

CORPORATE GOVERNANCE ANNUAL REPORT

LISTED PUBLIC LIMITED COMPANIES

ISSUING COMPANY'S IDENTIFYING DATA

FINANCIAL YEAR'S CLOSING DATE: 31/12/2008

Tax Identification Code No.: A28027944

Company Name: NH HOTELES, S.A.

<p align="center">LISTED PUBLIC LIMITED COMPANY CORPORATE GOVERNANCE ANNUAL REPORT MODEL</p>

For a better understanding of the model and subsequent preparation thereof, the instructions on its completion that appear at the end of this report must be read.

A – OWNERSHIP STRUCTURE

A.1 Complete the following chart on the Company's corporate capital:

Date of Last Modification	Corporate Capital (euros)	Number of Shares	Number of Voting Rights
22/03/2007	295,940,916.00	147,970,458	147,970,458

Indicate whether different classes of share exist with different associated rights:

NO

A.2 List the direct and indirect owners of important stakes in the company at the financial year's closing date, excluding the Directors:

Shareholder's Name or Company Name	No. Direct Voting Rights	No. Indirect Voting Rights (*)	% of Total Voting Rights
GRUPO INVERSOR HESPERIA, S.A.	37,122,230	0	25.088
MR. JOSE ANTONIO CASTRO SOUSA	0	37,122,230	25.088
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	0	14,851,795	10.037
GSS III HURRICANE BV	9,724,692	0	6.572
MORGAN STANLEY REAL ESTATE III MANAGER, LLC	0	9,724,692	6.572
BANCAJA INVERSIONES, S.A.	8,373,405	0	5.659

Shareholder's Name or Company Name	No. Direct Voting Rights	No. Indirect Voting Rights (*)	% of Total Voting Rights
CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIAN	0	7,537,500	5.094
CK CORPORACIÓN KUTXA-KUTXA KOPORAZIOA, S.L.	7,537,500	0	5.094
MR. AMANCIO ORTEGA GAONA	0	7,503,582	5.071
PONTEGADEA INVERSIONES, S.L.	7,503,582	0	5.071
CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGON Y RIOJA (IBERCAJA)	7,459,630	0	5.041
INTESA SANPAOLO, S.P.A.	3,451,129	3,947,586	5.000
LONGLEAF PARTNERS INTERNATIONAL FUND	7,387,973	0	4.993
SOUTHEASTERN ASSET MANAGEMENT, INC.	0	7,334,748	4.957
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	6,715,497	0	4.538

Name or Company Name of the Stake's Indirect Owner	Through: Name or Company Name of the Stake's Direct Owner	No. Direct Voting Rights	% of Total Voting Rights
MR. JOSE ANTONIO CASTRO SOUSA	GRUPO INVERSOR HESPERIA, S.A.	37,122,230	25.088
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	6,715,497	4.538
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	8,136,298	5.499
MORGAN STANLEY REAL STATE III MANAGER, LLC	GSS III HURRICANE BV	9,724,692	6.572
CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIAN	CK CORPORACIÓN KUTXA-KUTXA KOPORAZIOA, S.L.	7,537,500	5.094
MR. AMANCIO ORTEGA GAONA	PONTEGADEA INVERSIONES, S.L.	7,503,581	5.071
SOUTHEASTERN ASSET MANAGEMENT, INC.	LONGLEAF PARTNERS INTERNATIONAL FUND	7,387,973	4.993

Indicate the most important movements in the shareholder structure in the financial year:

Shareholder's Name or Company Name	Date of the Operation	Description of the Operation
INTESA SANPAOLO, S.P.A.	02/12/2008	5% of the corporate capital has been exceeded
LONGLEAF PARTNERS INTERNATIONAL FUND	24/10/2008	It has fallen below 5% of the corporate capital
SOUTHEASTERN ASSET MANAGEMENT INC.	12/02/2008	3% of the corporate capital has been exceeded

A.3 Complete the following charts on the members of the company's Board of Directors with company share voting rights:

Name or Company Name of the Director	No. Direct Voting Rights	No. Indirect Voting Rights (*)	% of Total Voting Rights
MR. GABRIELE BURGIO	1,482,490	0	1.002
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	4,627	0	0.003
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	0	8,373,405	5.659
HOTELES PARTICIPADOS, S.L.	7,469,093	0	5.048
MR. IÑAKI ARRATÍBEL OLAZIREGI	100	0	0.000
MR. JOSE DE NADAL CAPARÁ	11,262	0	0.008
MR. MIGUEL RODRÍGUEZ DOMÍNGUEZ	3,000	0	0.002
MR. RAMON BLANCO BALIN	26,775	15,076	0.028
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	8,136,298	0	5.499

Name or Company Name of the Stake's Indirect Owner	Through: Name or Company Name of the Stake's Direct Owner	No. Direct Voting Rights	% of Total Voting Rights
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	BANCAJA INVERSIONES, S.A.	8,373,405	5.659

Name or Company Name of the Stake's Indirect Owner	Through: Name or Company Name of the Stake's Direct Owner	No. Direct Voting Rights	% of Total Voting Rights
MR. RAMON BLANCO BALIN	MS AMPARO VILLAR CANOVAS	7,200	0.005
MR. RAMON BLANCO BALIN	MS ELENA BLANCO VILLAR	3,938	0.003
MR. RAMON BLANCO BALIN	MR. RAMON BLANCO VILLAR	3,938	0.003

% of Total Voting Rights in possession of the Company's Board of Directors	17.248
---	---------------

Complete the following chart on the members of the company's Board of Directors with company share rights:

Name or Company Name of the Director	No. of Direct Option Rights	No. of Indirect Option Rights	No. of Equivalent Shares	% of Total Voting Rights
MR. GABRIELE BURGIO	600,000	0	600,000	0.405

A.4 Indicate, when applicable, the ties of a family, commercial, contractual or corporate type that exist between the holders of important stakes, to the extent that they are known by the company, except when they are of little relevance or result from ordinary trade:

A.5 Indicate, when applicable, the ties of a commercial, contractual or corporate type that exist between the holders of important stakes and the company and/or its group, except when they are of little relevance or result from ordinary trade:

A.6 Indicate whether or not para-corporate agreements have been notified to the company that affect it, as established in Section 112 of the Securities Market Law (LMV). If so, describe them briefly and list the shareholders tied by the agreement:

NO

Indicate whether the company knows of the existence of concerted actions between its shareholders. If so, describe them briefly.

NO

In the event that there has been a change in or severance of such agreements or concerted actions, expressly indicate this:

A.7 Indicate whether there is an individual or body corporate which exercises or can exercise control over the company, as per Section 4 of Securities Market Law. If so, please identify it:

NO

A.8 Complete the following charts on the company's treasury stock:

At the financial year's closing date:

No. of Direct Shares	No. of Indirect Shares (*)	% of Total Corporate Capital
93,611	2,972,885	2.070

(*) Through:

Name or Company Name of the Stake's Direct Owner	No. of Direct Shares
GRUPO FINANCIERO DE INTERMEDIACIÓN Y ESTUDIOS, S.A.	2,972,885
Total	2,972,885

Give details of any important variations, as per the provisions of Royal Decree 1362/2007, made during the financial year:

Notification Date	Total Direct Actions Acquired	Total Indirect Actions Acquired	% of Total Corporate Capital

Notification Date	Total Direct Actions Acquired	Total Indirect Actions Acquired	% of Total Corporate Capital
30/06/2008	849,990	716,978	1.060
09/07/2008	20,234	11,764	0.010

Capital gain/(loss) from the disposal of own shares in the period (thousands of euros)	2,086
---	-------

A.9 Indicate the conditions and valid term granted by the General Meeting of Shareholders to the Board of Directors for implementing acquisitions or transfers of own shares.

On 17 June 2008 the General Meeting of Shareholders authorized the Board of Directors, for an 18-month term, to take as a pledge and/or to acquire, either directly or indirectly, the Company's treasury stock through the purchase thereof on an official secondary market and at a price that is neither below its face value nor above its listed value at the moment of its acquisition, without the face value of the purchased shares, together with that of those taken as a pledge, being able to exceed 5 per cent of the total corporate capital, at any moment.

The Board of Directors is expressly empowered to freely dispose of the shares purchased by virtue of this authorization for the purpose, as and when applicable, of complying with the commitments acquired under the "Remuneration systems involving share options" or "referenced to the stock's listed value", the introduction of which in the Company has been the object of the mandatory approvals.

A.10 Indicate, when applicable, the legal and statutory restrictions on the exercise of voting rights and the legal restrictions on the acquisition or transfer of stakes in the corporate capital. Indicate whether legal restrictions exist on the exercise of voting rights:

NO

Maximum percentage of voting rights a shareholder can exercise by legal restriction	0
--	---

Indicate whether statutory restrictions exist on the exercise of voting rights:

YES

Maximum percentage of voting rights a shareholder can exercise by a statutory restriction	10.000
--	--------

Description of the legal and statutory restrictions on the exercise of voting rights
As established in Article 15 of the Articles of Association of NH Hoteles, S.A., irrespective of the number of shares a shareholder may hold, no shareholder can issue more votes than those that correspond to 10% of the shares issued with the right to vote. This limitation shall not apply in those General Meetings of Shareholders in which, as per the list of attendants, a shareholder present or represented in the Meeting is the owner of more than 75% of the issued shares with the right to vote.

Description of the legal and statutory restrictions on the exercise of voting rights
For the purpose of the foregoing paragraph and pursuant to the provisions of Article 42 of the Commercial Code, those companies which belong to the same group shall be deemed to be a single shareholder.

Indicate whether legal restrictions exist on the acquisition or transfer of stakes in the corporate capital:

NO

A.11 Indicate whether the General Meeting of Shareholders, by virtue of the provisions of Law 6/2007, has adopted measures to neutralise a takeover bid.

NO

If so, explain the approved measures and the terms and conditions in which the inefficacy of such restrictions would occur:

B – STRUCTURE OF THE COMPANY’S ADMINISTRATION

B.1 Board of Directors

B.1.1 Indicate the maximum and minimum number of Directors provided for in the Articles of Association:

Maximum number of Directors	20
Minimum number of Directors	5

B.1.2 Complete the following chart with the members of the Board of Directors:

Name or Company Name of the Director	Represent- ative	Office on the Board	Date First Appoint- ment	Date Last Appoint- ment	Election Procedure
MR. GABRIELE BURGIO	---	CHAIRMAN- MANAGING DIRECTOR	12/01/1993	05/05/2006	VOTE AT GENERAL MEETING

Name or Company Name of the Director	Represent- ative	Office on the Board	Date First Appoint- ment	Date Last Appoint- ment	Election Procedure
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	---	VICE- CHAIRMAN	13/07/1992	05/05/2006	VOTE AT GENERAL MEETING
MR. ALFONSO MERRY DEL VAL GRACIE	---	DIRECTOR	18/03/1997	05/05/2006	VOTE AT GENERAL MEETING
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALI- CANTE (BANCAJA)	AURELIO IZQUIERDO GOMEZ	DIRECTOR	17/02/2002	29/05/2007	VOTE AT GENERAL MEETING
HOTELES PARTICIPADOS, S.L.	IGNACIO EZQUIAGA DOMINGUEZ	DIRECTOR	29/04/2004	29/05/2007	VOTE AT GENERAL MEETING
MR. IÑAKI ARRATÍBEL OLAZIREGI	---	DIRECTOR	28/10/2008	28/10/2008	VOTE AT GENERAL MEETING
MR. JOSE DE NADAL CAPARÁ	---	DIRECTOR	08/05/1997	17/06/2008	VOTE AT GENERAL MEETING
MR. JULIO C. DIAZ- FREIJO CERECEDO	---	DIRECTOR	22/02/2006	05/05/2006	VOTE AT GENERAL MEETING
MR. MIGUEL RODRÍGUEZ DOMÍNGUEZ	---	DIRECTOR	29/04/2004	29/05/2007	VOTE AT GENERAL MEETING
MR. RAMON BLANCO BALIN	---	DIRECTOR	12/01/1993	05/05/2006	VOTE AT GENERAL MEETING
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	MARIANO PÉREZ CLAVER	DIRECTOR	17/06/2008	17/06/2008	VOTE AT GENERAL MEETING

Total number of Directors	11
----------------------------------	-----------

Indicate the cessations in the Board of Directors occurring in the period:

Name or Company Name of the Director	Condition of Director at Moment of Cessation	Cessation Date

Name or Company Name of the Director	Condition of Director at Moment of Cessation	Cessation Date
MR. MATIAS AMAT ROCA	DOMANIAL	17/06/2008
GSS HURRICANE BV	DOMANIAL	03/10/2008
CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIAN	DOMANIAL	28/10/2008

B.1.3 Complete the following charts on the members of the Board and their condition:

EXECUTIVE DIRECTORS

Name or Company Name of the Director	Committee that proposed the Appointment	Office on the Company's Organization Chart
MR. GABRIELE BURGIO	BOARD OF DIRECTORS	CHAIRMAN-MANAGING DIRECTOR

Total number of Executive Directors	1
% of Total Board	9.091

OUTSIDE DOMANIAL DIRECTORS

Name or Company Name of the Director	Committee that proposed the Appointment	Name or Company Name of the Important Shareholder it represents or that proposed the Appointment
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	---	CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)
HOTELES PARTICIPADOS, S.L.	COMPENSATION AND NOMINATING COMMITTEE	HOTELES PARTICIPADOS, S.L.
MR. IÑAKI ARRATÍBEL OLAZIREGI	---	CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIAN
MR. JULIO C. DIAZ-FREIJO CERECEDO	COMPENSATION AND NOMINATING COMMITTEE	PONTEGADEA INVERSIONES, S.L.

Name or Company Name of the Director	Committee that proposed the Appointment	Name or Company Name of the Important Shareholder it represents or that proposed the Appointment
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	---	CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID

Total number of Domanial Directors	5
% of Total Board	45.455

OUTSIDE INDEPENDENT DIRECTORS

Name or Company Name of the Director
MR. MANUEL HERRANDO Y PRAT DE LA RIBA

Profile
LAW DEGREE

Name or Company Name of the Director
MR. ALFONSO MERRY DEL VAL GRACIE

Profile
ECONOMICS DEGREE FROM BOCCONI UNIVERSITY, MILAN. DOCTORATE FROM PAVIA UNIVERSITY

Name or Company Name of the Director
MR. JOSE DE NADAL CAPARÁ

Profile
CHEMICAL ENGINEER, IQS BARCELONA (1962-68), MBA AT ESADE IN BARCELONA (1966-69)
LECTURER IN MARKETING AND CHEMICAL COMPANY MANAGEMENT
MASTER AT IQS, BARCELONA (1980-83)

Name or Company Name of the Director
MR. MIGUEL RODRÍGUEZ DOMÍNGUEZ

Profile
BUSINESSMAN

Name or Company Name of the Director
MR. RAMON BLANCO BALIN

Profile
ECONOMICS AND BUSINESS STUDIES DEGREE, TREASURY INSPECTOR
WITH LEAVE OF ABSENCE

Total number of Independent Directors	5
% of Total Board	45.455

OTHER OUTSIDE DIRECTORS

Explain the reasons why they cannot be deemed to be domanial or independent Directors and their ties, either with the company, its managers or with its shareholders.

Indicate any variations that have occurred during the period in the typology of each Director:

Name or Company Name of the Director	Date of the Change	Previous Condition	Current Condition
MR. JOSE DE NADAL CAPARÁ	17/06/2008	OTHER OUTSIDE DIRECTORS	INDEPENDENT

B.1.4 Explain, when applicable, the reasons why domanial directors have been appointed at the request of shareholders with a stake that is less than 5% of the capital.

Indicate if any formal requests for the presence on the Board of shareholders with a stake equal to or greater than that of others, at the request of which domanial directors have been nominated, have not been met.

NO

B.1.5 Indicate if a director has left its office prior to the termination of its mandate, if it has explained its reasons to the Board and in what manner and, if not explained in writing to the complete Board, give below, as a minimum, the reasons it has given:

YES

Name of the Director

CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIAN

Reasons for its cessation

Strategic decision on the part of the shareholder, CAJA DE AHORROS DE GIPÚZKOA Y SAN SEBASTIAN (KUTXA), to directly appoint a physical person (Mr. Iñaki Arratibel Olaziregi) as Domanial Director, to represent such shareholder. This decision was personally explained by the shareholder's legal representative to the Company's Board of Directors.

Name of the Director

GSS III HURRICANE BV

Reasons for its cessation

Reasons of a strategic nature of the group to which the shareholder belongs. The notification of cessation was made by the Director by means of a letter addressed to the Chairman who informed the Board accordingly.

