Income less ground rents – per IFRS (1)⁸⁹		444,155
Less: service fee and service charge costs components of Gross Rental Income (if relevant)		—
Add: share of Joint Ventures (Gross Rental Income less ground rents)		—
Gross Rental Income	C	444,155

EPRA Cost Ratio (including direct vacancy costs)	A/C	24.4%
EPRA Cost Ratio (excluding direct vacancy costs)	B/C	22.7%

MERLIN's has a policy of not capitalising any overhead or operating expenses

⁸⁹Gross Rental income (€475.6m) - incentives (€28.4m) - ground lease rents (€3.1m)

FY22 – The EPRA NAV metrics for 2022. are presented below. This information corresponds to that included in the consolidated financial statements for 2022.

EPRA Cost Ratios		Notes	(€ thousand)
Include:			
Administrative/operating expense line per IFRS income statement		Note 13	113,491
Net service charge costs/fees		—	—
Management fees less actual/estimated profit element		—	—
Other operating income/recharges intended to cover overhead expenses less any related profits		—	—
Share of Joint Ventures expenses		—	—
Exclude (if part of the above):			
Investment property depreciation		—	—
Ground rent costs		—	—
Service charge costs recovered through rents but not separately invoiced		—	—
EPRA Costs (including direct vacancy costs)	A	—	113,491
Direct vacancy costs		—	9,164
EPRA Costs (excluding direct vacancy costs)	B	—	104,327

Gross Rental Income less ground rents – per IFRS (1)		—	425,637
Less: service fee and service charge costs components of Gross Rental Income (if relevant)		—	—
Add: share of Joint Ventures (Gross Rental Income less ground rents)		—	—
Gross Rental Income	C	—	425,637

	A/		
EPRA Cost Ratio (including direct vacancy costs)	C		26.7%
EPRA Cost Ratio (excluding direct vacancy costs)	B/C		24.5%

MERLIN's has a policy of not capitalising any overhead and operating expenses

(1) Gross Rental income (€ 452.8m) - incentives (€ 24.7m) - ground lease rents (€ 2.5m)

FY23

	(€ million)	Offices	Shopping Centers	Logistics	Others	Total
EPRA Vacancy Rate						
Estimated Rental Value of vacant space	A	17.1	6.2	1.6	0.1	25.0
Estimated Rental Value of the whole portfolio	B	288.4	124.3	87.1	14.4	514.3
EPRA Vacancy Rate	A/B	5.9%	5.0%	1.8%	0.6%	4.9%

FY23

EPRA Earnings	Notes	FY23
Earnings per IFRS income statement		(83,497)
Adjustments to calculate EPRA Earnings, exclude:		(362,184)
Changes in value of investment properties, development properties held for investment and other interests ⁹⁰	Income statement	(345,470)
Profits or losses on disposal of investment properties, development properties held for investment and other interests	Income statement	(7,023)
Profits or losses on sales of trading properties including impairment charges in respect of trading properties.		—
Tax on profits or losses on disposals ⁹¹	n.a.	(768)
Negative goodwill / goodwill impairment	n.a.	—
Changes in fair value of financial instruments and associated close-out costs ⁹²	n.a.	(29,388)
Acquisition costs on share deals and non-controlling joint venture interests	n.a.	—
Deferred tax in respect of EPRA adjustments		—
Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	Income statement	—
Non-controlling interests in respect of the above ⁹³		20,465
EPRA Earnings		278,687
Basic number of shares		469,770,750
EPRA Earnings per Share (EPS)		0.59
Company specific adjustments:		5,551
LTIP provision	18	2,804
Opex non-overheads	18	2,747
Company specific Adjusted Earnings		284,239
Company specific Adjusted EPS		0.61

⁹⁰ Including the change in fair value of investment property, depreciation, and provisions

⁹¹ Deferred taxes that are not expected to have a cash impact in the short to mid term

⁹² Change in fair value of financial instruments (Consolidated income statement) + debt amortization costs (Consolidated income statement) + IFR16 adjustment

⁹³ Difference between the share in earnings of equity method instruments (Consolidated income statement) and the attributable EPRA Earnings of the subsidiaries

FY22 – The EPRA NAV metrics for 2022 are presented below. This information corresponds to that included in the consolidated financial statements for 2022.

