

**ANNEX I**

**CORPORATE GOVERNANCE ANNUAL REPORT**

**LISTED PUBLIC LIMITED COMPANIES**

ISSUING COMPANY'S IDENTIFYING  
DATA

FINANCIAL YEAR 2006

Tax Identification Code  
A28027944

**Corporate Name:**

**NH HOTELES S.A.**

**Registered Office:**

**SANTA ENGRACIA 120  
MADRID  
MADRID  
28003  
SPAIN**

**MODEL CORPORATE GOVERNANCE ANNUAL REPORT OF  
LISTED PUBLIC LIMITED COMPANIES**

For a better understanding of the model and subsequent preparation thereof, the instructions provided at the end of this report for completing the form should be read.

**A OWNERSHIP STRUCTURE**

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

Date of last modification	Corporate capital ( € )	Number of shares
26-12-2006	263,196,974.00	131,598,487

If there are different classes of shares, this should be indicated in the following chart:

Class	Number of shares	Unit face value

**A.2. Give details of the direct and indirect shareholders of significant stakes at the closing of the financial year, excluding board members:**

Shareholder's Name or Corporate Name	Number of direct shares	Number of indirect shares (*)	Total % of corporate capital
CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIAN	6,700,000	0	5.091
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	0	13,208,910	10.037
CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGON Y RIOJA (IBERCAJA)	5,978,782	0	4.543
JOSE ANTONIO CASTRO SOUSA	0	29,201,056	22.190
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	5,976,645	0	4.542
GRUPO INVERSOR HESPERIA, S.A	29,201,056	0	22.190
AMANCIO ORTEGA GAONA	0	12,273,585	9.327
PONTEGADEA INVERSIONES, S.L.	12,273,585	0	9.327
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	7,232,265	0	5.496

(\*) Through:

Name or Corporate Name of the direct owner of the stake	Number of direct shares	% of corporate capital
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	5,976,645	4.542
GRUPO INVERSOR HESPERIA, S.A	29,201,056	22.190
PONTEGADEA INVERSIONES, S.L.	12,273,585	9.327
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	7,232,265	5.496

<b>Total:</b>	<b>54,683,551</b>	
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**Indicate the most significant movements in the shareholder structure during the financial year:**

Shareholder's Name or Corporate Name	Date of transaction	Description of transaction
GRUPO INVERSOR HESPERIA, S.A	16-06-2006	20% of corporate capital exceeded
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	26-12-2006	5% of corporate capital exceeded

**A.3. Complete the following charts on the members of the company's board of directors who own shares in the company:**

Director's Name or Corporate Name	Date of first appointment	Date of last appointment	Number of direct shares	Number of indirect shares (*)	Total % of corporate capital
MATÍAS AMAT ROCA	23-07-2004	28-04-2005	50	0	0.000
RAMON BLANCO BALIN	15-01-1993	05-05-2006	23,800	13,400	0.028
GABRIELE BURGIO	13-01-1993	05-05-2006	1,317,770	0	1.001
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	17-06-2002	27-06-2004	7,319,698	0	5.562
JOSE DE NADAL CAPARÁ	08-05-1997	05-05-2006	10,000	0	0.008
JULIO C. DIAZ-FREIJO CERECEDO	22-02-2006	05-05-2006	100	0	0.000
MANUEL HERRANDO Y PRAT DE LA RIBA	13-07-1992	05-05-2006	4,027	0	0.003
HOTELES PARTICIPADOS, S.L.	29-04-2004	29-04-2004	6,639,194	0	5.045
ALFONSO MERRY DEL VAL GRACIE	18-03-1997	05-05-2006	100	0	0.000
MIGUEL RODRÍGUEZ DOMÍNGUEZ	29-04-2004	29-04-2004	3,000	0	0.002

(\*) Through:

Name or Corporate Name of the direct owner of the stake	Number of direct shares
ELENA BLANCO VILLAR	3,500
RAMON BLANCO VILLAR	3,500
AMPARO VILLAR CANOVAS	6,400
<b>Total:</b>	<b>13,400</b>

<b>Total % of corporate capital in possession of the Board of Directors:</b>	<b>11,649</b>
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**Complete the following charts on those members of the company's Board of Directors who are in possession of rights over the company's shares:**

Director's Name or Corporate Name	Number of direct option rights	Number of indirect option rights	Number of equivalent shares	Total % of corporate capital
GABRIELE BURGIO	528,971	0	528,971	0.402