B.1.6 Indicate, when applicable, the powers delegated to the Managing Director(s):

Name or Company Name of the Director

MR. GABRIELE BURGIO

Brief description

ALL THE POWERS THAT CORRESPOND TO THE BOARD OF DIRECTORS,
EXCEPT THOSE THAT BY VIRTUE OF THE LAW OR THE ARTICLES OF
ASSOCIATION CANNOT BE DELEGATED

B.1.7 Identify, when applicable, the members of the Board who hold offices of director or manager in other companies that form part of the listed company's group:

Name of Company Name of the Director	Name of the Group Company	Office
MR. GABRIELE BURGO	GRUPO FINANCIERO DE INTER-MEDIACIÓN Y ESTUDIOS, S.A.	INDIVIDUAL REPRESENTING THE SOLE ADMINISTRATOR OF NH HOTELES, S.A.
MR. GABRIELE BURGIO	KRASNAPOLSKY HOTELS & RESTAURANTS, BV	MEMBER OF THE SUPERVISORY BOARD
MR. GABRIELE BURGIO	NACIONAL HISPANA HOTELES SRL DE CV	DIRECTOR
MR. GABRIELE BURGIO	NH DOMO. DISEÑO Y DECORACIÓN, S.L.	JOINT ADMINISTRATOR
MR. GABRIELE BURGIO	SOTOGRADE, S.A.	DIRECTOR
MR. GABRIELE BURGIO	GRANDE JOLLY, S.R.L.	CHAIRMAN-MANAGING DIRECTOR
MR. GABRIELE BURGIO	NH HOTELES PARTICIPATIES, N.V.	CHAIRMAN AND DIRECTOR
MR. GABRIELE BURGIO	NH ITALIA, S.R.L.	CHAIRMAN AND DIRECTOR
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	LOS ALCORNOQUES DE SOTOGRADE, S.L.	DIRECTOR
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	RESIDENCIAL MARLIN, S.L.	DIRECTOR
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	SOTOGRADE, S.A.	CHAIRMAN AND DIRECTOR
MR. ALFONSO MERRY DEL VAL GRACIE	KRASNAPOLSKY HOTELS & RESTAURANTS, BV	MEMBER OF THE SUPERVISORY BOARD

B.1.8 Indicate, when applicable, the company's Directors that are members of the Board of Directors of other companies listed on official securities markets in Spain other than those of its group that have been notified to the company:

Name or Company Name of the Director	Name of the Listed Company	Office
MR. GABRIELE BURGIO	GRUPO FERROVIAL, S.A.	DIRECTOR
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	ARCALIA PATRIMONIOS SOCIEDAD DE VALORES, SA	DIRECTOR
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	BANCAJA EMISIONES, S.A.	CHAIRMAN
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	BANCAJA CAPITAL, S.A.	CHAIRMAN
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	BANCO DE VALENCIA, S.A.	CHAIRMAN
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	ENAGAS, S.A.	VICE-CHAIRMAN
MR. MIGUEL RODRÍGUEZ DOMÍNGUEZ	COMPAÑÍA ESPAÑOLA PARA LA FABRICACIÓN MECÁNICA DEL VIDRIO, SA	DIRECTOR
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	MECALUX, S.A.	DIRECTOR

B.1.9 Indicate and, when appropriate, explain whether the company has established rules on the number of Boards of which its Directors can form part:

YES

Explanation of the Rules
<p>Clause 29 of the Rules of the Board of Directors expressly establishes that the Directors must devote the necessary time and effort to their office so as to perform it efficiently, having the duty of informing the Compensation and Nominating Committee of any circumstances that may interfere with the dedication required of them. In this same connection, the Directors may not belong to more than 10 Boards of Directors excluding the Board of NH Hoteles, S.A. or that of companies of a family or capital resources type, except with the express authorization of the Compensation and Nominating Committee, based on the circumstances that exist in each case.</p>

B.1.10 In connection with recommendation number 8 of the Unified Code, indicate the company's general policies and strategies of which approval is the responsibility of the Board of Directors in a plenary meeting:

The investments and financing policy	YES
Definition of the structure of the group of companies	YES
Corporate governance policy	YES
Corporate business liability policy	YES
Strategic or business plan, and management and annual budget targets	YES
Top management performance evaluation and remuneration policy	YES
Risk management and control policy and the regular monitoring of internal information and control systems	YES
Dividend and company stock policy and, in particular, their limits	YES

B.1.11 Complete the following charts relating to Directors' aggregate remuneration accrued during the financial year:

a) In the company to which this report refers:

Remuneration Item	Figures in thousands of euros
Fixed remuneration	763
Variable remuneration	180
Per diem allowance	88
Statutory allowances	472
Options on shares and/or other financial instruments	438
Other	386

Total	2,327
--------------	-------

Other Benefits	Figures in thousands of euros
Advances	0
Loans granted	8,305
Pension Plans and Funds: Contributions	0

Other Benefits	Figures in thousands of euros
Pension Plans and Funds: Accepted liabilities	0
Life insurance premiums	32
Guarantees established by the company in favour of its Directors	0

b) For the membership of the company's Directors of other Boards of Directors and/or the top management of group companies:

Remuneration Item	Figures in thousands of euros
Fixed remuneration	0
Variable remuneration	0
Per diem allowance	2
Statutory allowances	133
Options on shares and/or other financial instruments	0
Other	0

Total	135
--------------	-----

Other Benefits	Figures in thousands of euros
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	0
Pension Plans and Funds: Accepted liabilities	0
Life insurance premiums	0
Guarantees established by the company in favour of its Directors	0

c) Total remuneration by type of Director:

Type of Director	By Company	By Group
Executive Directors	1,818	17
Outside Domanial Directors	250	8
Outside Independent Directors	259	110
Other Outside Directors	0	0
Total	2,327	135

d) In respect of the benefit attributed to the holding company

Total remuneration of Directors (in thousands of euros)	2,462
Total remuneration of Directors as a percentage of the profit attributed to the holding company	9.2

B.1.12 Identify the members of the top management who are not at the same time executive Directors and indicate the total remuneration accrued in their favour during the financial year:

Name or Company Name	Office
MR. JESUS IGNACIO ARANGUREN GONZALEZ-TARRÍO	GENERAL DIRECTOR OF CORPORATE INVEST- MENTS AND STRATEGY
MR. ROBERTO CHOLLET IBARRA	ECONOMIC-FINANCIAL GENERAL DIRECTOR
MR. LEOPOLDO GONZÁLEZ-ECHENIQUE CASTELLANOS DE UBAO	GENERAL SECRETARY
MR. FRANCISCO ALEJANDRO ZINSER CIESLIK	GENERAL DIRECTOR OF OPERATIONS
MR. IGNACIO DÍAZ LÓPEZ	INTERNAL AUDIT CORPORATE DIRECTOR
MR. JUAN DE MORA NARVÁEZ	HUMAN RESOURCES CORPORATE DIRECTOR

Total remuneration of top management (in thousands of euros)	2,988
---	-------

B.1.13 Identify, in an aggregate way, whether or not guarantee or reinforcement clauses exist for the case of dismissal or changes in control in favour of members of top management, including the executive Directors, of the company or its group. Indicate whether or not these contracts have been notified to and/or approved by the bodies of the company or its group:

Number of beneficiaries	6
--------------------------------	---

	Board of Directors	General Meeting of Shareholders
Body authorizing the clauses	YES	NO

Is the General Meeting of Shareholders informed of the clauses?	NO
--	----

B.1.14 Indicate the process for establishing the remuneration of the Board of Directors' members and the relevant statutory clauses that refer to this aspect.

Process for establishing the remuneration of the Board of Directors' members and the statutory clauses
<p>Clause 35 of the Rules of the Board of Directors establishes that the Board of Directors shall have the right to receive the remuneration established by the Board of Directors in accordance with the legal and statutory provisions and subject to the prior study and report of the Compensation and Nominating Committee.</p> <p>Article 20 of the Articles of Association establishes that Directors' remuneration shall consist of an annual payment and a per diem allowance for attendance at the meetings of the Board of Directors and its representative and advisory Committees. The amount of the remuneration which the Company can pay to its Directors overall, for both concepts, shall be equivalent to three per cent of the net profit obtained by the Consolidated Group during the immediately previous financial year. The establishment of the exact amount to be paid within that limit and its distribution amongst the various Directors corresponds to the Board of Directors.</p> <p>Moreover, and regardless of the remuneration contemplated in the foregoing paragraph, the establishment of remuneration systems indexed to the shares' quoted value or which include the handing over of shares or share option rights, for the Directors, has been envisaged. The application of such remuneration systems must be agreed by the General Meeting of Shareholders, which shall establish the value of the shares for indexing purposes, the number of options, the price at which the share option rights can be exercised, the term of this remuneration system and any other conditions it may deem appropriate. Likewise, and subject to fulfilment of the legal requirements, similar remuneration systems can be established for the Company's management and non-management personnel.</p> <p>The remuneration envisaged in the foregoing paragraphs resulting from membership of the Board of Directors shall be compatible with any other professional and labour remuneration that may correspond to the Directors for any other executive or advisory functions they may carry out for the Company apart from those of supervision and decision as a body that correspond to them in their capacity as Directors, which shall be subject to the legal regime that may apply.</p> <p>In addition, it should be stated that each year the Board of Directors draws up a report on the Director remuneration policy, the content of which is made known to the General Meeting.</p>

Indicate if the Board in a plenary meeting has reserved for itself the following decisions:

At the proposal of the company's chief executive officer, the appointment and possible removal of top management and the clauses of their severance pay	YES
Directors' remuneration and, in the case of executive Directors, the additional remuneration for their executive functions and all other conditions with which their contracts must comply	YES

B.1.15 Indicate whether the Board of Directors approves a detailed remuneration policy and specify the questions on which it delivers judgment:

YES

Amount of the fixed items, with breakdown, when applicable, of per diem allowances for their participation on the Board and its Committees and an estimation of the fixed annual remuneration to which they give rise	YES
Variable remuneration items	YES
Main characteristics of the social welfare systems, with an estimation of their amount or equivalent annual cost	YES
Conditions with which the contracts of the persons performing top management functions and of the executive Directors must comply	YES

B.1.16 Indicate whether the Board of Directors puts to the vote of the General Meeting of Shareholders, as a separate item on the Agenda and for consultation purposes, a report on the Directors' remuneration policy. If so, explain the aspects of the report relating to the remuneration policy approved by the Board for future years, the most important changes in such policies with respect to that applied during the financial year and an overall summary of how the remuneration policy was applied in the financial year. Give details of the role performed by the Compensation and Nominating Committee and whether external consultants have been used and the identity of the external consultants rendering this service:

NO

Questions on which the Remuneration Policy delivers judgment
The Board of Directors approves a Report on the Remuneration Policy of the Board of Directors' members with the content established in Recommendation 40, which is made available to the shareholders on the occasion of the General Meeting of Shareholders.
Role performed by the Compensation and Nominating Committee
The Compensation and Nominating Committee performs an important role in all matters relating to remuneration policies, whether of the Company's Directors or its top management, being the body which proposes the aforesaid remuneration to the Board of Directors.

Have external consultants been used?	
---	--

B.1.17 Indicate, when applicable, the identity of the Board of Directors' members who at the same time are members of the Board of Directors, managers or employees of companies with important stakes in the listed company and/or in the companies of its group:

Give details, when applicable, of the relevant relationships, other than those contemplated in the foregoing heading, of the Board of Directors' members that tie them to important shareholders and/or in companies of its group:

B.1.18 Indicate whether there have been changes in the rules of the Board of Directors during the financial year:

YES

Description of the Changes
On 22 April 2008, the Board of Directors adopted the resolution to amend Articles 21.1, 21.2, 21.5, 26 b) 1 and 29 of the Rules of the Board of Directors for the purpose of adapting them to the Unified Good Governance Code, in respect of which it informed the Ordinary General Meeting of Shareholders held on 17 June 2008.

B.1.19 Indicate the appointment, re-election, evaluation and removal procedures of Directors. Give details of the competent bodies, the steps to be taken and the criteria to be adopted in each one of the procedures.

Procedure for selecting the Board's members

Directors shall be nominated by the General Meeting or, on a provisional basis, by the Board of Directors, pursuant to the provisions of Spain's Law of Public Limited Companies and the Articles of Association.

Proposals for the appointment of Directors submitted by the Board of Directors to the consideration of the General Meeting and the appointment resolutions adopted by such body by virtue of the co-option powers legally attributed to it must comply with the provisions of the Rules of the Board of Directors and, in the case of independent Directors, at the proposal of the Compensation and Nominating Committee and, in the case of all other Directors, it must be preceded by the corresponding non-binding report of the Compensation and Nominating Committee.

1. Appointment of Outside Directors

The Rules of the Board of Directors make a special reference to the nomination and appointment of outside Directors, given their particularity with respect to the executive Directors.

Within the scope of their respective competences, the Board of Directors and the Compensation and Nominating Committee shall endeavour to ensure that the election of candidates falls on persons of well-known worthiness, competence and experience, who are prepared to devote a sufficient part of their time to the Company, with particular care being taken in connection with the election of those persons called on to fill positions of independent Director.

The basic characteristics of the aforesaid outside Directors' nomination are described briefly:

1.1 Domanial Directors

Domanial Directors are deemed to be those who possess or represent a stake equal to or greater than that legally deemed to be important or which have been nominated by virtue of their condition of shareholders, even though their stake does not reach that amount.

For the purpose of this definition, it shall be assumed that a Director represents a shareholder when:

- a) It has been appointed in the exercise of the right of representation.
- b) It is a Director, top manager, employer or non-temporary provider of services to such shareholder or to companies belonging to its same Group.
- c) The conclusion can be drawn from the corporate documentation that the shareholder accepts that the Director has been designated by it or represents it.
- d) It is the spouse, a person tied by a similar relationship or a relation up to the second degree of kinship of an important shareholder.

2.2 Independent Directors

Independent Directors are deemed to be those who, nominated on the basis of their personal and professional conditions, can carry out their functions without being conditioned by links with the company, its important shareholders or its managers.

Under no circumstances can the following persons be classified as independent Directors:

- a) The executive Directors of or those who have been employed by the Group's companies, except when 5 or 3 years have elapsed, respectively, from the relation's termination.
- b) Those who receive from the Company or from its same Group any amount or benefit for a concept other than that of Director's remuneration, except when it is an insignificant amount.
For the purpose of the provisions of this section, neither dividends nor pension bonuses received by the Director by virtue of its previous professional or labour relation shall be taken into account, always provided that such payments are of an unconditional type and, consequently, the company that makes them cannot suspend, modify or revoke their accrual without incurring breach of its obligations.
- c) Those who are or, during the last 3 years, have been a partner of the external auditor or responsible for the audit report, whether this refers to the audit during such period of the listed Company or any other company in its Group.
- d) The executive Directors or top managers of another company in which one of the Company's executive Directors or top managers is an outside Director.
- e) Those who maintain or have maintained during the last year an important business relationship with the Company or with any company in its Group, whether on their own account or as an important shareholder, Director or top manager of a company that maintains or has maintained such a relationship.
Business relationships shall be deemed to be those of a provider of goods or services, including financial goods or services, that of consultant or adviser.
- f) They are important shareholders, executive Directors or top managers of an entity that receives or has received during the last 3 years important donations from the Company or its Group.
Persons who are merely patrons of a Foundation that receives donations shall not be deemed to be included in this section.
- g) The spouse, a person tied by a similar relationship or a relation up to the second degree of kinship of an executive Director or top manager of the Company.
- h) Those who have not been proposed, whether for appointment or renewal thereof, by the Compensation and Nominating Committee.
- i) Those who, in respect of a shareholder with an important stake or represented on the Board, are in one or other of the situations referred to in letters a), e), f) or g) of this section. In the case of the relationship of kinship referred to in letter g), the limitation shall apply not only to the shareholder but also in respect of the domanial Directors in the investee company.

The domainial Directors who lose that condition as a consequence of the sale of the stake by the shareholder they represented may only be re-elected as independent Directors when the shareholder they represented up to that moment has sold all its shares in the Company.

So as to establish a fair balance between both classes of outside Director, the Board of Directors shall respect the Company's ownership structure, so that the ratio between the two classes of Director reflects the ratio between the stable and floating capital.

2. Appointment of the Company's Chairman or Chief Executive Officer

The Executive Chairman or, by default, the Managing Director shall have the condition of Chief Executive Officer of the Company and, consequently, its appointment or renewal shall entail, when so agreed, the delegation of all the powers and competences of the Board that can legally be delegated, with the effective direction of the Company's business corresponding to it, always in accordance with the criteria and decisions of the General Meeting of Shareholders and of the Board of Directors.