EPRA Earnings	Notes	FY22
Earnings per IFRS income statement		263,087
Adjustments to calculate EPRA Earnings, exclude:		(20,656)
Changes in value of investment properties, development properties held for investment and other interests	Income statement	(251,317)
Profits or losses on disposal of investment properties, development properties held for investment and other interests	Income statement	11,278
Profits or losses on sales of trading properties including impairment charges in respect of trading properties.		—
Tax on profits or losses on disposals	n.a.	(964)
Negative goodwill / goodwill impairment	n.a.	—
Changes in fair value of financial instruments and associated close-out costs	n.a.	218,051
Acquisition costs on share deals and non-controlling joint venture interests	n.a.	—
Deferred tax in respect of EPRA adjustments	n.a.	—
Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	Income statement	—
Non-controlling interests in respect of the above		2,012
EPRA Earnings		284,026
Basic number of shares		469,770,750
EPRA Earnings per Share (EPS)		0.60
Company specific adjustments:		6,457
LTIP provision	18	4,014
Opex non-overheads	18	2,443
Company specific Adjusted Earnings		290,483
Company specific Adjusted EPS		0.62

FY23

EPRA LTV Metric (€ M)	Group as reported	Proportionate consolidation			
		Share of Joint Ventures	Share of Material Associates	Non-controlling Interests	Combined
Include:					
<i>Borrowings from financial institutions</i>	1,229.5	–	141.8	–	1,371.4
<i>Commercial paper</i>	–	–	–	–	–
<i>Hybrids (including convertibles, preference shares, debt, options, perpetuals)</i>	–	–	–	–	–
<i>Bond loans</i>	3,321.0	–	–	–	3,321.0
<i>Foreign currency derivatives (futures, swaps, options and forwards)</i>	–	–	–	–	–
<i>Net payables</i>	62.9	–	(10.0)	–	52.9
<i>Owner-occupied property (debt)</i>	–	–	–	–	–
<i>Current accounts (equity characteristic)</i>	–	–	–	–	–
Exclude:	–				–
<i>Cash and cash equivalents</i>	(461.2)	–	(12.1)	–	(473.3)
Net Debt (a)	4,152.2	–	119.7	–	4,271.9
Include:	–				
<i>Owner-occupied property</i>	1.2	–	–	–	1.2
<i>Investment properties at fair value</i>	10,639.8	–	529.3	–	11,169.1
<i>Properties held for sale</i>	–	–	–	–	–
<i>Properties under development</i>	–	–	–	–	–
<i>Intangibles</i>	–	–	–	–	–
<i>Net receivables</i>	–	–	–	–	–
<i>Financial assets</i>	92.5	–	–	–	92.5
Total Property Value (b)	10,733.5	–	529.3	–	11,262.8
EPRA LTV (a/b)	38.7%	–%	–%	–%	37.9%
Real Estate Transfer Taxes (RETTS) (c)	299.2	–	12.4	–	311.6
EPRA LTV (incl. RETTS) (a/(b+c))	37.6%	–%	–%	–%	36.9%
Company specific Property Value adjustments:	175.3	–	–	–	175.3
<i>DCN Stake (14.46%)</i>	175.3	–	–	–	175.3
Total Property Value including company specific adjustments (d)	10,908.7	–	–	–	11,438.1

Company specific EPRA LTV (a/d)	38.1%	–%	–%	–%	37.3%
Company specific EPRA LTV (incl. RETTS) (a/(c+d))	37.0%	–%	–%	–%	36.4%

(1) Including notional amount (€ 1,226.2m) and accrued interest (€ 3.3m). Please refer to Note 14 of the Annual Accounts for further details.

(2) Including notional amount (€ 3,300.0m) and accrued interest (€ 21.0m). Please refer to Note 14 of the Annual Accounts for further details.

(3) Considering the net result between payables (Trade and other payables, Other current liabilities, Other current financial liabilities and Current income tax liabilities) and receivables (Trade and other receivables, Inventories, Other current assets and Other current financial assets). Please note that accrued interests are included within borrowings from financial institutions and bond loans.

(4) Fair value of the owner-occupied property. Book value at amortized cost of € 0.9m and MtM adjustment of € 0.3m.

(5) Amortized cost of the loan granted to Desarrollos Urbanísticos Udra, S.A.U., secured against a 10% stake in Madrid Crea Nuevo Norte, S.A. Please refer to Note 10 of the Annual Accounts for further details.

(6) 14.46% in Madrid Crea Nuevo Norte, S.A. the developer of the largest urban planning project in Europe. Please refer to Note 9 of the Annual Accounts for further details.

Note: please refer to Note 9 of the Annual Accounts for further detail regarding minority stakes. MERLIN considers material associates the following companies: ZAL Port (Centro Intermodal de Logística, S.A.), Tres Aguas (Paseo Comercial Carlos III, S.A.) and Silicius (Silicius Real Estate SOCIMI, S.A.). Madrid Crea Nuevo Norte will be reclassified as a material associate upon execution of the purchase option of the land plots, which is expected to take place during 2024.