**A.4. Indicate, when applicable, any relations of a family, commercial, contractual or company nature that may exist between the holders of significant stakes, to the extent that they are known by the company, except when they are of little importance or result from ordinary draft or commercial trade:**

Related names or corporate names	Type of relationship	Brief description

**A.5. Indicate, when applicable, any relations of a commercial, contractual or company nature that may exist between the holders of significant stakes and the company, except when they are of little importance or result from ordinary draft or commercial trade:**

Related names or corporate names	Type of relationship	Brief description

**A.6. Indicate any shareholders' agreements reached between shareholders that may have been notified to the company:**

Intervening parties in the shareholders' agreement	% of corporate capital affected	Brief description of the agreement

**Indicate, when applicable, agreed actions between shareholders of the company and which are known by the company:**

Intervening parties in the agreed action	% of corporate capital affected	Brief description of the agreed action

**In the event that there has been a change in, or severance of, such agreements or agreed actions during the financial year, this should be expressly indicated.**

**A.7. Indicate whether or not a natural or corporate person exists which exercises or may exercise control over the company, in accordance with article 4 of Spain's Securities Market Law:**

Name or corporate name

Comments

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

**As at the date of the closing of the financial year:**

Number of direct shares	Number of indirect shares (*)	Total % of corporate capital
230,543	0	0.175

(\*) Through:

Name or Corporate Name of the direct owner of the stake	Number of direct shares
<b>Total:</b>	

**Provide details of significant variations, as per the provisions of Royal Decree 377/1991, made during the financial year:**

Date	Number of direct shares	Number of indirect shares	Total % of corporate capital

**A.9. Provide details of the conditions and term(s) of the authorization(s) of the general meeting of shareholders to the board of directors to carry out the purchases or transfers of own shares described in section A.8.**

The General Meeting of Shareholders held on 5<sup>th</sup> May 2006 authorized the Board of Directors, for a term of 18 months, to take as a pledge and/or to purchase, directly or indirectly, its own shares, through their purchase on an official secondary market and for a price that is neither below their nominal value nor above their quoted value at the moment of the purchase, 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 the aforementioned authorization, for the purpose, as and when applicable, of complying with the commitments acquired under "Remuneration systems with the handing over of stock options" or "referenced to the stock's quoted value", the introduction of which in the company has been the object of the mandatory approvals.

**A.10. Indicate, when applicable, any legal or bylaw limitations on the exercising of voting rights and any legal limitations on the purchase or transfer of stakes in the corporate capital:**

In accordance with the provisions of Article 15 of the Articles of Association, each share gives the right to one vote, there being no legal or bylaw limitations on the free transfer of shares.

Without prejudice to the foregoing and as established in the aforesaid Article, no shareholder, regardless of the number of shares of which it is the owner, may issue more votes than those corresponding to 10% of the issued shares with a right to vote. This limitation shall not apply in those General Meetings in which, in accordance with the list of attendees, a shareholder, whether present or represented at the Meeting, is the owner of more than 75% of the issued shares with a right to vote.

For the purpose of the foregoing paragraph, companies belonging to the same group, as per the provisions of article 42 of the Commercial Code, shall have the consideration of a single shareholder.

Taking into account the fact that the corporate capital of NH Hoteles, S.A. is made up of bearer shares, the provisions of sections 9 and following of Spain's Securities Market Law 24/1988, of 28<sup>th</sup> July, and similar legislation shall apply for all matters relating to the transfer of shares. This is also incorporated into the Articles of Association of NH Hoteles, S.A., which, in Article 7, expressly states that "The transfer of shares and the constitution of limited real rights or any other liens and encumbrances thereon, must be the subject of an entry in the corresponding Accounting Register, as provided for in Securities Market Law".