The power to execute the resolutions of the Board of Directors or, when applicable, the Representative Committee corresponds to the Executive Chairman or, by default, the Managing Director, who represents such bodies on a permanent basis and with the widest powers, being able, in emergencies, to adopt the measures that it deems most appropriate for the Company's interests.

3. Appointment of the Vice-Chairman of the Board

The Board shall be able to elect from amongst its members one or more executive- or non-executive Vice-Chairmen who shall deputize for the Chairman, by delegation or in the latter's absence or sickness and, in general, in all those cases, functions or powers that the Board or the Chairman itself may deem appropriate.

The Chairman's deputization by one of the Vice-Chairmen shall take place in the person who, when applicable, has been entrusted with executive functions in the Company or, by default, the most senior of the Vice-Chairmen.

4. Appointment of Secretary of the Board

The appointment and removal from office of the Secretary shall be studied and reported on by the Compensation and Nominating Committee and approved by a plenary meeting of the Board of Directors.

5. Term of Office

Directors shall exercise their office for a three-year term.

However, Directors nominated by co-option shall exercise their office until the date of the next General Meeting of Shareholders.

The Director that completes its term of office or for whatsoever other reason ceases in the performance of its duties may not serve in another company with a similar or analogous corporate purpose to that of the Company or of any of the companies that form its Group for a period of two years.

If it deems it appropriate, the Board of Directors may release the outgoing Director from this obligation or reduce the period of its duration.

The Director re-election proposals that the Board of Directors decides to put to the General Meeting must comply with a formal preparation process, of which a report issued by the

Compensation and Nominating Committee, in which the quality of the work and dedication to office of the proposed Directors during their term of office is evaluated, must necessarily form a part.

The Compensation and Nominating Committee is the body responsible for reviewing the criteria that must be adopted for the Board of Director's composition and the selection of candidates.

Each year the Board, subject to the prior Report of the Compensation and Nominating Committee, has been evaluating the quality and efficiency of the working of the Board and its Committees and the performance of their functions by the Company's Chairman-Managing Director and Chief Executive Officer.

Termination of Directors

Directors terminate their office when the period for which they were appointed has elapsed or when the corresponding resolution is adopted by the General Meeting in the use of the powers legally conferred on it.

Members of the Board of Directors must place their office at the disposal of the Board of Directors and formalize the corresponding resignation in the following cases:

a) When they reach 70 years of age. Directors with executive functions shall terminate the performance thereof when they reach 65 years of age, although they may continue as Directors, if so determined by the Board itself.

In these cases, termination shall be made effective in the first Board Meeting to be held after the General Meeting of Shareholders that approves the accounts of the financial year in which the Director reaches the age limit.

b) When they terminate the executive post with which their appointment as Director was associated or when the reasons for their appointment have disappeared, it being understood that such circumstance exists in the case of a domanial Director when the Company or Company Group it represents ceases to hold an important stake in the Company's corporate capital or when, in the case of an independent Director, it takes up executive office in the Company or any of its subsidiary companies.

c) When they are involved in any of the cases of incapacity, disqualification, incompatibility or prohibition established by the prevailing legal provisions.

To this end, all persons who directly or indirectly have interests of whatsoever type or maintain a labour, professional, mercantile or any other type of relationship with competitors shall be deemed to be incompatible for holding the office of Director, except when the Board of Directors agrees to their dispensation with the vote in favour of at least 70% of its members.

d) When seriously reprimanded by the Compensation and Nominating Committee for not having fulfilled their obligations as Directors.

e) When their presence on the Board may negatively affect the credit or reputation enjoyed by the Company in the market or when in any other way they place its interests at risk.

B.1.20 Indicate the cases in which the Directors have the obligation of resigning

Directors terminate their office when the period for which they were appointed has elapsed or when the corresponding resolution is adopted by the General Meeting in the use of the powers legally conferred on it.

Members of the Board of Directors must place their office at the disposal of the Board of Directors and formalize the corresponding resignation in the following cases:

a) When they reach 70 years of age. Directors with executive functions shall terminate the performance thereof when they reach 65 years of age, although they may continue as Directors, if so determined by the Board itself.

In these cases, termination shall be made effective in the first Board Meeting to be held after the General Meeting of Shareholders that approves the accounts of the financial year in which the Director reaches the age limit.

b) When they terminate the executive post with which their appointment as Director was associated or when the reasons for their appointment have disappeared, it being understood that such circumstance exists in the case of a domanial Director when the Company or Company Group it represents ceases to hold an important stake in the Company's corporate capital or when, in the case of an independent Director, it takes up executive office in the Company or any of its subsidiary companies.

c) When they are involved in any of the cases of incapacity, disqualification, incompatibility or prohibition established by the prevailing legal provisions.

To this end, all persons who directly or indirectly have interests of whatsoever type or maintain a labour, professional, mercantile or any other type of relationship with competitors shall be deemed to be incompatible for holding the office of Director, except when the Board of Directors agrees to their dispensation with the vote in favour of at least 70% of its members.

d) When seriously reprimanded by the Compensation and Nominating Committee for not having fulfilled their obligations as Directors.

e) When their presence on the Board may negatively affect the credit or reputation enjoyed by the Company in the market or when in any other way they place its interests at risk.

B.1.21 Explain whether the function of the Company's Chief Executive Officer corresponds to the office of Chairman of the Board. If so, indicate the measures taken to limit the risk of accumulation of power in a single person:

YES

Measures to Limit Risks
<p>Clause 17 of the Rules of the Board of Directors establishes that the Executive Chairman shall have the condition of Chief Executive Officer of the Company [...], with the effective direction of the Company's business corresponding to it, always in accordance with the criteria and decisions of the Board of Directors and the General Meeting of Shareholders. Consequently, the Chairman's decisions shall always be subject to and controlled by the General Meeting of Shareholders and the Board of Directors. Similarly, all agreements and decisions of special importance for the Company must first be put to the Board of Directors or corresponding control Committee for approval. Moreover, the need exists to have the reports and proposals of the different Board Committees for the adoption of certain resolutions.</p> <p>In addition, the Rules of the Board of Directors (Clause 21.2) provide for the possibility of the Directors being able to request of the Chairman the inclusion of items on the Agenda and the Chairman has the obligation of including them when the request has been formulated not less than ten days in advance of the forecast date for holding the meeting and the pertinent documentation has been attached thereto for its transmission to all the other members of the Board.</p> <p>Lastly, it is expressly stated that when the Chairman of the Board is also the Company's Chief Executive Officer, the Board shall designate one of the independent Directors to co-ordinate and report the concerns of the outside Directors and to direct the Board's evaluation of its Chairman (Clause 21.5 of the Rules of the Board of Directors).</p>

Indicate and, when applicable, explain whether rules have been established that empower one of the independent Directors to request the calling of a Board meeting or the inclusion of new items on the Agenda, to co-ordinate and report on the concerns of the outside Directors and to direct the Board's evaluation of its Chairman.

YES

Explanation of the Rules
Clause 21 of the Rules of the Board of Directors establishes that the Directors may request of the Chairman the inclusion of items on the Agenda and the Chairman has the obligation of including them when the request has been formulated not less than ten days in advance of the forecast date for holding the meeting and the pertinent documentation has been attached thereto for its transmission to all the other members of the Board. Likewise, it is expressly stipulated that when the Chairman of the Board is also the Company's Chief Executive Officer, the Board shall designate one of the independent Directors to co-ordinate and report the concerns of the outside Directors and to direct the Board's evaluation of its Chairman.

B.1.22 Do reinforced majorities exist, other than those legally imposed, in any type of decision?

YES

Explain how resolutions are adopted by the Board of Directors indicating, at least, the minimum attendance quorum and the types of majority for adopting resolutions:

Description of the resolution:

Appointment of Directors who directly or indirectly have interests of whatsoever type or maintain labour, professional, mercantile or any other type of relationship with competitors

Quorum	%
Half plus one of the members of the Board of Directors	51.00

Type of Majority	%
70% of its members	70.00

Description of the resolution:

For any resolution, other than the foregoing

Quorum	%
Half plus one of the members of the Board of Directors	51.00

Type of Majority	%
Absolute majority of the attendants	51.00

B.1.23 Explain whether specific requirements exist, other than those relating to Directors, to be appointed Chairman.

NO

B.1.24 Indicate whether the Chairman has the casting vote:

YES

Matters on which there is a Casting Vote
Resolutions shall be adopted by an absolute majority of the Directors present or represented at the meeting and, in the case of a tie, the Chairman or Vice-Chairman standing in for it shall have the casting vote.

B.1.25 Indicate whether the Articles of Association or the Rules of the Board of Directors establish an age limit for Directors:

YES

Age Limit of Chairman	Age Limit of Managing Director	Age Limit of Directors
65	65	70

B.1.26 Indicate whether the Articles of Association or the Rules of the Board of Directors establish a limited term of office for independent Directors:

NO

Maximum number of years of office	0
-----------------------------------	---

B.1.27 In the case of the number of female Directors being zero or very low, explain the reasons and the initiatives adopted to correct this situation

Explanation of the Reasons and Initiatives
<p>At present there are no female Directors in the Board's composition although both the Board of Directors and the Compensation and Nominating Committee have the firm intention of taking action on the matter in accordance with the Recommendations of the Unified Code of Good Governance and the prevailing legal provisions, both as regards the text and the spirit thereof.</p> <p>In this connection, the function of ensuring that the selection procedure does not suffer from implicit biases that hinder the selection of female Directors and that women with the required professional profile are included on the list of candidates has been assigned to the Compensation and Nominating Committee (Clause 26.b of the Rules).</p>

In particular, indicate whether the Compensation and Nominating Committee has established procedures so as to ensure that the selection procedure does not suffer from implicit biases that hinder the selection of female Directors and deliberately seeks candidates that comply with the required profile:

YES

Indicate the Main Procedures
Clause 26.b) of the Rules expressly establishes that the Compensation and Nominating Committee shall have, inter alia, the function of reporting on proposals for the appointment and removal of Directors and Top Managers of the Company and its subsidiaries. In the provisioning of vacancies that may arise on the Board of Directors, the Compensation and Nominating Committee shall ensure that the selection procedure does not suffer from implicit biases that hinder the selection of female Directors and that women who comply with the required professional profile are included on the list of candidates.

B.1.28 Indicate whether formal processes exist for the delegation of votes in the Board of Directors. If so, briefly describe them.

Clause 22 of the Rules of the Board of Directors states that the Directors must attend Board Meetings personally or, when on exceptional occasions this is not possible, they shall endeavour to ensure that, as far as is possible, the representation granted in favour of another Board member includes the appropriate instructions. These delegations may be granted by letter or any other means that guarantees, in the Chairman's opinion, the representation's certainty and validity.

B.1.29 Indicate the number of meetings held by the Board of Directors during the financial year. Also indicate, when applicable, the number of times the Board has met without the Chairman's attendance:

Number of meetings of the Board	9
Number of Board meetings without the Chairman's attendance	0

Indicate the number of meetings of the Board's different Committees:

Number of meetings of the Executive or Representative Committee	3
Number of meetings of the Audit and Control Committee	8
Number of meetings of the Compensation and Nominating Committee	5
Number of meetings of the Nominating Committee	0
Number of meetings of the Compensation Committee	0

B.1.30 Indicate the number of meetings held by the Board of Directors during the financial year without the attendance of all its members. The calculation will include as non-attendances the representations made without specific instructions:

Number of non-attendances of Directors during the financial year	9
Number of non-attendances as % of total votes during the financial year	10.000

B.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for its approval are certified beforehand:

NO

Identify, when applicable, the person(s) who has/have certified the Company's individual and consolidated accounts for their formulation by the Board:

B.1.32 Explain, when they exist, the mechanisms established by the Board of Directors to avoid the individual and consolidated accounts formulated by it being presented at the General Meeting of Shareholders with qualifications in the audit report.

Clause 40.2 of the Rules of the Board of Directors establishes that the Board of Directors shall endeavour to formulate the final accounts in such a way that there is no cause for qualifying statements by the Auditors. Nevertheless, when the Board considers that it must maintain its criterion, it shall publicly explain the content and scope of the discrepancies.

B.1.33 Is the Secretary of the Board a Director?

NO

B.1.34 Explain the procedures for the appointment and removal of the Secretary of the Board, indicating whether its appointment and removal are studied and reported on by the Compensation and Nominating Committee and approved by a plenary meeting of the Board.

Appointment and Removal Procedure	
As established in Clause 19.4 of the Rules of the Board of Directors, the Secretary's appointment and removal from office must be studied and reported on by the Compensation and Nominating Committee and approved by a plenary meeting of the Board.	

Does the Compensation and Nominating Committee report on the appointment?	YES
Does the Compensation and Nominating Committee report on the removal from office?	YES
Does a plenary meeting of the Board approve the appointment?	YES
Does a plenary meeting of the Board approve the removal from office?	YES

Has the Secretary of the Board been specifically entrusted with ensuring compliance with the good governance recommendations?

YES

Comments
As laid down in Clause 19.3 of the Rules of the Board of Directors, the Secretary shall pay attention to the formal and material legality of the Board's actions and shall guarantee compliance with its rules of governance and procedures.

B.1.35 Indicate the mechanisms, when they exist, established by the company for safeguarding the independence of the auditors, financial analysts, investment banks and rating agencies.

The Board of Directors has established, through the Audit and Control Committee, a professional and stable relationship with the Company's internal financial Auditors, with strict respect for their independence. Accordingly, the Audit and Control Committee monitors any situations that may represent a risk for the Company's external Auditors and, in particular, it supervises the percentage the fees paid by the Company represent with respect to the auditing firm's total income. In this connection, Clause 25 b.6) lays down that it is the competence of the Audit and Control Committee, inter alia, "To maintain relations with the Auditors in order to receive information on those questions that may endanger their independence or any others relating to the auditing process, as well as to receive information and maintain with the Auditors those communications provided for in the audit legislation and technical auditing standards."

In addition, the Audit and Control Committee also monitors the independence and efficacy of the internal audit function, proposing the selection, appointment, re-election and cessation of the person responsible for the internal audit service. Similarly, it is responsible for proposing the Internal Audit Department's budget and receiving regular information on its activities in addition to verifying that top management take into account the conclusions and recommendations of its reports. At the same time, the Committee is responsible for supervising the integrity and preparation process of the financial information relating to the Company and, as and when applicable, the Group, verifying compliance with the requirements contained in the regulations, the adequate delimitation of consolidation and the correct application of the accounting criteria.

B.1.36 Indicate whether during the financial year the company has changed its external auditors. If so, identify the incoming and outgoing auditors:

NO

Outgoing Auditors	Incoming Auditors

In the event of disagreements with the outgoing auditors, explain the content thereof:

NO

B.1.37 Indicate whether the auditors carry out tasks for the company and/or its group other than those of the audit and, if so, state the amount of the fees received for such tasks and the percentage that they represent of the total fees invoiced to the company and/or its group:

YES

	Company	Group	Total
Amount of tasks other than the audit (thousands of euros)	212	418	630
Amount of tasks other than the audit as % of total amount invoiced by the Auditors	54.080	31.240	36.420

B.1.38 Indicate whether the previous financial year's financial accounts audit report contains reservations or qualifications. If so, indicate the reasons given by the Chairman of the Audit and Control Committee to explain the content and scope of these reservations or qualifications.