	48.50%	50.00%	17.80%	
EPRA LTV Metric	ZAL Port	Tres Aguas	Silicius	Share of Material Associates € M
Include:				
<i>Borrowings from financial institutions</i>	137.3	69.3	228.2	141.8
<i>Commercial paper</i>	—	—	—	—
<i>Hybrids (including convertibles, preference shares, debt, options, perpetuals)</i>	—	—	—	—
<i>Bond loans</i>	—	—	—	—
<i>Foreign currency derivatives (futures, swaps, options and forwards)</i>	—	—	—	—
<i>Net payables</i>	(19.8)	1.2	(5.8)	(10.0)
<i>Owner-occupied property (debt)</i>	—	—	—	—
<i>Current accounts (equity characteristic)</i>	—	—	—	—
Exclude:				
<i>Cash and cash equivalents</i>	(9.6)	(7.4)	(20.9)	(12.1)
Net Debt (a)	107.9	63.1	201.6	119.7
Include:				
<i>Owner-occupied property</i>	—	—	—	—
<i>Investment properties at fair value</i>	743.9	123.3	600.4	529.3
<i>Properties held for sale</i>	—	—	—	—
<i>Properties under development</i>	—	—	—	—
<i>Intangibles</i>	—	—	—	—
<i>Net receivables</i>	—	—	—	—
<i>Financial assets</i>	—	—	—	—
Total Property Value (b)	743.9	123.3	600.4	529.3

Appendix VI. Significant events after the reporting date

In January, the Group signed a € 150M secured bank loan maturing in 2034 @130 bps margin. The loan is expected to be drawn in March 2024.

In January, the Group issued a € 100M tap on the 2.375% note due in September 2029 (3.93% cost).

In relation to the verification and investigation actions that during the year 2022, the Tax Agency communicated to the Parent Company (Note 17), on February 21, 2024, the following acts in accordance have been signed:

- Corporate Income Tax (CIT) for the years 2016 to 2019, by virtue of which an amount of 13,984 thousand euros was determined to be returned to the Parent Company, which includes tax liability and interest on arrears. This recognizes the effects of the Constitutional Court ruling of January 19th, 2024, which annuls certain provisions of Royal Decree-Law 3/2016 that had an impact on the tax base of the CIT for the years 2016 to 2019.
- Value Added Tax (VAT) for the years 2018 to 2019, by virtue of which an amount of 799 thousand euros was determined to be paid, which includes tax liability and interest on arrears.
- Withholdings on account of the Income Tax for Non-Residents for the years 2018 to 2019, by virtue of which an amount of 834 thousand euros was determined to be paid, which includes tax liability and interest on arrears.
- Withholdings and payments on account on the Income from Capital for the years 2018 and 2019, by virtue of which no amount was determined to be paid or returned.

The resulting amounts to be paid have been recorded in the fiscal year 2023, under the heading "Provisions" of the attached consolidated income statement (Note 15).

Merlin Properties, SOCIMI, S.A. and Subsidiaries

Independent Limited Assurance Report
on the Consolidated Non-Financial
Information Statement for the year
ended 31 December 2023

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT OF MERLIN PROPERTIES, SOCIMI, S.A. AND SUBSIDIARIES FOR 2023

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

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the accompanying consolidated non-financial information statement (NFIS) for the year ended 31 December 2023 of Merlin Properties, SOCIMI, S.A. (the Parent) and its subsidiaries (the Group), which forms part of the Group's consolidated directors' report for 2023.

The content of the NFIS includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting, that was not the subject matter of our verification. In this regard, our work was limited solely to verification of the information identified in the "Table of Contents of Law 11/2018" table included in section 8.3 of the accompanying NFIS.

Responsibilities of the Directors

The preparation and content of the NFIS included in the Group's consolidated directors' report are the responsibility of the Parent's directors. The NFIS was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected Global Reporting Initiative Sustainability Reporting Standards (GRI standards), as well as other criteria described as indicated for each matter in the "Table of Contents of Law 11/2018" of section 8.3 of the NFIS.

These responsibilities of the directors also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the NFIS to be free from material misstatement, whether due to fraud or error.

The Parent's directors are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFIS is obtained.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements regarding non-financial information statements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance obtained is substantially lower.

Our work consisted of making inquiries of management and the various units of the Group that participated in the preparation of the NFIS, reviewing the processes used to compile and validate the information presented in the NFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Group personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and completeness of the contents included in the 2023 NFIS based on the materiality analysis performed by the Group and described in section 2.5 thereof, taking into account the contents required under current Spanish corporate legislation.
- Analysis of the processes used to compile and validate the data presented in the 2023 NFIS.
- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters presented in the 2023 NFIS.
- Verification, by means of sample-based review tests, of the information relating to the contents included in the 2023 NFIS, and the appropriate compilation thereof based on the data furnished by the information sources.
- Obtainment of a representation letter from the directors and management.