## **B THE COMPANY'S ADMINISTRATIVE STRUCTURE**

### **B.1. Board of Directors**

**B.1.1. Provide details of 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:**

Director's Name or Corporate Name	Representative	Office on the Board	Date of first appointment	Date of last appointment	Election procedure
MATÍAS AMAT ROCA		DIRECTOR	23-07-2004	28-04-2005	GENERAL MEETING OF SHAREHOLDERS
RAMON BLANCO BALIN		DIRECTOR	15-01-1993	05-05-2006	G. MEETING OF SHAREHOLDERS
GABRIELE BURGIO		CHAIRMAN	13-01-1993	05-05-2006	G. MEETING OF SHAREHOLDERS
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	IZQUIERDO GÓMEZ, AURELIO	DIRECTOR	17-06-2002	27-06-2004	G. MEETING OF SHAREHOLDERS
DON JOSE DE NADAL CAPARÁ		DIRECTOR	08-05-1997	05-05-2006	G. MEETING OF SHAREHOLDERS
JULIO C. DIAZ-FREIJO CERECEDO		DIRECTOR	22-02-2006	05-05-2006	G. MEETING OF SHAREHOLDERS
GARY GARRABRANT		DIRECTOR	05-05-2006	05-05-2006	G. MEETING OF SHAREHOLDERS
MANUEL HERRANDO Y PRAT DE LA RIBA		DIRECTOR	13-07-1992	05-05-2006	G. MEETING OF SHAREHOLDERS
HOTELES PARTICIPADOS, S.L.	EZQUIAGA DOMÍNGUEZ, IGNACIO	DIRECTOR	29-04-2004	29-04-2004	G. MEETING OF SHAREHOLDERS
ALFONSO MERRY DEL VAL GRACIE		DIRECTOR	18-03-1997	05-05-2006	G. MEETING OF SHAREHOLDERS
MIGUEL RODRÍGUEZ DOMÍNGUEZ		DIRECTOR	29-04-2004	29-04-2004	G. MEETING OF SHAREHOLDERS

<b>Total Number of Directors:</b>	11
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**Indicate the retirements/removals from the board of directors that have occurred during the period:**

Director's Name or Corporate Name	Termination date
ALFREDO FERNANDEZ DURAN	22-02-2006
LUIS FERNANDO ROMERO GARCÍA	05-05-2006
BERNARD S' JACOB	05-05-2006

**B.1.3. Complete the following charts on the members of the board of directors and their condition:**

**EXECUTIVE DIRECTORS**

Director's Name or Corporate Name	Committee that proposed the appointment	Office on the company's organization chart
GABRIELE BURGIO	BOARD OF DIRECTORS	CHAIRMAN-MANAGING DIRECTOR

**EXTERNAL PROPRIETARY DIRECTORS**

Director's Name or Corporate Name	Committee that proposed the appointment	Name or corporate name of the significant shareholder represented or who proposed the appointment
MATIAS AMAT ROCA	NOMINATION AND REMUNERATION COMMITTEE	CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	BOARD OF DIRECTORS	CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)
JULIO C. DIAZ-FREIJO CERECEDO	BOARD OF DIRECTORS	PONTEGADEA INVERSIONES, S.L.
HOTELES PARTICIPADOS, S.L.	NOMINATION AND REMUNERATION COMMITTEE	HOTELES PARTICIPADOS, S.L.

### **EXTERNAL INDEPENDENT DIRECTORS**

Director's Name or Corporate Name	Committee that proposed the appointment	Profile
RAMON BLANCO BALIN	BOARD OF DIRECTORS	BUSINESS & ECONOMICS DEGREE. TAX INSPECTOR WITH LEAVE OF ABSENCE.
GARY GARRABRANT	BOARD OF DIRECTORS	GRADUATE IN FINANCE FROM UNIVERSITY OF NOTRE DAME
MANUEL HERRANDO Y PRAT DE LA RIBA	BOARD OF DIRECTORS	LAW DEGREE.
ALFONSO MERRY DEL VAL GRACIE	BOARD OF DIRECTORS	ECONOMICS AND COMMERCE DEGREE FROM BOCCONI UNIVERSITY OF MILAN. DOCTORATE FROM UNIVERSITY OF PAVIA.
MIGUEL RODRÍGUEZ DOMÍNGUEZ	NOMINATION AND REMUNERATION COMMITTEE	ENTREPRENEUR

### **OTHER EXTERNAL DIRECTORS**

Director's Name or Corporate Name	Committee that proposed the appointment
JOSE DE NADAL CAPARÁ	BOARD OF DIRECTORS

**Provide details of the reasons why they cannot be considered proprietary or independent directors:**

HE CANNOT BE CONSIDERED AS A PROPRIETARY DIRECTOR SINCE HE NO LONGER REPRESENTS A SIGNIFICANT SHAREHOLDER

**Indicate any changes that, when applicable, have occurred during the period in the type of each director:**

Director's Name or Corporate Name	Date of the change	Previous status	Current status
JOSE DE NADAL CAPARÁ	25-05-2006	EXTERNAL PROPRIETARY DIRECTOR	OTHER EXTERNAL DIRECTOR

**B.1.4. Indicate whether the classification of Directors made in the previous point coincides with the distribution provided for in the regulations of the board of directors:**

The composition and classification of Directors made in the previous point is respectful of and complies with the provisions of the Regulations of the Board of Directors (article 9 of the Board of Directors' Regulations).