NO

B.1.39 Indicate the number of years the current firm of auditors has been carrying out the audit of the annual accounts of the company and/or its group without interruption. Also indicate the number of years audited by the current firm as a percentage of the total number of years in which the annual accounts have been audited:

	Company	Group
Number of years without interruption	7	7

	Company	Group
Number of years audited by the current firm of auditors as a % of the number of years the company has been audited	31.8	31.8

B.1.40 Indicate the stakes of members of the company's Board of Directors in the capital of entities with the same, a similar or supplementary type of activity to that of the corporate purpose, both of the company and of its group, that have been notified to the company. Also indicate the offices or functions they exercise in these companies:

Name or Company Name of the Director	Name of the Target Company	% Stake	Office or Functions
MR. GABRIELE BURGIO	MOLA 15, S.L.	10.000	NONE
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	PROMOCARCANO, S.A.	8.400	NONE

Name or Company Name of the Director	Name of the Target Company	% Stake	Office or Functions
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	HOTEL BARCELONA GOLF, S.A.	16.800	NONE
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	HOTEL ALAMEDA VALENCIA, S.L.	100.000	NONE
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	GRAN HOTEL XIRIVELLA, S.L. SINGLE SHAREHOLDER COMPANY	100.000	NONE
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	PLAYA HOTELS RESORTS, S.L.	6.630	NONE
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	PROHORESA	29.930	NONE

B.1.41 Indicate whether a procedure exists by which the Directors can count on external advice and, if so, explain in detail:

YES

Details of the Procedure
<p>Clause 28 of the Rules of the Board of Directors expressly states that for the purpose of being assisted in the discharge of their duties, the Directors can request the hiring of legal, accounting, financial or other experts. The request must necessarily be made in connection with specific problems of a certain degree of importance or complexity that may be encountered when discharging their duties. The decision to hire these services must be notified to the Company's Chairman and will be implemented through the Secretary of the Board, except when the Board of Directors considers that such hire is unnecessary or inappropriate.</p>

B.1.42 Indicate whether a procedure exists by which the Directors can count on the necessary information to prepare the meetings of the administrative bodies in sufficient time and, if so, explain in detail:

YES

Details of the Procedure
<p>Clause 27 of the Rules of the Board of Directors reflects the information rights and duties of the Board of Directors' members. In this connection, it states that it is the right and obligation of all the Directors to gather as much information as may be necessary or appropriate at any given moment for the good discharge of their duties.</p> <p>To this end, Directors have the widest powers to be informed of all aspects of the Company, to examine its books, records, documents and other background information of the corporate transactions to the extent that it is necessary or appropriate for the due exercise of their office.</p> <p>This information right also relates to the different subsidiary companies that make up the consolidated Group and must always be exercised pursuant to the requirements of good faith.</p>

B.1.43 Indicate whether the company has established rules that oblige the Directors to report and, when applicable, resign in those cases that may be detrimental to the company's credit and reputation and, if so, explain in detail:

YES

Explain the Rules
<p>Clause 14.2 e) of the Rules of the Board of Directors of NH Hoteles, S.A. expressly establishes that the Directors must submit their resignation "when their presence on the Board may negatively affect the credit or reputation enjoyed by the Company in the market or in any other way place its interests at risk".</p> <p>Similarly, it is also established that persons involved in any of the cases of incapacity, disqualification, prohibition or incompatibility established in the prevailing legal provisions may not be proposed for appointment as Director.</p>

B.1.44 Indicate whether a member of the Board of Directors has informed the company that it has been prosecuted or that an order has been issued for the commencement of hearing for any of the offences indicated in Section 124 of the Law of Public Limited Companies:

NO

Indicate whether the Board of Directors has analysed the case. If the answer is affirmative, explain with reasons the decision taken as to whether or not it is appropriate for the Director to continue in office.

NO

Decision Taken	Reasoned Explanation

B.2 Board of Directors' Committees

B.2.1 Give details of all the Board of Directors' Committees and their members:

EXECUTIVE OR REPRESENTATIVE COMMITTEE

Name	Office	Type
MR. GABRIELE BURGIO	CHAIRMAN	EXECUTIVE
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	MEMBER	DOMANIAL

Name	Office	Type
MR. JULIO C. DIAZ-FREIJO CERECEDO	MEMBER	DOMANIAL
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	MEMBER	INDEPENDENT
MR. RAMON BLANCO BALIN	MEMBER	INDEPENDENT
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	MEMBER	DOMANIAL

AUDIT AND CONTROL COMMITTEE

Name	Office	Type
MR. RAMON BLANCO BALIN	CHAIRMAN	INDEPENDENT
HOTELES PARTICIPADOS, S.L.	MEMBER	DOMANIAL
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	MEMBER	DOMANIAL

COMPENSATION AND NOMINATING COMMITTEE

Name	Office	Type
MR. JOSE DE NADAL CAPARÁ	CHAIRMAN	INDEPENDENT
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	MEMBER	INDEPENDENT
MR. MIGUEL RODRÍGUEZ DOMÍNGUEZ	MEMBER	INDEPENDENT

B.2.2 Indicate whether the following functions correspond to the Audit Committee:

To supervise the integrity and preparation process of the financial information relating to the company and, when applicable, the group, verifying compliance with the requirements contained in the regulations, the adequate delimitation of consolidation and the correct application of the accounting criteria	YES
To regularly review the internal control and risk management systems so that the main risks are adequately identified, managed and made known	YES
To monitor the independence and efficacy of the internal audit function, proposing the selection, appointment, re-election and cessation of the person responsible for the internal audit service; to propose the service's budget; to receive regular information on its activities; and to verify that top management take into account the conclusions and recommendations of its reports	YES
To establish and supervise a mechanism that allows employees to report	

confidentially and, if considered appropriate, anonymously any irregularities of potential importance, particularly financial and accounting, they may observe within the company	YES
To put to the Board of Directors proposals for the selection, appointment, re-election and replacement of the external auditors and the conditions of their hire	YES
To receive from the external auditors regular information on the audit plan and the results of its execution, and to verify that top management take into account its recommendations	YES
To guarantee the external auditors' independence	YES
In the case of groups, to encourage the group's auditors to accept responsibility for the audits of the companies of which it is made up	YES

B.2.3 Give a brief description of the organization and working rules and the responsibilities attributed to each one of the Board's Committees.

Committee Name

COMPENSATION AND NOMINATING COMMITTEE

Brief Description

a) Composition

The Compensation and Nominating Committee shall be made up of a minimum of three and a maximum of five Directors. All the Committee's members must be non-executive Directors and the majority of its members must be independent Directors.

The Chairman of the Compensation and Nominating Committee must be an independent Director and appointed by the Committee itself from amongst its members.

b) Competences

Without prejudice to any other tasks that the Board of Directors may assign to it, the Compensation and Nominating Committee shall have the following competences:

- To report on appointment and cessation proposals for the Directors and top managers of the Company and its subsidiaries. When provisioning the vacancies that may arise on the Board of Directors, the Compensation and Nominating Committee shall ensure that the selection procedure does not suffer from implicit biases that hinder the selection of female Directors and so that women who comply with the required professional profile are included on the list of potential candidates.
- To approve the remuneration scales of the Company's Top Managers.
- To approve Top Managers' draft contracts of employment.
- To establish the remuneration regime of the Chairman and, when applicable, the Managing Director.
- To examine and organize, in the manner deemed to be adequate, the succession of the Chairman and the Chief Executive Officer and, when applicable, to make proposals to the Board, so that such succession is carried out in an orderly and well-planned way.
- To propose to the Board of Directors the remuneration regime of Directors and to review it on a regular basis in order to ensure its adaptation to the tasks performed by the Directors, in accordance with the provisions of Clause 35 of the Rules.

- To study and report on incentive plans.
- To carry out an annual review of the remuneration policy of Directors and Top Managers.
- To study and report on appointment proposals for members of the Representative Committee and all other Board of Directors' Committees.
- To prepare and keep a record of the situation of the Company's Directors and Top Managers; and
- To exercise those other competences assigned to the Committee in the Rules.

The Compensation and Nominating Committee shall inform the Board of Directors of all the actions carried out by it, in the first meeting to be held by the latter and, at any event, shall make available to it all the corresponding documentation, so that it has knowledge of such actions for the exercise of its powers.

c) Working

The Compensation and Nominating Committee shall meet as many times as this is deemed appropriate by the Chairman or it is requested by two of its members or the Board of Directors.

Committee Name

EXECUTIVE OR REPRESENTATIVE COMMITTEE

Brief Description

a) Composition

The Representative Committee shall be made up of the Chairman of the Board and a number of members of not less than three nor greater than nine Directors, appointed by the Board of Directors.

In the Representative Committee's qualitative composition, the Board shall endeavour to ensure that the participation structure of the different types of Director is similar to that of the Board itself and its Secretary shall be that of the Board.

The appointment or renewal of Representative Committee members shall require the vote in favour of at least two-thirds of the Board of Directors for it to be valid.

b) Working

The Representative Committee shall meet as many times as it is called by its Chairman. The Chairman and Secretary of the Representative Committee shall be the persons who hold these same offices on the Board of Directors; similarly, one or several Vice-Chairmen and a Vice-Secretary may be appointed. The Representative Committee shall be deemed to be validly constituted when half plus one of its members are present or represented at the meeting.

Resolutions shall be adopted by a majority of the attendant Directors (present or represented) at the meeting and, in the event of a tie, the Chairman shall have the casting vote.

c) Relationship with the Board of Directors

The Representative Committee must keep the Board duly informed of all matters discussed and of the resolutions adopted in its meetings.

Committee Name

AUDIT AND CONTROL COMMITTEE

Brief Description

a) Composition

The Audit and Control Committee shall be made up of a minimum of three and a maximum of five Directors appointed by the Board of Directors. All the members of this Committee must be outside or non-executive Directors.

The members of the Audit and Control Committee and, in particular, its Chairman shall be appointed taking into account their experience and knowledge of accounts, audits and risk management.

The Chairman of the Audit and Control Committee must be an independent Director appointed from amongst its non-executive members and must be replaced every four years, being able to stand for election once a period of one year has elapsed since its termination of office.

b) Competences

Without prejudice to any other task that the Board of Directors may assign to it, the Audit and Control Committee's main function shall be to act as support for the Board of Directors in its supervisory functions and, in particular, it shall have the following competences, as a minimum:

- To report, through its Chairman, in the General Meeting of Shareholders on those questions that may be raised by shareholders on subjects within the Committee's competences.
- To propose to the Board of Directors, for submission to the General Meeting of Shareholders, the appointment of Auditors as referred to in Section 204 of the Law of Public Limited Companies and, when applicable, the terms and conditions of their hire, the scope of their professional mandate and the revocation or renewal of their appointment.
- To monitor the independence and efficacy of the internal audit function, proposing the selection, appointment, re-election and cessation of the person responsible for the internal audit service; to propose this service's budget; to receive regular information on its activities; and to verify that top management take into account the conclusions and recommendations of its reports.
- To supervise the integrity and preparation process of the financial information relating to the Company and, as and when applicable, the Group, verifying compliance with the requirements contained in the regulations, the adequate delimitation of consolidation and the correct application of the accounting criteria.
- To establish and supervise a mechanism that allows employees to report confidentially and, if considered appropriate, anonymously any irregularities of potential importance, particularly financial and accounting, they may observe within the Company.
- To maintain relations with the Auditors in order to receive information on those questions that may endanger their independence or any others relating to the auditing process, as well as to receive information and maintain with the Auditors those communications provided for in the audit legislation and technical auditing standards.
- To supervise compliance with the Internal Code of Conduct and the Rules of Corporate Governance.
- To report to the Board of Directors, prior to the latter's adoption of the corresponding resolutions, with the financial information which, owing to its condition as a listed company, the Company must publish on a regular basis.
- To report to the Board of Directors on all aspects of linked operations, understanding by such those defined by the prevailing Law of Public Limited Companies (Section 127 three of the LSA).
- To report to the Board of Directors on the creation or acquisition of stakes in entities with a special purpose or registered in countries or territories classified as tax havens, in addition to any other transactions or operations of a similar nature which, due to their complexity, may harm the Group's transparency, and
- To exercise all other competences assigned to the Committee in these Rules or that may be assigned to it by the Board of Directors.

c) Working

The Audit and Control Committee shall meet at least once every quarter or as many times as may be appropriate, subject to notice of meeting by its Chairman, at its own decision or in response to a request from two of its members or the Board of Directors.

The Audit and Control Committee may demand the attendance at its meetings of any Company employee or manager and of the Company's Auditors.

B.2.4. Indicate the advisory and consultation powers and, when applicable, the powers of delegation of each one of the Committees:

Committee Name

COMPENSATION AND NOMINATING COMMITTEE

Brief Description

To report on appointment proposals for the Directors and Top Managers of the Company and its subsidiaries; in the provisioning of vacancies that may arise on the Board of Directors, the Compensation and Nominating Committee shall ensure that the selection procedure does not suffer from implicit biases that hinder the selection of female Directors and that women who comply with the required professional profile are included on the list of candidates; to approve the remuneration scales of the Company's Top Managers; to approve Top Managers' draft contracts of employment; to establish the remuneration regime of the Chairman and, when applicable, the Managing Director; to examine and organize, in the manner deemed to be adequate, the succession of the Chairman and the Chief Executive Officer and, when applicable, to make proposals to the Board, so that such succession is carried out in an orderly and well-planned way; to propose to the Board of Directors the remuneration regime of Directors and to review it on a regular basis in order to ensure its adaptation to the tasks performed by the Directors, in accordance with the provisions of Clause 35 of the Rules; to study and report on incentive plans; to carry out an annual review of the remuneration policy of Directors and Top Managers; to study and report on appointment proposals for members of the Representative Committee and all other Board of Directors' Committees; to prepare and keep a record of the situation of the Company's Directors and Top Managers; and to exercise those other competences assigned to the Committee in the Rules.

Committee Name

EXECUTIVE OR REPRESENTATIVE COMMITTEE

Brief Description

Decision capacity of a general scope and, consequently, with express delegation of all the powers that correspond to the Board of Directors, with the exception of those that by virtue of the law or the Articles of Association cannot be delegated. In addition, the Board of Directors may entrust other functions to the Representative Committee.

Committee Name

AUDIT AND CONTROL COMMITTEE

Brief Description

Its main function will be to act as support for the Board of Directors in its supervisory functions, having for this all the powers granted to it by virtue of the LSA, the Articles of Association, and the Rules of the Board of Directors on the subject of audit and control

B.2.5 Indicate, when applicable, the existence of regulations of the Board's Committees, the place where they are available for consultation and the amendments made during the financial year. In turn, please indicate if a voluntary annual report has been drawn up on each Committee's activities.

Committee Name

COMPENSATION AND NOMINATING COMMITTEE

Brief Description

The Rules of the Board of Directors include all the details of the regulations relating to the composition, working and competences of the Compensation and Nominating Committee (Clause 26 of the Rules)

The aforesaid Rules are available at all times on the NH Hoteles, S.A. web.

On 23 January 2007 the Board of Directors approved a new text of the Rules of the Board of Directors, mainly for the purpose of including the Recommendations contained in the Unified Good Governance Code, which also affected the Compensation and Nominating Committee's working and competences.

Subsequently, on 22 April 2008, the text of the Rules was again partially amended for the purpose of adapting its wording to the Conthe Code. These amendments include the introduction of a new paragraph in Clause 26 b) 1, which expressly refers to the Compensation and Nominating Committee's competence to ensure that the selection procedure does not suffer from implicit biases that hinder the selection of female Directors and that women who comply with the required professional profile are included on the list of candidates.

In addition, reports on the activities of the Audit and Control Committee and the Compensation and Nominating Committee are being approved each year.

Committee Name

EXECUTIVE OR REPRESENTATIVE COMMITTEE

Brief Description

The regulation relating to the composition, working and competences of the Representative Committee is expressly included in Clauses 23 and 24 of the Rules of the Board of Directors. These Rules can be consulted at any time in the Shareholders' Information section of the NH Hoteles, S.A. web.

On 23 January 2007 the Board of Directors approved a new text of the Rules of the Board of Directors, mainly for the purpose of including the Recommendations contained in the Unified Good Governance Code. No amendments affecting the Representative Committee's regulation and working were approved during the 2008 financial year.

Committee Name

AUDIT AND CONTROL COMMITTEE

Brief Description

Clause 25 of the Rules of the Board of Directors regulates all aspects of the composition, working and competences of the Audit and Control Committee.

These Rules are published in the Shareholders' Information section of the NH Hoteles, S.A. web at www.nh-hotels.com.

On 23 January 2007 the Board of Directors approved a new text of the Rules of the Board of Directors for the purpose of adapting it to the Recommendations contained in the Unified Good Governance Code. These adaptations also included the amendment of Clause 25, the text of which is a true and fair reflection of the Recommendations contained in the Unified Good Governance Code relating to the Audit and Control Committee's composition, working and competences. No new amendments affecting the Committee's regulation were introduced during the last financial year.

In addition, reports on the activities of the Audit and Control Committee are being approved each year.