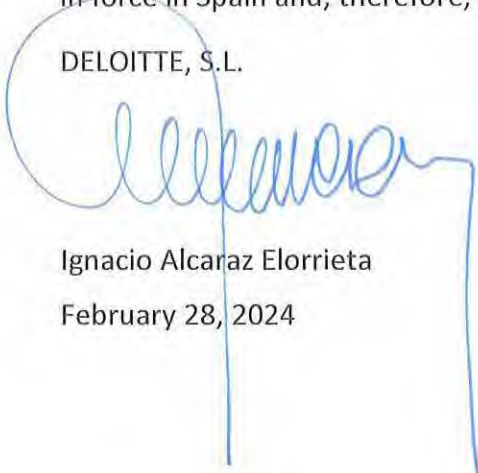
Conclusion

Based on the procedures performed in our verification and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS of Merlin Properties, SOCIMI, S.A. and its subsidiaries for the year ended 31 December 2023 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in the "Table of Contents of Law 11/2018" table included in section 8.3 of the NFIS.

Use and Distribution

This report has been prepared in response to the requirement established in corporate legislation in force in Spain and, therefore, it might not be appropriate for other purposes or jurisdictions.

DELOITTE, S.L.



Ignacio Alcaraz Elorrieta

February 28, 2024



MERLIN PROPERTIES, SOCIMI, S.A.

Preparation of the Consolidated Financial Statements and Consolidated Directors' Report for the year ended 31 December 2023.

In compliance with the sections 365 and 366 of the Commercial Registry Regulations, in relation to section 253(1) of the current Corporate Enterprises Act, the Board of Directors of MERLIN Properties, SOCIMI, S.A. (the "Company") prepares the consolidated financial statements and the consolidated directors' report (which includes, attached, as a separate section, the Annual Corporate Governance Report, the Annual Directors' Remuneration Report and the Statement of Non-Financial Information) for the year ended 31 December 2023, in a single electronic format in accordance with Commission Delegated Regulation (EU) 2019/815 of 17 December 2018, and integrated in the electronic file(s) with the following hash code(s)

Number: _____

(The "**Consolidated Financial Statements File**").

In addition, through the execution and signing of this signature page, and pursuant to section 253(2), the members forming the Company's Board of Directors declare that they have signed, in their own handwriting, the entire contents of the Consolidated Financial Statements File..

D. Javier Garcia-Carranza Benjumea (Presidente)

D. Ismael Clemente Orrego (Vicepresidente)

Dña. Francisca Ortega Hernández-Agero (Vocal)

D. Juan Antonio Alcaráz García (Vocal)

Dña. María Luisa Jorda Castro (Vocal)

Dña. Pilar Caverro Mestre (Vocal)

D. Juan María Aguirre Gonzalo (Vocal)

D. Miguel Ollero Barrera (Vocal)

D. Fernando Javier Ortiz Vaamonde (Vocal)

Dña. Ana María García Fau (Vocal)

D. Emilio Novela Berlin (Vocal)

D. George Donald Johnston (Vocal)

D. Ignacio Gil Casares Satrústegui (Vocal)

Madrid, 27 February 2024

MERLIN Properties, SOCIMI, S.A.

DECLARATION OF RESPONSIBILITY FOR THE 2023 FINANCIAL STATEMENTS

The members of the Board of Directors of Merlin Properties, SOCIMI, S.A. declare that, to the best of their knowledge, the individual financial statements of Merlin Properties, SOCIMI, S.A. and the consolidated financial statements with its subsidiaries, for the year ended 31 December 2023, prepared by the Board of Directors at the meeting held on 27 February 2024 in accordance with the applicable accounting principles and in single electronic format, offer a true and fair view of the net worth, financial situation and results of Merlin Properties, SOCIMI, S.A. and of the subsidiaries included in the consolidated group, taken as a whole, and that the directors' reports accompanying the individual and consolidated financial statements (along with their attachments and/or supplementary documentation, including the Statement of Non-Financial Information as part of the consolidated directors' report) include a true analysis of the business performance, results and position of MERLIN Properties, SOCIMI, S.A. and of the subsidiaries included in the consolidated group, taken as a whole, and a description of the main risks and uncertainties they face.

D. Javier Garcia-Carranza Benjumea (Presidente)

D. Ismael Clemente Orrego (Vicepresidente)

Dña. Francisca Ortega Hernández-Agero (Vocal)

D. Juan Antonio Alcaráz (Vocal)

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D. Emilio Novela Berlin (Vocal)

D. George Donald Johnston (Vocal)

D. Ignacio Gil-Casares Satrustegui (Vocal)

Madrid, 27 February 2024