**B.1.5. Indicate, as and when applicable, the powers delegated to the managing director(s):**

Director's Name or Corporate Name	Brief description
GABRIELE BURGIO	ALL THE POWERS WHICH CORRESPOND TO THE BOARD OF DIRECTORS, EXCEPT THOSE THAT CANNOT BE DELEGATED BY LAW OR BY VIRTUE OF THE ARTICLES OF ASSOCIATION

**B.1.6. Identify, as and when applicable, the members of the board who hold the office of administrator or director in other companies which form part of the listed company's group:**

Director's Name or Corporate Name	Corporate name of the group company	Office
MATÍAS AMAT ROCA	SOTOGRADE, S.A.	NATURAL PERSON REPRESENTATIVE OF THE DIRECTOR PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID, S.A.
GABRIELE BURGIO	NH ITALIA	DIRECTOR
GABRIELE BURGIO	GRANDE JOLLY	DIRECTOR
GABRIELE BURGIO	NH PARTICIPATIES N.V.	PRESIDENT AND DIRECTOR
GABRIELE BURGIO	NH DOMO, DISEÑO Y DECORACIÓN, S.L.	JOINT ADMINISTRATOR
GABRIELE BURGIO	JOLLY HOTELS SPA	DIRECTOR
GABRIELE BURGIO	GRUPO FINANCIERO DE INTERMEDIACIÓN Y ESTUDIOS, S.A.	NATURAL PERSON REPRESENTATIVE OF THE SOLE ADMINISTRATOR, NH HOTELES, S.A.
GABRIELE BURGIO	SOTOGRADE, S.A.	DIRECTOR
GABRIELE BURGIO	NACIONAL HISPANA HOTELES SRL DE CV	DIRECTOR
GABRIELE BURGIO	KRASNAPOLSKY HOTELS & RESTAURANTS, BV	MEMBER OF THE SUPERVISORY BOARD
MANUEL HERRANDO Y PRAT DE LA RIBA	SOTOGRADE, S.A.	CHAIRMAN
ALFONSO MERRY DEL VAL GRACIE	KRASNAPOLSKY HOTELS & RESTAURANTS, BV	MEMBER OF THE SUPERVISORY BOARD

**B.1.7. Provide details, as and when applicable, of the company's directors who are members of the board of directors of other companies listed in official securities markets in Spain other than its group, which have been notified to the company:**

Director's Name or Corporate Name	Listed company	Office
GABRIELE BURGIO	GRUPO FERROVIAL, S.A.	DIRECTOR
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.	DEPUTY-CHAIRMAN

**B.1.8. Complete the following charts relating to directors' aggregate remuneration accrued during the financial year:**

**a) In the company under study in this report:**

Remunerative item	In thousands of euros
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Fixed remuneration	719
Variable remuneration	984
Per diem allowances	627
Bylaw-mandated business	0
Stock options and/or other financial instruments	262
Others	230
<b>Total:</b>	<b>2,822</b>

<b>Other Benefits</b>	<b>In thousands of euros</b>
Payments on Account	0
Credits granted	8,305
Pension Funds or Plans: Contributions	0
Pension Funds or Plans: Obligations incurred	0
Life insurance premiums	24
Guarantees constituted by the company in favour of its directors	0

**b) Resulting from the company's directors belonging to other boards of directors and/or the top management of group companies:**

<b>Remunerative item</b>	<b>In thousands of euros</b>
Fixed remuneration	0
Variable remuneration	0
Per diem allowances	115
Bylaw-mandated business	0
Stock options and/or other financial instruments	0
Others	0
<b>Total:</b>	<b>115</b>

<b>Other Benefits</b>	<b>In thousands of euros</b>
Payments on Account	0
Credits granted	0
Pension Funds or Plans: Contributions	0
Pension Funds or Plans: Obligations incurred	0
Life insurance premiums	0
Guarantees constituted by the company in favour of its directors	0