B.2.6 Indicate whether the Executive Committee's composition reflects the participation on the Board of the different Directors depending on their condition:

YES

C – LINKED OPERATIONS

C.1 Indicate whether the plenary meeting of the Board is responsible for approving, subject to the favourable report of the Audit and Control Committee or any other to which this function may have been entrusted, the operations which the Company carries out with Directors, important shareholders or shareholders represented on the Board, or with persons tied to them:

YES

C.2 Provide details of relevant operations involving a transfer of resources or liabilities between the Company or its Group Companies and the Company's important shareholders:

Name or Company Name of the Important Shareholder	Name of the Company or Group Company	Nature of the Relationship	Type of Operation	Amount (thousands of euros)
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	NH HOTELES, S.A.	CONTRACTUAL	Financing, loan and capital contr. agreements (loanee)	54,564
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	NH FINANCE, S.A.	CONTRACTUAL	Financing, loan and capital contr. agreements (loanee)	15,000
PONTEGADEA INVERSIONES, S.L.	NH HOTEL RALLYE PORTUGAL LTD.	CONTRACTUAL	Leases	863
PONTEGADEA INVERSIONES, S.L.	NH HOTELES, S.A.	CONTRACTUAL	Leases	5,294
PONTEGADEA INVERSIONES, S.L.	NH NUMANCIA, S.A.	CONTRACTUAL	Leases	912
PONTEGADEA INVERSIONES, S.L.	NH PAMPLONA, S.A.	CONTRACTUAL	Leases	2,518
CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGON Y RIOJA (IBERCAJA)	NH FINANCE, S.A.	CONTRACTUAL	Financing, loan and capital contr. agreements (loanee)	3,500
INTESA SANPAOLO, S.P.A.	GRANDE JOLLY, S.R.L.	CONTRACTUAL	Financing, loan and capital contr. agreements (loanee)	31,916

Name or Company Name of the Important Shareholder	Name of the Company or Group Company	Nature of the Relationship	Type of Operation	Amount (thousands of euros)
INTESA SANPAOLO, S.P.A.	JOLLY HOTEL HOLLAND NV	CONTRACTUAL	Financing, loan and capital contr. agreements (loanee)	6,875
INTESA SANPAOLO, S.P.A.	JOLLY HOTELS USA, INC.	CONTRACTUAL	Financing, loan and capital contr. agreements (loanee)	4,880

C.3 Give details of important operations involving a transfer of resources or liabilities between the company or its group companies and the company's directors or managers:

Name or Company Name of the Directors or Managers	Name of the Company or Group Company	Nature of the Operation	Type of Operation	Amount (thousands of euros)
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	NH FINANCE, S.A.	CONTRACTUAL	Financing, loan and capital contr. agreements (loanee)	25,000
MR. GABRIELE BURGIO	NH HOTELES, S.A.	CONTRACTUAL	Financing, loan and capital contr. agreements (lender)	8,305
HOTELES PARTICIPADOS, S.L.	NH FINANCE, S.A.	CONTRACTUAL	Financing, loan and capital contr. agreements (loanee)	12,500
HOTELES PARTICIPADOS, S.L.	NH FINANCE, S.A.	CONTRACTUAL	Finance, loan and capital contr. agreements (loanee)	7,500

Name or Company Name of the Directors or Managers	Name of the Company or Group Company	Nature of the Operation	Type of Operation	Amount (thousands of euros)
MR. JESUS IGNACIO ARANGUREN GONZALEZ-TARRÍO	NH HOTELES, S.A.	CONTRACTUAL	Financing agreements: credits and capital con- tributions (lender)	3,437
MR. ROBERTO CHOLLET IBARRA	NH HOTELES, S.A.	CONTRACTUAL	Financing agreements: credits and capital con- tributions (lender)	2,578
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	NH FINANCE, S.A.	CONTRACTUAL	Financing agreements: credits and capital con- tributions (lender)	40,000
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	NH HOTELES, S.A.	CONTRACTUAL	Acquired commitments	50,028

C.4 Give details of the important operations carried out by the company with other of its group companies, always provided that the preparation of consolidated financial statements are not eliminated in the process and that they do not form part of the company's normal trading as regards their object and conditions:

Name of the Group Company
HARRINGTON HALL HOTEL LIMITED

Amount (thousands of euros)
2250

Brief description of the operation
LOAN

Name of the Group Company
LOS ALCORNOQUES DE SOTOGRADE, S.L.

Amount (thousands of euros)
5509

Brief description of the operation
LOAN

Name of the Group Company
RESIDENCIAL MARLIN, S.L.

Amount (thousands of euros)
9000

Brief description of the operation
LOAN

C.5 Indicate whether the members of the Board of Directors have found themselves during the financial year in a situation of conflict of interest, as provided for in Section 127 three of the LSA

NO

C.6 Give details of the mechanisms established to detect, determine and solve possible conflicts of interest between the company and/or its group and its directors, managers and important shareholders.

Clause 32 of the Rules of the Board of Directors establishes the mechanisms for detecting, determining and solving possible conflicts of interest between the Company and/or its Group and its Directors. The aforementioned Clause literally states that Directors shall act in the fulfilment of their duties with absolute loyalty to the Company's corporate interest.

To this end, the Directors must fulfil the following obligations and prohibitions:

a) Directors may not use the Company's name or invoke their condition of Director for the completion of transactions on their own account or on behalf of persons with whom they have ties.

b) No Director may carry out, for its own benefit or for persons with whom it has ties, investments or transactions linked to the Company's estate of which it has had knowledge on the occasion of the exercising of its office, when such operations have been offered to the Company or the latter is interested in them, except when the Company has rejected them without the Director's influence.

c) Directors may not avail themselves of the Company's assets or make use of their position in the Company in order to obtain material advantages, except when they have paid an adequate consideration.

If the advantage is received in their condition as partner, it will only be deemed fitting if the principle of equal treatment for shareholders is respected.

d) Directors must inform the Board of Directors of any direct or indirect situation of conflict that they may have with the Company's interests. In the case of conflict, the affected Director shall abstain from intervening in the operation to which the conflict refers.

e) Directors must abstain from participating in the votes that affect matters in which they or persons with whom they have ties have a direct or indirect interest.

f) No Director may carry out, whether directly or indirectly, professional or commercial operations or transactions with the Company or any of its Group companies, when such operations do not form part of the Company's ordinary trade or when they are not carried out in market conditions, except when it informs the Board of Directors in advance and the latter, subject to a study and report of the Compensation and Nominating Committee, approves the operation with the vote in favour of at least 80% of the Directors present or represented at the meeting.

g) Directors must communicate any stakes that they or persons with whom they have ties may hold in the capital of a company with the same, analogous or complementary type of activity to that which constitutes the Company's corporate purpose.

The Board of Directors, at the proposal of the Compensation and Nominating Committee, may prohibit the holding by the Directors of important offices in the competitors of the Company or any of its Group companies.

For the purpose of the provisions of the preceding point, persons with ties shall be deemed to be those persons referred to in Section 127 three 5 of the Law of Public Limited Companies.

Likewise, the Internal Code of Conduct establishes the general duties and obligations of loyalty that the Company's Directors and Top Managers have undertaken to maintain and that, in general terms, refer to conflicts of interest, rules of conduct in respect of insider information, diffusion of relevant information and transactions involving securities.

C.7 Is more than one Group Company listed in Spain?

YES

Identify the listed subsidiaries:

Listed Subsidiary
SOTOGRADE, S.A.

Indicate whether the respective areas of activity and possible business relations between them have been publicly and accurately defined, as well as those of the listed subsidiary with all the other group companies:

YES

Define possible business relations between the Parent Company and the listed Subsidiary and between the latter and all the other Group companies
Relations resulting from the existing management contracts between the companies

Identify the mechanisms envisaged for solving possible conflicts of interest between the listed subsidiary and all the other group companies:

Mechanisms for solving possible Conflicts of Interest
The mechanisms for solving possible conflicts of interest that may arise between NH Hoteles, S.A. and the listed subsidiary that forms part of its Group, Sotograde, S.A., are defined through the Audit and Control Committee of the respective companies, proposing the appropriate solutions, which are approved, when applicable, by each company's Board of Directors.

D – RISK CONTROL SYSTEMS

D.1 General description of the risk policy of the company and/or its group, with details and an evaluation of the risks covered by the system, together with a justification of these systems' adaptation to the profile of each type of risk.

The business Risk Control Systems of the activities of the NH Hoteles, S.A. Group can be classified as follows:

- Financial Risk Control
- Strategic Development Risk Control
- Business, Operational and Environmental Risk Control
- Regulatory Risk Control
- Other Preventive Procedures

1. Financial Risk Control Systems

The Group controls its financial risks through the following mechanisms:

1.1 Procedures Manual: Important operations carried out by the NH Hoteles Group are standardized through an internal Procedures Manual, for the procurement, asset management and cash and bank circuits, monthly closing processes, etc. In addition, the applicable rules on accounts-related matters for all the Group's national and foreign companies have been regulated.

1.2 Internal Audit: The Internal Audit Department carries out ongoing work focussed to a large extent on the identification of risk situations and on the evaluation of their management. Thus, an annual audit plan has been defined the object of which, inter alia, is to verify the correct application of the established rules and procedures, not only at corporate department level but also in the different hotels.

1.3 Audit and Control Committee: Reporting direct to the Board of Directors, the Audit and Control Committee is responsible for supervising the correct working of all of the Group's Internal Control Systems. In addition, it regularly analyses the main risks of the businesses and systems established for their management and control and it is the body that is responsible for relations with the Group's external Auditors.

1.4 Centralized Management: The Group conducts a single and centralized management through the General Economic-Financial Corporate Management of the financing, interest rate and exchange rate policies with criteria of a non-speculative nature.

2. Strategic Risk Control Systems

2.1 The NH Hoteles Group has a team of professionals devoted to the analysis of strategic opportunities of various types. This team selects the alternatives most in line with the Group's overall strategy and puts them to the Management and Expansion Committees and, subsequently, to the Representative Committee and the Board of Directors.

2.2 The Group has identified a number of employees who, in each acquisition, constitute an Integration Committee, for the purpose of homogenizing the policies and procedures of the various critical areas (human resources, IT systems, commercial and marketing management, etc.).

2.3 Reporting direct to the Management Committee, the Expansion Committee analyses the proposed operations. It is made up of members of each one of the areas in order to analyse each and every one of the business opportunities and risks that are presented to the Group.

3. Business, Operational and Environmental Risk Control Systems

3.1 The Management Committee meets weekly and, on the one hand, analyses the information contained in the control charts prepared by the Corporate Management Control Department to evaluate the operations' development and, on the other, it carries out a better follow-up of aspects of the commercial evaluation obtained through the IT system.

It also establishes the policy to be followed in all the Company's departments and monitors the market policy's application for the Committee.

3.2 The Group in general and in its golf activity in particular follows a policy orientated towards maximum respect for the environment and to this end it has hired the services of an environmental consultancy company for diagnosis and advice on the Group's activities.

4. Regulatory Risk Control Systems

This group includes all the risks associated with the legal regulations that can affect the daily operation, relating to the drawing up of contracts (customers and suppliers), fulfilment of the legal, administrative, international, central, regional and local government rules and regulations and the renewal of income and management agreements. A chain approval procedure exists at different levels within the organization, which guarantees the contracts' correct approval. Likewise, all the risks affecting this sector are regularly reviewed by the Internal Audit Department, as part of its annual planning.

Similarly, the Company has subcontracted companies to guarantee fulfilment of the health and hygiene, safety in the installations, fire-fighting and other regulations.

5. Other Preventive Procedures

5.1 Relating to Employment and Safety

The health and safety at work plans involve planning of the processes liable to cause risks and the establishment of the appropriate safety measures.

The Company provides numerous training courses, not only for the staff on the payroll but also for sub-contracted employees.

5.2 Insurance

The NH Hoteles Group follows a policy of ample coverage by signing insurance policies relating to potential risks. In addition, an ongoing policy of review of coverages is applied.

5.3 Risk Map

The NH Hoteles Group has been preparing, through its Audit and Control Committee, a risk map which includes up to 14 types of risk, ranging from future income undertakings to financial covenant undertakings on loans and the status of the hotels' operating licences.

This plan is updated annually to identify possible threats to the Group that can affect its operations.

D.2 Indicate whether any of the different types of risk (operational, technological, financial, legal, reputational, fiscal, etc.) affecting the company and/or its group have materialised during the financial year.

YES

If so, indicate the circumstances that have led to them and whether the established control systems have worked.

Risks materialised in the Financial Year

The risks pertaining to the activity
Circumstances that have led to them

Development of the activities carried out by NH Hoteles, S.A.

Working of the Control Systems

It has been possible to witness the efficient working of the risk prevention and control systems meaning that, to date, it is considered that the means provided have functioned satisfactorily.

D.3 Indicate whether a committee or other governing body exists with responsibility for establishing and supervising these control devices.

YES

If affirmative, describe in detail their functions.

Name of the Committee or Body

Audit and Control Committee

Description of its Functions

Reporting direct to the Board of Directors, the Audit and Control Committee is responsible for supervising the correct working of all of the Group's Internal Control Systems. In addition, it regularly analyses the main risks of the businesses and systems established for their management and control and it is the body that is responsible for relations with the Group's external Auditors.

In general, to act as support for the Board of Directors in its supervisory functions, having for this all the powers granted to it by virtue of the LSA, the Articles of Association, and the Rules of the Board of Directors on the subject of audit and control.

Name of the Committee or body

Internal Audit Department

Description of its Functions

Identification and evaluation of risk situations; definition of an annual audit plan the object of which, inter alia, is to verify the correct application of the established rules and procedures, not only at corporate department level but also in the different hotels.

D.4 Identification and description of the processes for complying with the different regulations that affect your company and/or its group

Occupational Hazard Prevention Management

The occupational hazard prevention systems are subject to a continuous process of evaluation and internal audit. The scope affects all the central services and the different hotels.

Internal Audit

The Internal Audit Management, reporting direct to the Chairman and at the disposal of the Board of Directors through the Audit and Control Committee, contributes to the management of the risks faced by the Group in the fulfilment of its objectives.

In this way, the Audit Management conducts the continuous analysis of the risk control procedures and systems, organization models and management variables within the most relevant areas of the NH Hoteles, S.A. Group. The corresponding conclusions are transmitted not only to the persons responsible for the evaluated areas but also to the Group's Top

Management, including, when applicable, the recommendation of specific actions or the implantation of possible improvements.

It should also be pointed out that the Audit Management actively participates in the prevention and control of fraud.

Internal Code of Conduct

In addition, on 26 June 2003 the Board of Directors of NH Hoteles, S.A. approved the Internal Code of Conduct of NH Hoteles, S.A. and its Group of Companies in the Securities Markets, fulfilment of which is compulsory for the persons to which it is addressed, which regulates all aspects relating to the rules of conduct in connection with securities, conflicts of interest, rules of conduct relating to insider information, and transactions involving securities, inter alia.

Security Policy

Likewise, all the Company's employees sign a Security Policy document, which lays down the security policies of NH Hoteles on the subject of information technology and electronic communications, the object of which is to make known to all employees, in a clear and concise manner, the security policy of NH Hoteles in connection with the use of IT resources, access to installations, IT applications (software) and the use of e-mail and the Internet in the place of work, so as to clearly delimit conduct that is prohibited in relation to the use of these work tools of NH Hoteles.

E – GENERAL MEETING OF SHAREHOLDERS

E.1 Indicate whether differences exist with the minimums regime established in the Law of Limited Liability Companies (LSA) in respect of the quorum to constitute the General Meeting of Shareholders and, when applicable, explain them in detail.

NO

	% Quorum different to that established in Section 102 of the LSA for General Cases	% Quorum different to that established in Section 103 of the LSA for the Special Cases of Section 103
Quorum required at the first call	0	0
Quorum required at the second call	0	0

E.2 Indicate whether differences exist with the regime provided for in the Law of Limited Liability Companies (LSA) for the regime of adoption of corporate resolutions and, if so, describe in detail.

YES

Describe how it differs from the regime established in the LSA.

Describe the Differences
<p>Article 15 of the Articles of Association states that the resolutions of the General Meetings of Shareholders shall be adopted by the majority of votes of the shares present or represented. Each share affords the right to one vote. No shareholder, irrespective of the number of shares held, can issue more votes than those that correspond to 10% of the shares issued with the right to vote. This limitation shall not apply in those General Meetings of Shareholders in which, as per the list of attendants, a shareholder present or represented in the Meeting is the owner of more than 75% of the issued shares with the right to vote.</p> <p>As an exception to the foregoing rule (majority of votes present or represented), the same Article 15 states that “the vote in favour of at least 75% of the corporate capital will be necessary for this Article’s amendment”.</p>

E.3 List the rights of shareholders in relation to the General Meetings when different to those established in the LSA.

- Right to Information:

Article 9 of the Rules of the General Meeting of Shareholders states that as from the publication date of the notice of call of the Meeting, the Company will place at its shareholders’ disposal all the information and documents that must be made available to them by virtue of the Law and the Articles of Association, relating to the different items on the Agenda, posting all such information and documents in the Company’s web page as from the aforesaid date. The foregoing notwithstanding, shareholders will be able to obtain these documents and information, immediately and free of charge, in the Company’s registered office or request their free delivery or mail, in the legally established cases and terms.

Similarly, as from the publication date of the notice of call of the Meeting and in order to facilitate shareholders’ attendance at the Meeting and their participation in it, the Company will include in its web page, to the extent that they are available, in addition to the information and documents required by Law, all those that the Company may deem appropriate for the aforementioned purposes and, in particular, merely by way of an example, the following:

- a) The full text of all the resolution proposals which are going to be put to the Meeting and which at that moment have been approved by the Board of Directors, without prejudice to the fact that they may be amended by such body up to the date of the Meeting, whenever this is legally possible.
- b) Information on the place where the Meeting is going to be held, explaining, as and when possible, how to get to the meeting.
- c) Procedure for obtaining attendance cards or certificates issued by the bodies legally authorized to do this.
- d) Means and procedures for conferring representation at the Meeting.
- e) If already established, means and procedures for remote voting.
- f) All other aspects of interest for following the meeting, such as the existence or otherwise of simultaneous translation resources, the Meeting’s possible audiovisual broadcast or the availability of information in other languages.

This information may be subject to change at any time, in which case the pertinent modifications and clarifications will be posted in the Company’s web page.

The Company will furnish the *Comisión Nacional del Mercado de Valores* [CNMV - Spain's Securities and Exchange Commission] and all other applicable market regulators, sufficiently in advance, with the information referred to in paragraph 1 and point a) of paragraph 2 of this Article.

Article 10 of the aforesaid Rules also establishes all aspects relating to the right to information of the shareholder and states that from the moment the notice of call of the General Meeting of Shareholders is published and up to the seventh day prior to that set for holding the meeting at the first call, any shareholder will be able to request from the Company's Board of Directors, in writing, the information or clarification that it deems necessary or formulate in writing those questions that it deems pertinent relating to the items on the Meeting's Agenda published with the call notice or in connection with the information accessible to the public which the Company has made available to the *Comisión Nacional del Mercado de Valores* since the immediately previous General Meeting of Shareholders was held.

Up to the day on which the Meeting is held, the Board of Directors has the obligation of furnishing the requested information and clarifications in writing and also of responding in writing to the questions raised. Requests for information and responses to the questions will be despatched through the Secretary of the Board of Directors, by any of the Board's members or by the person expressly authorized by the Board of Directors for the purpose.

During the course of the Meeting, the Company's shareholders will be able to verbally request any information or clarifications that they may consider appropriate on the items on the Agenda and, should it not be possible to satisfy the shareholder's right at that moment, the Directors will have the obligation of facilitating such information in writing within the seven days following the Meeting's termination.

The Directors will have the obligation of providing the information requested by virtue of the above two paragraphs, except in those cases in which, in the Chairman's opinion, disclosure of the requested information would be detrimental to the Company's interests.

Information may not be withheld when the request is backed by a number of shareholders representing at least one quarter of the corporate capital.

- Formulation of Suggestions by Shareholders

Without prejudice to the right of shareholders to request, in the cases and terms legally provided for, the inclusion of certain subjects on the Agenda of the Meeting the calling of which they are requesting, shareholders, at all times and subject to prior substantiation of their identity as such, may make suggestions in connection with the Meeting's organization, working and competences.

- Right of Attendance

Article 12 of the Rules establishes all aspects relating to the right of attendance. In this connection it establishes that shareholders who are holders of the statutorily enforceable minimum number of shares registered in their name in the corresponding book entry register five days in advance of the date on which the Meeting is to be held will be able to attend such meeting, always provided that this is accredited through the appropriate nominative attendance card or certificate issued by one of the participating entities in the body which manages such book entry register or directly by the Company itself, or in any other manner accepted by the prevailing legislation. This card or certificate can be used by shareholders as a document for granting representation for the Meeting in question. Shareholders who are not holders of the minimum number of shares necessary to be able to attend will be able to delegate their representation at any time, as indicated in the following Article, to a shareholder with the right to attend the Meeting or they will be able to form a group with other shareholders in the same situation, thereby bringing together the necessary number of shares, having the obligation of conferring their representation on one of them. The grouping together must be carried out specifically for each Meeting and must be placed on record by any written means.

The Chairman will be able to authorize the attendance of any person it may deem appropriate, although the Meeting will be able to revoke such authorization.

- Right of Representation and Delegation

Article 13 of the Rules of the General Meeting of Shareholders lays down that all shareholders with the right to attend the Meeting can be represented at the meeting by another person, even when such person is not a shareholder. The representation must be accepted by the proxy and must be conferred specifically for each Meeting, either through the form of proxy printed on the attendance card or in any other way accepted by Law, without prejudice to the provisions of Section 108 of the Law of Public Limited Companies for cases of family representation and the granting of general powers.

Representation can also be conferred by means of remote electronic or telematic communication which duly guarantees the representation attributed and the principal's identity. Representations granted by these means will be accepted when the electronic document by virtue of which representation is granted bears the recognised electronic signature used by the principal or another type of signature with sufficient guarantees of authenticity and identification of the shareholder conferring its representation and when it complies with all other requirements established in the prevailing legal provisions at that moment.

The documents containing delegations or representations for the Meeting will reflect the shareholder's voting instructions, it being understood that, should no express instructions have been given, the proxy will vote in favour of the resolution proposals formulated by the Board of Directors on the items on the Agenda.

Should no voting instructions exist because the Meeting is going to decide on matters which, not appearing on the Agenda and therefore being unknown on the delegation date, may be put to the vote in the Meeting, the proxy must issue its vote in the way that it considers most appropriate, in the best interests of the Company and its principal. This will also apply when the corresponding proposal or proposals put to the Meeting's decision have not been formulated by the Board of Directors.

If the representation or delegation document does not indicate the specific person on whom the shareholder is conferring its representation, this will be deemed to have been granted in favour of the Chairman of the Company's Board of Directors or whoever stands in for it as the Meeting's chairman.

In those cases in which, pursuant to the provisions of Section 107 of the Law of Public Limited Companies, a public representation request is formulated, the limitation on the exercise of the voting right, as established in Section 114 of Securities Market Law for cases of conflict of interests, will be applied to the Director who obtains it.

Representation is always revocable. The principal's personal attendance at the Meeting will be deemed to constitute revocation.

- Voting Right

Shareholders present or represented at the Meeting will be able to exercise their right to vote on the resolution proposals put to the General Meeting. The General Meetings' resolutions will be adopted with the legally established majorities, with one vote for each share being recognized.

Individual shareholders without full capacity to act and the body corporate shareholders will be represented by whoever, according to the Law, may exercise their representation, duly accredited.

Nevertheless, both for the cases of voluntary representation and for those of legal representation, it will not be possible to have more than one representative in the Meeting.

The Chairman of the General Meeting of Shareholders or, by its delegation, the Secretary thereof will settle all the doubts that may arise in respect of the validity and efficacy of the documents from which results the right of attendance of any shareholder at the General Meeting either individually or by grouping its shares together with those of other shareholders, and the delegation or representation in favour of another person, endeavouring to consider as invalid or ineffective only those documents which lack the essential statutory or legal minimum requirements and always provided that these defects have not been remedied.

E.4 Indicate, when applicable, the measures adopted to encourage the shareholders' participation in the General Meetings.

To encourage the participation of shareholders in the General Meetings, the Company places at the disposal of its shareholders the documents and information that must be made available to them in connection with the various items included on the Agenda, incorporating these documents and information in the Company's web. The foregoing notwithstanding, shareholders will be able to obtain these documents and information, immediately and free of charge, in the Company's registered office or request that they be mailed to them, in the legally established cases and terms and conditions.

Similarly, since the date of publication of the notice of call of the General Meeting and in order to facilitate shareholders' attendance at the General Meeting and their participation in it, the Company will include in its web, to the extent that they are available, not only the documents and information legally required but also whatever the Company considers appropriate for the aforesaid purposes and, in particular, merely by way of an example, the following:

- a) The full text of all the resolution proposals that are going to be put to the General Meeting and at that moment have been approved by the Board of Directors, without prejudice to the fact that they may be amended by such body up until the date of the General Meeting, when this is legally possible.
- b) Information on the place where the General Meeting is going to be held, describing, as and when applicable, how to get there.
- c) Procedure for the obtainment of attendance cards or certificate issued by the legally authorized bodies.
- d) Means and procedures for granting representation in the General Meeting.
- e) If so established, means and procedures for the exercise of remote voting.
- f) Any other aspects of interest for following the meeting, such as the existence or otherwise of simultaneous translation, the possible audiovisual broadcast of the General Meeting or information in other languages.

From the moment the notice of call of the General Meeting of Shareholders is published and up to the seventh day prior to that set for holding the meeting at the first call, any shareholder will be able to request from the Company's Board of Directors, in writing, the information or clarification that it deems necessary or formulate in writing those questions that it deems pertinent relating to the items on the Meeting's Agenda published with the call notice or in connection with the information accessible to the public which the Company has made available to the *Comisión Nacional del Mercado de Valores* since the immediately previous General Meeting of Shareholders was held.

Up to the day on which the General Meeting is held, the Board of Directors has the obligation of furnishing the requested information and clarifications in writing and also of responding in writing to the questions raised. Requests for information and responses to the questions will be despatched through the Secretary of the Board of Directors, by any of the Board's members or by the person expressly authorized by the Board of Directors for the purpose.

During the course of the General Meeting, the Company's shareholders will be able to verbally request any information or clarifications that they may consider appropriate on the items on the Agenda and, should it not be possible to satisfy the shareholder's right at that moment, the Directors will have the obligation of facilitating such information in writing within the seven days following the Meeting's termination.

In order to facilitate communications between the Company and its shareholders, a Department of Relations with Investors and Shareholders has been made available to the shareholders, to which they can address queries by e-mail or telephone so that any doubts they may have in relation to the Company's corporate governance can be answered.

Apart from the foregoing, NH Hoteles, S.A. has a web site from which shareholders and investors in general are informed of the most important events occurring in connection with the Company. The corporate web includes important information and documents on corporate governance and its aim is to become a vehicle for communications with the shareholders, providing them with updated information on all aspects that may be relevant.

The Directors will have the obligation of providing the information requested by virtue of the foregoing two paragraphs, except in those cases in which, in the Chairman's opinion, the requested information's publication may harm the corporate interests, except when the request is backed by shareholders representing at least one quarter of the corporate capital.

E.5 Indicate whether the office of chairman of the General Meeting coincides with the office of chairman of the Board of Directors. If so, indicate in detail the measures adopted to guarantee the General Meeting's independence and good working.

YES

Details of the Measures
<p>The Rules of the General Meeting of Shareholders, which govern all aspects relating to the General Meeting's notice of call, preparation and development and the rights which correspond to the shareholders, guarantee the General Meeting's correct working.</p> <p>In addition, the presence of a Commissioner for Oaths is requested to draw up the minutes of the Meeting and carry out the functions relating thereto, such as its participation in the organization of the taking of the floor, as arranged in the Meeting, and to take note of or safeguard the literal interventions the shareholders may wish to make.</p>

E.6 Indicate, when applicable, the amendments introduced during the financial year in the Rules of the General Meeting of Shareholders.

During the last financial year no amendments were made to the Rules of the General Meeting of Shareholders.

The last amendment thereof was approved in the Extraordinary General Meeting held on 5 March 2007 so as to adapt them to the Recommendations of the Unified Code of Good Governance.

E.7 Give the attendance data of the General Meetings held in the financial year to which this report refers:

Attendance Data					
Date of General Meeting	% Physical Presence	% in Representation	% Remote Votes		Total
			Electronic Vote	Other	
17/06/2008	12.573	76.962	0.000	0.000	89.535

E.8 Describe briefly the resolutions adopted in the General Meetings held in the financial year to which this report refers and the percentage of votes with which each resolution was adopted.

Ordinary General Meeting on 17 June 2008

One: Approval of the Annual Accounts and Management Report

Percentage of attendants' votes with which the resolution was adopted: 85.661%

Two: Re-election of the Board of Directors

2.1 Appointment of Sociedad de Promoción y Participación Empresarial Caja de Madrid, S.A. as domainial Director to replace Mr. Matías Amat Roca

Percentage of attendants' votes with which the resolution was adopted: 99.382%

2.2 Re-election of Mr. José de Nadal Capará as independent Director

Percentage of attendants' votes with which the resolution was adopted: 85.754%

Three: Acquisition of treasury stock

Percentage of attendants' votes with which the resolution was adopted: 85.662%

Four: Appointment of the Financial Auditors of the Company and its consolidated Group

Percentage of attendants' votes with which the resolution was adopted: 100.00%

Five: Authorization to pay the Company's managers and employees, including top managers and Directors with executive functions, up to 12,000 euros of their variable remuneration in Company shares for their listed value at the moment of the transfer

Percentage of attendants' votes with which the resolution was adopted: 85.753%

Six: Delegation of powers to formalise, construct, remedy and execute the resolutions adopted by the General Meeting of Shareholders

Percentage of attendants' votes with which the resolution was adopted: 99.908%

E.9 Indicate whether a statutory restriction exists that establishes a minimum number of shares needed to attend the General Meeting

NO

Number of shares needed to attend the General Meeting	
--	--

E.10 Indicate and justify the policies adopted by the company relating to the delegation of vote in the General Meeting

All shareholders with the right to attend the Meeting can be represented at the meeting by another person, even when such person is not a shareholder. The representation must be

conferred in the terms and with the scope established in the Law of Public Limited Companies, in writing and specifically for each Meeting. This restriction shall not apply when the representative is the principal's spouse, ancestor or descendant, or when the representative holds a general power of attorney granted in a public document to administer all the estate that the represented shareholder owns in Spain.

The representation may also be conferred by any remote means of communication that, duly guaranteeing the identity of the principal and its representative, may have been determined.

In accordance with the Rules of the General Meeting of Shareholders and the Articles of Association, representation can also be conferred through electronic or telematic means of communication that duly guarantee the representation attributed and the principal's identity. Representation granted by these means will be accepted when the electronic document by virtue of which it is granted includes the recognized electronic signature used by the principal or another type of signature that provides adequate guarantees of authenticity and identification of the shareholder granting the representation and complies with the other requirements established in the legal provisions in force at that moment.

The documents placing on record the delegations or representations for the General Meeting must contain instructions on the direction of the vote, it being understood that, if no express instructions have been given, the representative will vote in favour of the resolution proposals formulated by the Board of Directors on the items on the Agenda.

The Chairman of the General Meeting of Shareholders or, by delegation, the Secretary thereof will settle all doubts that may arise in respect of the validity and efficacy of the documents giving rise to a shareholder's right of attendance at the General Meeting either individually or by the grouping together of its shares with other shareholders and the delegation or representation in favour of another person, endeavouring to consider invalid or ineffective only those documents that do not comply with the minimum essential legal and statutory requirements and always provided that these defects have not been remedied.

Article 13 of the Articles of Association expressly indicates that the principal's personal attendance at the General Meeting will act as revocation.

E.11 Indicate whether the company is aware of a policy of institutional investors to participate or not to participate in the company's decisions:

NO

E.12 Indicate the address and access to the corporate governance content in your Web.

All the information of interest to shareholders, including the Corporate Governance Reports approved annually, are available at all times in the "information for shareholders" section of the NH Hoteles, S.A. web at www.nh-hotels.com.

F – DEGREE OF ADOPTION OF THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree to which the company has adopted the recommendations of the Unified Code of Good Governance. In the event of non-compliance with any of them, explain the recommendations, rules, practices and criteria applied by the company.

1. That the Articles of Association of listed companies do not limit the maximum number of votes a shareholder can issue or do not contain other restrictions that hinder the taking control of the company through the acquisition of its shares on the market.

See headings: A.9, B.1.22, B.1.23, E.1 and E.2

Explain

As established in Article 15 of the Articles of Association of NH Hoteles, S.A., irrespective of the number of shares a shareholder may hold, no shareholder can issue more votes than those that correspond to 10% of the shares issued with the right to vote. This limitation shall not apply in those General Meetings of Shareholders in which, as per the list of attendants, a shareholder present or represented in the Meeting is the owner of more than 75% of the issued shares with the right to vote.

2. That when the parent and a subsidiary company are listed, they both publicly and precisely define:

- a) Their respective areas of activity and possible business relations between them, as well as those of the listed subsidiary company with all the other group companies;
- b) The mechanisms envisaged for solving possible conflicts of interest that may arise.

See headings: C.4 and C.7

Compliant

3. That, although not expressly required by the mercantile Laws, operations involving a structural modification of the company and, in particular, the following are put to the approval of the General Meeting of Shareholders:

- a) Transformation of listed companies into holding companies through “subsidiarity” or incorporation into subsidiary companies with essential activities developed up to that moment by the company itself, even when the latter has full legal ownership of the former;
- b) Acquisition or disposal of essential operating assets, when this involves an effective modification of the corporate purpose;
- c) Operations, the effect of which is equivalent to the company’s winding up.

Partially compliant

The subsidiarity referred to in paragraph a) of this Recommendation has not been put to the Company’s General Meeting of Shareholders for its approval because what has historically been applied in all the countries in which it operates has only been replicated in Spain.

4. That the detailed proposals of the resolutions to be adopted in the General Meeting, including the information to which Recommendation 28 refers, are made public at the moment the Meeting’s notice of call is published.