**c) Total remuneration per type of director:**

<b>Type of director</b>	<b>Per company</b>	<b>Per group</b>
Executives	2,268	15
External proprietary directors	193	15
External independent directors	287	85
Other external directors	74	0
<b>Total:</b>	<b>2,822</b>	<b>115</b>

**d) In respect of the profit attributed to the holding company:**

<b>Total remuneration of directors (in thousands of euros)</b>	2,937
<b>Total remuneration of directors as a percentage of the profit attributed to the holding company</b>	4,170

**B.1.9. Identify the members of top management who are not at the same time executive directors and indicate the total remuneration accrued in their favour during the financial year:**

<b>Name or corporate name</b>	<b>Office</b>
JESUS IGNACIO ARANGUREN GONZALEZ-TARRÍO	GENERAL CORPORATE AND STRATEGIC INVESTMENTS MANAGER
ROBERTO CHOLLET IBARRA	GENERAL FINANCIAL MANAGER
JUAN DE MORA NARVAEZ	CORPORATE HUMAN RESOURCES MANAGER

GUSTAVO GABARDA DURAN	GENERAL MANAGER-MANAGING DIRECTOR SOTOGRANDE
FERNANDA MATOSES GARCÍA-VALDÉS	CORPORATE LEGAL ADVISORY SERVICE MANAGER
FRANCISCO ALEJANDRO ZINSER CIESLIK	GENERAL OPERATIONS MANAGER

Total remuneration of top management (in thousands of euros)	3,075
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**B.1.10. Identify in an aggregate way whether or not guarantee or protection clauses exist, for cases of dismissal or changes of control in favour of members of the top management, including the executive directors, of the company or its group. Indicate whether or not these contracts have to be notified to and/or approved by the administrative bodies of the company or its group:**

Number of beneficiaries	7
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	Board of Directors	General Meeting of Shareholders
Administrative body which authorizes the clauses	X	

	YES	NO
Is the General Meeting of Shareholders informed of these clauses?		X

**B.1.11. Indicate the process for establishing the remuneration of the members of the board of directors and the relevant bylaw clauses in this respect.**

Article 35 of the Regulations of the Board of Directors establishes that the Director shall have the right to receive the remuneration established by the Board of Directors in accordance with the legal and bylaw provisions and subject to the opinion of the Nomination and Remuneration Committee. The Board of Directors shall endeavour to ensure that the Director's remuneration is commensurate to what is paid in the market in companies of a similar size and activity.

Article 20 of the Articles of Association establishes that Directors' remuneration shall consist of a specific annual allotment and per diem allowances for attending the meetings of the Board of Directors and its delegated and consultative Committees. The amount of the remuneration which the Company may pay to all the Directors as a whole 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 this limit and its distribution amongst the various Directors corresponds to the Board of Directors. In addition, and irrespective of the remuneration contemplated in the foregoing paragraph, provisions exist for the establishment of remuneration systems referenced to the quoted value of the shares or that involve the awarding of shares or stock options to the Directors. For these remuneration systems to be applied, a resolution must be adopted by the General Meeting of Shareholders, which will establish the share value to be taken as the reference, the number of options, the price at which the option rights can be exercised, the term of this remuneration system and all other conditions which it deems appropriate. Likewise, and subject to prior

compliance with the legal requirements, similar remuneration systems can be established for the Company's personnel, regardless of whether or not they are directors. The remuneration as described in the foregoing sections, which results from being a member of the Board of Directors, shall be compatible with all other professional and occupational income which corresponds to the Directors for whatsoever other executive or advisory functions which, as and when applicable, they may perform for the Company other than those of supervision and decision, acting as a body, corresponding to their capacity as Directors, which functions shall be subjected to whichever legal regime may be applicable.

**B.1.12. Indicate, as and when applicable, the identity of the members of the board who are at the same time members of the board of directors or are directors of companies which hold significant shareholdings in the listed company and/or companies within its group:**

Director's Name or Corporate Name	Name or Corporate Name of the significant shareholder	Office
MATÍAS AMAT ROCA	CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	GENERAL FINANCIAL MANAGER

**Provide details, as and when applicable, of any relevant relations other than those contemplated in the foregoing section, of the members of the board of directors which links them to significant shareholders in the company and/or in group companies:**

Director's Name or Corporate Name	Name or Corporate Name of the significant shareholder	Description of the relationship

**B.1.13. Indicate, as and when applicable, the amendments introduced in the regulations of the board of directors during the financial year.**

The Regulations of the Board of Directors were not amended during financial year 2006.