Compliant

5. That in the General Meeting the items that are substantially independent are voted separately so that the shareholders can exercise their voting preferences separately. And that this rule is applied, in particular:

- a) To the appointment or ratification of Directors which must be voted individually;
- b) In the case of amendments to the Articles of Association, to each Article or group of Articles that is substantially independent.

See heading: E.8

Compliant

6. That the companies allow the vote to be split up so that the financial brokers who appear legitimized as shareholders but who act on behalf of different clients can issue their votes in accordance with the latter's instructions.

See heading: E.4

Compliant

7. That the Board performs its functions with unity of purpose and independence of criterion, that it gives the same treatment to all the shareholders and is guided by the Company's interests, understood as maximising the Company's economic value in a sustained manner.

And, likewise, that it ensures that in its relations with interest groups (stakeholders) the Company fulfils the laws and regulations; complies in good faith with its obligations and contracts; respects the customs and good practices of the sectors and territories in which it conducts its activity; and abides by all the additional principles of corporate responsibility that it may have voluntarily accepted.

Compliant

8. That the Board of Directors agrees, as the core of its mission, to approve the company's strategy and the necessary organization for its implementation and that it supervises and controls fulfilment by Management of the established objectives and respects the company's corporate purpose and interests. And that, to this end, the plenary Board reserves the power to approve:

a) The company's general policies and strategies and, in particular:

- i) The strategic or business Plan and the management targets and annual budgets;
- ii) The investment and financing policy;
- iii) The definition of the group's structure;
- iv) The corporate governance policy;
- v) The corporate social welfare policy;
- vi) The top management remuneration and performance evaluation policy;
- vii) The risk management and control policy and the regular monitoring of the internal information and control systems;
- viii) The dividend policy plus that of treasury stock and, in particular, its limits.

See headings: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

- i) At the proposal of the company's chief executive officer, the appointment and possible removal of top management and their compensation clauses.

See heading: B.1.14

- ii) Directors' remuneration and, in the case of executive Directors, the additional remuneration for their executive functions and other conditions that must be complied with in their contracts.

See heading: B.1.14

- iii) The financial information that, due to its condition as a listed company, it must publish on a regular basis;
- iv) Investments or operations of all types which, due to their large amount or special characteristics, are of a strategic nature, except when their approval corresponds to the General Meeting;
- v) The creation or acquisition of stakes in entities with a special purpose or registered in countries or territories classified as tax havens, in addition to any other transactions or operations of a similar nature which, owing to their complexity, may harm the group's transparency;

c) The operations which the company carries out with Directors, important shareholders or persons represented on the Board or with persons with ties with them ("linked operations"). Nevertheless, this authorization of the Board shall not be

deemed to be necessary in those linked operations that simultaneously comply with the following three conditions:

1. That they are carried out under contracts, the terms and conditions of which are standard and are applied in bulk to numerous clients;
2. That they are carried at prices or rates established in general by whoever acts as the supplier of the goods or services in question;
3. That the amount does not exceed 1% of the Company's annual income.

It is recommended that the Board of Directors should approve linked operations subject to the prior report in favour of the Audit and Control Committee or, when applicable, any other to which this function has been entrusted; and that the affected Directors, apart from not exercising or delegating their voting right, leave the meeting room whilst the Board of Directors discusses and votes on the question.

It is recommended that it should not be possible for the competences attributed here to the Board of Directors to be delegated, with the exception of those referred to in letters b) and c), which can be adopted for reasons of urgency by the Representative Committee, with subsequent ratification by a plenary meeting of the Board.

See headings: C.1 and C.6

Partially compliant

The recommendations of this section are met, with the exception of what is established in section b.i), in respect of which the Board of Directors considers that the decision relating to the appointment and possible removal of top managers should correspond and continue to correspond to the Company's Chief Executive Officer. Nevertheless, the Rules of the Board of Directors attributes to the Compensation and Nominating Committee study and reporting competences prior to the appointment or removal from office of managers, reporting direct to the Managing Director.

9. That the Board has the necessary dimension to achieve the effective and participatory working thereof, making it advisable for its size to be not less than 5 and not more than 15 members.

See heading: B.1.1

Compliant

10. That the outside domanial and independent Directors constitute an ample majority on the Board and that the number of executive Directors be the necessary minimum, taking into account the group's complexity and the executive Directors' percentage of participation in the corporate capital.

See headings: A.2, A.3, B.1.3 and B.1.14

Compliant

11. That if there is an outside Director who cannot be classified as either domanial or independent, the company should explain this circumstance and its ties, whether with the company and its managers or with its shareholders.

See heading: B.1.3

Not applicable

12. That within the outside Directors, the ratio between the number of domanial Directors and independent Directors reflects the proportion that exists between the corporate capital represented by the domanial Directors and the rest of the capital.

This criterion of strict proportionality can be attenuated, in such a way that the domanial Directors' weighting is greater than that which would correspond to the total percentage of capital they represent:

1. In companies with high capitalization in which the stakes legally considered to be important are very small in number or non-existent but in which there are shareholders with holdings with a high absolute value;
2. In the case of companies in which there is a plurality of shareholders represented on the Board and which do not have ties between them.

See headings: B.1.3, A.2 and A.3

Explain

This Recommendation would be fully complied with if the stake currently held by Grupo Inversor Hesperia, S.A. in NH HOTELES, S.A., representing 25.088% of the corporate capital, is excluded. This exclusion is motivated by the fact that it is a direct competitor of NH HOTELES, S.A. and, therefore, incompatible with the company's interests, as per the provisions of Article 132.2 of Royal Legislative Decree 1564/1989 of 22 December 1989 by virtue of which the revised text of the Law of Limited Liability Companies was approved. All of this is in agreement with the Company's Rules of the Board of Directors which, in its Clause 11.3, states that all persons who directly or indirectly have interests of whatsoever type or maintain a labour, professional, mercantile or any other type of relationship with competitors shall be deemed to be incompatible for holding the office of Director, except when the Board of Directors agrees to their dispensation with the vote in favour of at least 70% of its members.

13. That the number of independent Directors represents at least one-third of the total number of Directors.

See heading: B.1.3

Compliant

14. That the nature of each Director be explained by the Board to the General Meeting of Shareholders, which must make or ratify its appointment, and that it be confirmed or, when applicable, reviewed annually in the Corporate Governance Annual Report, subject to verification by the Compensation and Nominating Committee. And that this Report also explain the reasons why domestic Directors have been appointed at the request of shareholders whose stake is less than 5% of the capital; and that the reasons why formal requests for presence on the Board from shareholders whose stake is equal to or greater than that of others at whose request domestic directors have been nominated have not been met.

See headings: B.1.3 and B.1.4

Compliant

15. That when the number of female Directors is very low or non-existent, the Board explain the reasons for this and the initiatives adopted to correct this situation; and that, in particular, the Compensation and Nominating Committee ensure that, when provisioning new vacancies:

- a) The selection procedures do not suffer from implicit biases that hinder the selection of female Directors;
- b) The Company deliberately seeks and includes on the list of potential candidates women who comply with the required professional profile.

See headings: B.1.2, B.1.27 and B.2.3

Compliant

16. That the Chairman, as the person responsible for the Board's efficient working, ensures that the Directors receive sufficient information beforehand; stimulates the discussion and active participation of the Directors during the Board Meetings, safeguarding their free taking up of positions and expression of opinion; and organizes

and co-ordinates with the Chairmen of the relevant Committees the regular evaluation of the Board, and, when applicable, that of the Managing Director or Chief Executive Officer.

See heading: B.1.42

Compliant

17. That, when the Chairman of the Board is also the Company's Chief Executive Officer, one of the independent Directors be empowered to request the calling of a Board Meeting or the inclusion of new items on the Agenda; to co-ordinate and transmit the outside Directors' concerns; and to direct the evaluation by the Board of its Chairman.

See heading: B.1.21

Compliant

18. That the Secretary of the Board takes special care to ensure that the Board's actions:

- a) Comply with the letter and spirit of the Laws and their regulations, including those approved by the regulatory bodies;
- b) Comply with the company's Articles of Association and the Rules of the General Meeting of Shareholders, those of the Board of Directors and any others the company may have;
- c) Take into account the good governance recommendations contained in this Unified Code that the company may have accepted.

And that, in order to safeguard the Secretary's independence, impartiality and professionalism, its appointment and cessation be studied and reported on by the Compensation and Nominating Committee and approved by a plenary meeting of the Board; and that this appointment and removal procedure be placed on record in the Rules of the Board of Directors.

See heading: B.1.34

Compliant

19. That the Board meets with the necessary frequency for it to efficiently perform its functions, following the programme of dates and subjects established at the start of the financial year, with each Director being able to propose other items on the Agenda initially not envisaged.

See heading: B.1.29

Compliant

20. That the Directors' non-attendances are limited to essential cases and are quantified in the Annual Good Governance Report; and that when representation is imperative, that it be granted with instructions.

See headings: B.1.28 and B.1.30

Partially compliant

Although Clause 22 of the Rules of the Board of Directors expressly states that the Directors must personally attend the Board's meetings and when, on an exceptional basis, they are unable to do so, they shall endeavour to ensure that the representation they grant in favour of another member of the Board includes, to the extent that this is possible, the appropriate instructions, these instructions are not always placed on record in writing, it also being possible for them to be granted orally.

21. That when the Directors or the Secretary express their concern about a proposal or, in the case of the Directors, the company's progress and these concerns are not settled

in the Board Meeting, they be placed on record in the minutes at the request of whoever has expressed them.

Compliant

22. That a plenary meeting of the Board evaluates once a year:

- a) The quality and efficiency of the Board's working;
- b) Based on the report put to it by the Compensation and Nominating Committee, the performance of its functions by the Chairman of the Board and the Company's Chief Executive Officer;
- c) The working of its Committees, based on the reports put to it by them.

See heading: B.1.19

Compliant

23. That all the Directors can make effective their right to collect the additional information they may consider necessary on the matters that are the Board's competence. And that, except when the Articles of Association or the Rules of the Board of Directors establish otherwise, they can address their request to the Chairman or Secretary of the Board.

See heading: B.1.42

Compliant

24. That all the Directors have the right to obtain from the company the necessary advice for the fulfilment of their functions. And that the company establishes adequate channels for the exercise of this right, which in special circumstances will include external advice for the company's account.

See heading: B.1.41

Compliant

25. That the companies establish a programme of orientation to provide new Directors with rapid and sufficient knowledge of the company and of its corporate governance rules. And that they also offer to the Directors programmes for updating their knowledge when circumstances make this advisable.

Partially compliant

Although the Rules of the Board of Directors do not expressly include the provision of an orientation programme or the updating of knowledge, Clause 28 of the Rules establishes that "for the purpose of being assisted in the discharge of their duties, the Directors will be able to obtain from the Company the necessary advice", with this Company having understood that this advice can be deemed to encompass not only the orientation to be provided to new Directors to facilitate the obtainment of rapid and sufficient knowledge of the Company but also the updating of knowledge when the circumstances so require.

26. That the companies shall demand of the Directors that they devote to their function the necessary time and effort so as to discharge it efficiently and, consequently:

- a) That the Directors inform the Compensation and Nominating Committee of the rest of their professional obligations, in case they interfere with the required dedication;
- b) That the companies establish rules on the number of boards on which their Directors can sit.

See headings: B.1.8, B.1.9 and B.1.17

Compliant

27. That the Director appointment or re-election proposals put by the Board to the General Meeting of Shareholders, and their provisional appointment by co-option, be approved by the Board of Directors:

- a) At the proposal of the Compensation and Nominating Committee, in the case of independent Directors;
- b) Subject to the study and report of the Compensation and Nominating Committee, in the case of all other Directors.

See heading: B.1.2

Compliant

28. That the companies publish through their web sites and keep updated the following information on their Directors:

- a) Professional and biographical profile;
- b) Other Boards of Directors to which they belong, whether or not they are listed companies;
- c) Indication of the category to which they belong, indicating, in the case of domanial Directors, the shareholder they represent or with which they have ties;
- d) Date of their first appointment as Director in the company and that of subsequent appointments; and
- e) Company shares and share options of which they are the owners.

Compliant

29. That the independent Directors do not continue as such for a continuous period of more than 12 years.

See heading: B.1.2

Explain

This circumstance only exists in the case of one of the Directors.

30. That the domanial Directors submit their resignation when the shareholder they represent sells its stake in full. And that they also do so, in the corresponding number, when such shareholder reduces its stake to a level that requires a reduction in the number of its domanial Directors.

See headings: A.2, A.3 and B.1.2

Compliant

31. That the Board of Directors does not propose the removal of any independent Director before the fulfilment of the statutory period for which it was appointed, except when there is a just cause, as perceived by the Board subject to the report of the Compensation and Nominating Committee. In particular, it shall be deemed that a just cause exists when the Director has failed to fulfil the duties inherent in its office or has incurred any of the circumstances described in heading 5 of section III of definitions of this Code.

The removal of independent Directors may also be proposed as a result of takeover bids, mergers or other similar corporate transactions involving a change in the company's capital structure when such changes in the Board's structure are propitiated by the proportionality criterion laid down in Recommendation 12.

See headings: B.1.2, B.1.5 and B.1.26

Compliant

32. That the companies establish rules that bind their Directors to report and, when applicable, resign in those cases that may negatively affect the company's credit or reputation and, in particular, that oblige them to inform the company of criminal proceedings in which they appear as suspects and of their subsequent procedural vicissitudes.

That if a Director is indicted or an order is issued for the commencement of hearing for any of the offences indicated in Section 124 of the Law of Public Limited Companies, the Board examines the case as soon as possible and, in the light of its specific circumstances, decides whether or not it is appropriate for the Director to continue in office. And that the Board reports all of this, in a reasoned way, in the Annual Good Governance Report.

See headings: B.1.43 and B.1.44

Compliant

33. That all the Directors clearly express their opposition when they consider that a resolution proposal put to the Board is contrary to the company's interests. And that they do the same, particularly the independent and other Directors not affected by the potential conflict of interest, in the case of decisions that may be detrimental to the shareholders not represented on the Board.

And that when the Board adopts important or reiterated resolutions on which the Director may have formulated serious reservations, the latter draws the appropriate conclusions and, should it decide to resign, that it explain the reasons in the letter to which the following Recommendation refers.

This Recommendation also refers to the Secretary of the Board, even though it is not a Director.

Compliant

34. That whenever, whether due to resignation or for another reason, a Director ceases in its office prior to the termination of its mandate, it explain the reasons in a letter which it shall send to all the members of the Board. And that, without prejudice to such termination being notified as an important event, the reason for such termination be reported in the Annual Good Governance Report.

See heading: B.1.5

Partially compliant

Terminations are notified either directly by the outgoing Director or by means of a letter addressed to the Chairman who informs all the Directors of its content.

35. That the remuneration policy approved by the Board explains the following aspects, as a minimum:

- a) Amount of the fixed components, with a breakdown, when applicable, of the per diem allowances for participation in the Board and its Committees and an estimation of the fixed annual remuneration to which they give rise;
- b) Variable items of remuneration, including in particular:
 - i) Classes of Director to which they apply and an explanation of the relative importance of the variable items of remuneration with respect to the fixed items;
 - ii) Criteria for evaluating the results on which any right to remuneration in shares, share options or any other variable components is based;
 - iii) Essential parameters and base of any annual premium (bonus) system or other benefits not paid in cash; and
 - iv) An estimation of the total amount of the variable remuneration to which the proposed remuneration plan will give rise, based on the degree of fulfilment of the hypotheses or objectives taken as a reference.

- c) Main characteristics of the social welfare systems (e.g. supplementary pensions, life insurances and similar), with an estimation of their amount or equivalent annual cost.
- d) Conditions which the contracts of the persons who exercise top management functions as executive Directors must fulfil, including:
 - i) Duration
 - ii) Advanced warning terms; and
 - iii) Any other clauses relating to hire premiums, compensation or reinforcements in the case of early discharge or termination of the contractual relationship between the company and the executive Director.

See heading: B.1.15

Compliant

36. That the remuneration in the form of shares of the company or group companies, share options or instruments indexed to the share's value, variable remuneration linked to the company's performance or social welfare systems is restricted to the executive Directors.

This recommendation does not affect shares when it is conditional upon the Directors holding them until their termination as Director.

See headings: A.3 and B.1.3

Compliant

37. That the outside Directors' remuneration is what is necessary to reward the dedication, qualification and responsibility demanded by the office but not so high as to compromise their independence.

Compliant

38. That the remuneration associated with the company's results takes into account possible qualifications placed on record in the external Auditors' report that reduce the results.

Compliant

39. That, in the case of variable remuneration, the remuneration policies include the necessary technical precautions so as to ensure that the remuneration is proportional to the professional performance of its beneficiaries and does not merely result from the general evolution of the markets or the company's sector of activity or other similar circumstances.

Compliant

40. That the Board puts to the vote of the General Meeting of Shareholders, as a separate item on the Agenda and for consultation purposes, a report on the remuneration policy of Directors. And that this report is made available to the shareholders, either separately or in any other manner the company may consider appropriate.

This report will focus in particular on the remuneration policy approved by the Board for the year in progress and, when applicable, that forecast for future years. It will cover all the questions to which Recommendation 35 refers, except those aspects that may involve the disclosure of sensitive commercial information. It will emphasize the most significant changes in these policies with respect to those applied during the previous financial year to which the General Meeting refers. It will also include a global summary of how the remuneration policy was applied in the previous financial year.

That the Board also reports on the role played by the Compensation and Nominating Committee in the remuneration policy's preparation and, if external advice has been used, the identity of the external consultants who provided it.

See heading: B.1.16

Partially compliant

The Board prepares an annual report in the terms outlined above, the content of which is made known to the General Meeting without putting it to the vote.

41. That the Notes contain details of the Directors' individual remuneration during the year and include:

- a) An individualized breakdown of each Director's remuneration which, when applicable, will include:
 - i) The per diem allowances for attendance or other fixed remuneration as Director;
 - ii) The additional remuneration for the Chairman or member of a Board Committee;
 - iii) Remuneration as a participation in profits or premiums and the reason why it has been granted;
 - iv) Contributions made on the Director's behalf to pension plans with defined contributions; or, in the case of contributions to defined allowance plans, an increase in the Director's consolidated rights;
 - v) Any compensation agreed or paid in the case of termination of its functions;
 - vi) Remuneration received as Director of other companies in the group;
 - vii) Remuneration for the executive Directors' discharge of top management functions;
 - viii) Any other remuneration concept different to the foregoing, irrespective of its nature or the group company that pays it, particularly when it has the consideration of linked operation or its omission distorts the true and fair view of all the remuneration received by the Director.
- b) An individualized breakdown of possible deliveries to Directors of shares, share options or any other instrument indexed to the share's value, with details of:
 - i) Number of shares or options granted in the year, and the conditions for their exercise;
 - ii) Number of options exercised during the year, with an indication of the number of shares involved and the exercise price;
 - iii) Number of options not exercised at the end of the year, with an indication of their price, date and other exercise requirements;
 - iv) Any modification during the year in the conditions for exercising the options already granted.
- c) Information on the ratio, in the last financial year, between the remuneration obtained by the executive Directors and the results or other measure of the company's performance.

Partially compliant

The Annual Report reflects the major part of the information to which points a) and b) refer, without including in the Notes the datum referred to in point c).

42. That when an Executive or Representative Committee exists (hereinafter, Representative Committee), the participation structure of the different director categories is similar to that of the Board and its Secretary is that of the Board.

See headings: B.2.1 and B.2.6

Compliant

43. That the Board always has knowledge of the items discussed and the decisions adopted by the Representative Committee and that all the Board members receive a copy of the minutes of the Representative Committee's meetings.

Explain

Although they are not sent a copy of the minutes of its meetings, the Representative Committee's Chairman reports on the items discussed by the Committee. In this way the Board always has knowledge of the matters discussed and the decisions adopted by the Representative Committee. Moreover, the minutes are always at the disposal of the Directors.

44. That, in addition to the Audit and Control Committee required by Securities Market Law, the Board of Directors constitutes from amongst its members a Compensation and Nominating Committee or two separate Committees.

That the rules relating to the composition and working of the Audit and Control Committee and the Compensation and Nominating Committee or separate Committees appear in the Rules of the Board of Directors and include the following:

- a) That the Board appoints the members of these Committees, taking into account the Directors' knowledge, aptitudes and experience and the duties of each Committee; discusses their proposals and reports; and that they have to report to it, in the first plenary meeting of the Board subsequent to their meetings, on their activities and that they are responsible for the work carried out;
- b) That these Committees are made up exclusively by outside Directors, with a minimum of three. The foregoing is understood without prejudice to the assistance of executive Directors or top management, when expressly agreed by the Committee's members;
- c) That their Chairmen are independent Directors;
- d) That they may obtain external advice, when they consider it necessary for the discharge of their functions;
- e) That minutes of their meetings are drawn up, a copy of which is sent to all the members of the Board.

See headings: B.2.1 and B.2.3

Compliant

45. That supervision of compliance with the internal codes of conduct and rules of corporate governance is attributed to the Audit and Control Committee, the Compensation and Nominating Committee or, when they exist separately, to the Good Governance or Compliance Committees.

Compliant

46. That the members of the Audit and Control Committee and, in particular, its Chairman are appointed taking into account their knowledge and experience on the subject of accounts, audit and risk management.

Compliant

47. That the listed companies have an internal audit function which, under the Audit and Control Committee's supervision, safeguards the good working of the information and internal control systems.

Compliant

48. That the person responsible for the internal audit function submits to the Audit and Control Committee its annual work plan; reports directly to it any incidents that may

arise in its development; and at the end of each financial year presents to it an activity report.

Compliant

49. That the risk management and control policy identifies, as a minimum:
- a) The different types of risk (operating, technological, financial, legal, reputational, etc.) faced by the company, including amongst the financial and economic risks, the contingent liabilities and other off-balance sheet risks;
 - b) The establishment of the risk level the company considers acceptable;
 - c) The measures envisaged to mitigate the impact of the identified risks, should they be materialised;
 - d) The information and internal control systems which will be used to manage and control these risks, including contingent liabilities and off-balance sheet risks.

See heading: D

Compliant

50. That the Audit and Control Committee is responsible for:
- 1. In relation to the information and internal control systems:
 - a) Supervising the preparation process and the integrity of the financial information relating to the company and, when applicable, the group, reviewing fulfilment of the regulatory requirements, the adequate delimitation of consolidation and the correct application of the accounting criteria;
 - b) Regularly reviewing the internal control and risk management systems, so that the main risks are adequately identified, managed and made known.
 - c) Safeguarding the independence and efficacy of the internal audit function; proposing the selection, appointment, re-election and removal of the person responsible for the internal audit service; proposing this service's budget; receiving regular information on its activities; and verifying that top management take into account the conclusions and recommendations of its reports.
 - d) Establishing and supervising a mechanism to allow employees to communicate, confidentially and, when considered appropriate, anonymously any irregularities of potential importance, particularly financial and accounting, they may observe within the company.
 - 2. In relation to the external audit:
 - a) Putting to the Board the external auditor selection, appointment, re-election and replacement proposals and the terms and conditions of its hire.
 - b) Receiving from the external auditor regular information on the audit plan and the results of its execution, and verifying that top management take its recommendations into account.
 - c) Guaranteeing the external auditors' independence and, to this end:
 - i) That the company communicates to the CNMV, as a relevant fact, a change of auditors and that it attaches a declaration on the possible existence of disagreements with the outgoing auditors and, if they existed, their content;
 - ii) That it ensures that the company and the auditors abide by the prevailing rules on the rendering of services other than audit services, the limits on the concentration of the auditors' business and, in general, all the other rules established to guarantee the auditors' independence;
 - iii) That, in the event of the auditors' abandonment, it examines the circumstances giving rise to it;
 - d) In the case of groups, encouraging the group's auditors to accept responsibility for the audits of the companies comprising the group.

See headings: B.1.35, B.2.2, B.2.3 and D.3

Compliant

51. That the Audit and Control Committee can summon any of the company's managers or employees and even arrange for them to appear without the presence of another manager.

Compliant

52. That the Audit and Control Committee informs the Board, prior to its adoption of the corresponding resolutions, on the following questions referred to in Recommendation 8:

- a) The financial information which, as a listed company, it must regularly publish. The Committee must ensure that the interim accounts are formulated with the same accounting criteria as the annual accounts and, to this end, will consider the suitability of a limited review by the external auditors.
- b) The creation or acquisition of stakes in entities with a special purpose or registered in countries or territories classified as tax havens, plus any other transactions or operations of a similar nature which, due to their complexity, may harm the group's transparency.
- c) Linked operations, except when this prior study and report function has been attributed to another of the supervision and control Committees.

See headings: B.2.2 and B.2.3

Compliant

53. That the Board of Directors endeavours to present the accounts to the General Meeting without reservations or qualifications and that, in those exceptional cases in which they exist, that the Audit and Control Committee's Chairman and the auditors clearly explain to the shareholders the content and scope of such reservations or qualifications.

See heading: B.1.38

Compliant

54. That the majority of the members of the Compensation and Nominating Committees or Committee, when it is only one, are independent Directors.

See heading: B.2.1

Compliant

55. That, in addition to the functions indicated in the preceding Recommendations, the Compensation and Nominating Committee is responsible for:

- a) Evaluating the necessary competences, knowledge and experience of the Board, defining, in consequence, the necessary aptitudes and functions of the candidates to fill each vacancy and evaluating the necessary time and dedication for them to duly discharge their duties.
- b) Examining and organizing, in the manner it deems adequate, the succession of the Chairman and Chief Executive Officer and, when applicable, making proposals to the Board so that such succession is carried out in an orderly and well-planned way.
- c) Studying and reporting on the appointment and removal of top managers proposed by the Chief Executive Officer to the Board.
- d) Reporting to the Board on the different types of question referred to in Recommendation 14 of this Code.

See heading: B.2.3

Compliant

56. That the Compensation and Nominating Committee consults the company's Chairman or Chief Executive Officer, particularly on matters relating to the executive Directors.

And that any Director can request the Compensation and Nominating Committee to take into consideration, in those cases in which it finds them suitable, potential candidates to fill vacancies of Director.

Compliant

57. That, in addition to the functions indicated in the preceding Recommendations, the Compensation and Nominating Committee is responsible for:

a) Proposing to the Board of Directors:

- i) The remuneration policy of Directors and top managers;
- ii) The individual remuneration of the executive Directors and all other conditions of their contracts;
- iii) The basic terms and conditions of top managers' contracts.

b) Ensuring fulfilment of the remuneration policy established by the company.

See headings: B.1.14 and B.2.3

Compliant

58. That the Compensation and Nominating Committee consults the company's Chairman or Chief Executive Officer, particularly on matters relating to the executive Directors and top managers.

Compliant

G – OTHER INFORMATION OF INTEREST

If it is considered that a relevant principle or aspect relating to the corporate governance practices applied by the company has not been covered in this Report, please indicate and explain its content below.

SECTION: B.1.2:

In connection with the Director, Mr. Ramón Blanco Balín, it should be noted that, although the first appointment took place on 12 January 1993, he handed in his resignation on 5 May 1994, being re-appointed by the Board on 18 March 1997.

SECTION B.1.3:

A special reference has to be made to Mr. Alfonso Merry del Val who, apart from being an independent Director, is responsible for safeguarding correct fulfilment of the corporate responsibility of NH HOTELES, S.A. To this end, he holds regular meetings with the Company's Human Resources Corporate Director, carrying out an in-depth control of this matter and ensuring the Company's strict fulfilment of the rules on corporate responsibility.

SECTION B.1.11:

As established in Article 20 of the Articles of Association of NH HOTELES, S.A., Directors' remuneration will consist of a specific annual payment and a per diem allowance for attendance at the meetings of the Board and its Committees, without the sum of both concepts being able to exceed 3% of the net profit obtained by the consolidated Group in the previous financial year.

All other payments that correspond to the Directors for the executive functions discharged in the Company or the Group are expressly excluded from this amount.

The individual amounts received during the 2008 financial year by each Director as annual payment and per diem allowances for attendance at the meetings of the Board of Directors and the different Committees were as follows:

CHAIRMAN OF THE BOARD AND OF THE REPRESENTATIVE COMMITTEE:

Mr. Gabriele Burgio

- 2008 Board Meeting per diem allowance: 42,000 euros
- Representative Committee per diem allowance: 9,000 euros
- Total per diem allowances: 51,000 euros

VICE-CHAIRMAN:

Mr. Manuel Herrando Prat y de la Riba

- 2008 Board Meeting per diem allowance: 42,000 euros
- Representative Committee per diem allowance: 9,000 euros
- Compensation and Nominating Committee per diem allowance: 5,547.78 euros
- Total per diem allowances: 56,547.78 euros

DIRECTORS:

CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIAN

- 2008 Board Meeting per diem allowance: 34,655.74 euros
- Total per diem allowances: 34,655.74 euros

Mr. Alfonso Merry del Val

- 2008 Board Meeting per diem allowance: 42,000 euros
- Total per diem allowance: 42,000 euros

Mr. Ramon Blanco Balín

- Director's attendance per diem allowance: 42,000 euros
- Representative Committee per diem allowance: 9,000 euros
- Audit and Control Committee per diem allowance: 14,794.08 euros
- Total per diem allowances: 65,794.08 euros

Mr. José De Nadal

- 2008 Board Meeting per diem allowance: 42,000 euros
- Compensation and Nominating Committee attendance per diem allowance: 5,547.78 euros
- Total per diem allowances: 47,547.78 euros

Mr. Julio Diaz Freijó Cerecedo

- 2008 Board Meeting per diem allowance: 42,000 euros
- Representative Committee attendance per diem allowance: 9,000 euros
- Total per diem allowances: 51,000 euros

CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)

- 2008 Board Meeting per diem allowance: 42,000 euros
- Representative Committee attendance per diem allowance: 9,000 euros
- Total per diem allowances: 51,000 euros

HOTELES PARTICIPADOS, S.L.

- 2008 Board Meeting per diem allowance: 42,000 euros
- Audit and Control Committee attendance per diem allowance: 7,359.30 euros
- Total per diem allowances: 49,359.30 euros

SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID

- 2008 Board Meeting per diem allowance: 19,393.44 euros
 - Representative Committee attendance per diem allowance: 3,000 euros
 - Audit and Control Committee attendance per diem allowance: 2,453.10 euros
- Total per diem allowances: 24,846.54 euros

Mr. Miguel Rodríguez Domínguez

- 2008 Board Meeting per diem allowance: 42,000 euros
 - Audit and Control Committee attendance per diem allowance: 4,744.83 euros
- Total per diem allowances: 46,744.83 euros

Mr. Iñaki Arratibel Olaziregui

- 2008 Board Meeting per diem allowance: 7,344.26 euros
- Total per diem allowance: 7,344.26 euros

GSS III HURRICANE:

- 2008 Board Meeting per diem allowance: 31,786.89 euros
- Total per diem allowance: 31,786.89 euros

SECTION B.1.12:

In connection with details of the members of Top Management, the list reflects the situation at 31 December 2008, without including the persons who have had that consideration at some moment in the 2008 financial year.

SECTION B.2.1:

In addition, the different Committees have their respective Secretaries (non-members), a function that is discharged by Mr. José María Mas Millet in respect of the Compensation and Nominating Committee and the Representative Committee and by Mr. Roberto Chollet Ibarra, in respect of the Audit and Control Committee.

SECTION C.2:

In connection with the lease agreements between the important shareholder, PONTEGADEA INVERSIONES, S.L., and some of the companies in the NH HOTELES, S.A. Group, it should be stated that in reality these contracts were signed by the company PONTEGADEA INMOBILIARIA, S.L., which belongs 100% (in an indirect way) to PONTEGADEA INVERSIONES, S.L.

SECTION C.3:

The loans referred to in the chart in this section, carried out between HOTELES PARTICIPADOS, S.L. and NH FINANCE, S.A., in reality were signed by the two shareholders that make up 50% of the company HOTELES PARTICIPADOS, S.L., i.e. Caja Murcia (for an amount of 7,500 thousand euros) and Caixa Nova (for an amount of 12,500 thousand euros).

Any other information, clarification or nuance, relating to the foregoing sections of the report, to the extent that they are relevant and not reiterative, can be included in this section.

In particular, indicate whether the company is subject to legislation other than Spanish legislation on the subject of corporate governance and, when applicable, include the information the company has the obligation of supplying and which differs from that required in this report.

Binding definition of independent Director:

Indicate whether any of the independent Directors has or has had a relationship with the company, its important shareholders or managers which, had it been sufficiently important, would have meant that the Director could not be deemed to be independent as per the definition included in section 5 of the Unified Good Governance Code:

YES

Director's Name

MR. MANUEL HERRANDO Y PRAT DE LA RIBA

Type of Relationship

Chairman of Sotogrande, S.A., company in which NH Hoteles, S.A. has a 96.65% stake

Explanation

The amounts received for this concept are irrelevant for these purposes

Signature and date:

This corporate governance annual report has been approved by the company's Board of Directors in its meeting held on

27/02/2009

Indicate whether any of the Directors voted against or abstained in connection with this report's approval.

NO