**B.1.14. Indicate the procedures for the appointment, re-election, evaluation and removal of directors. Provide details of the competent bodies, the processes to be adopted and the criteria to be employed in each one of the procedures.**

1. Board Member Selection Procedures

Directors shall be designated by the General Meeting of Shareholders or, on a provisional basis, by the Board of Directors, in accordance with the provisions laid down in Spain's Company Law and the Articles of Association.

Proposals for the appointment of Directors submitted by the Board of Directors to the consideration of the General Meeting of Shareholders and the appointment resolutions adopted by such body by virtue of the co-option powers legally attributed to it must be in compliance with the provisions of the Board of Directors' Regulations and must be preceded by

the corresponding opinion of the Nomination and Remuneration Committee, which shall not be binding.

## 2. Designation of External Directors

The Board of Directors' Regulations make a special reference to the designation and appointment of external Directors, given their particularity with respect to executive Directors, as a consequence of which it is appropriate to briefly explain the basic characteristics of the designation of the aforesaid External Directors:

### 2.1 Proprietary Directors

As far as Proprietary Directors are concerned, their appointment must fall on the persons proposed by the respective owners of significant stable shareholdings, with all other Directors having the obligation of propitiating with their vote that such appointments or proposed appointments are approved by the Board of Directors.

### 2.2 Independent Directors

The Board of Directors and the Nomination and Remuneration Committee shall endeavour to ensure, within the scope of their respective competences, that the election of candidates to occupy the office of independent Directors falls on reputable persons of well-known competence and experience, who are willing to devote a sufficient part of their time to the Company.

The Board of Directors may not propose or designate persons to the office of independent Director who have or have had during the last two years a stable relationship of certain relevance with the Company's management or who are linked by family, professional or commercial reasons with any of the executive Directors or with other members of the Company's Top Management; likewise, they must not have a stable relationship with the Proprietary Directors or with the corporations or business groups they represent.

In particular, the following may not be proposed or appointed as independent Directors:

- a) Those persons who hold or have held in the last two years executive posts of the highest level within the Company;
- b) The relations, up to the fourth degree of kinship, of whoever is or has been in the last two years an executive Director or member of the Company's Top Management;
- c) Persons who, directly or indirectly, have made or received relevant payments to or from the Company which could compromise their independence;
- d) Persons who have or have had other relations with the Company which, in the opinion of the Nomination and Remuneration Committee, could undermine their independence.

## 3. Re-election of Directors

Proposals for the re-election of Directors which the Board of Directors decides to submit to the General Meeting must be subject to a formal preparation process, of which a report issued by the Nomination and Remuneration Committee in which the quality of work and devotion to duty of the proposed Directors during their term of office must necessarily form a part.

#### 4. Duration of Office

Directors shall hold office for a term of three years.

However, Directors designated by co-option shall hold office until the date of the first meeting of the General Meeting of Shareholders.

During a period of two years the Director who terminates his term of office or who for whatsoever other reason ceases to hold office may not render his services in another company with a similar or analogous corporate purpose to that of the Company or that of any of the Companies which form its Group.

The Board of Directors, if it considers it appropriate, may release the outgoing Director from this obligation or shorten the period of its duration.

#### 5. Removal of Directors

Directors shall cease to hold office when the term for which they were appointed has elapsed or when the General Meeting of Shareholders adopts the corresponding resolution, making use of the attributions legally granted to it.

Members of the Board of Directors must tender their resignation to the Board of Directors and shall formalize the corresponding resignation in the following cases:

a.) When they reach 70 years of age. Directors in executive office shall cease to fulfil their duties when they reach 65 years of age although they can continue as Directors if so decided by the Board of Directors itself.

In these cases, removal from office shall be implemented in the first meeting of the Board of Directors to take place after the General Meeting of Shareholders at which the financial statements of the year in which the Director has reached the age limit are approved.

b.) When they are removed from the executive posts to which their appointment as Director was associated or when the reasons for their appointment have disappeared, it being understood that such circumstance exists in a Proprietary Director when the corporation or business group which it represents ceases to hold a significant stake in the Company's corporate capital or when, in the case of an independent Director, it joins the executive area of the Company or of any of its subsidiary companies.

c.) When they are involved in any of the cases of incompatibility or prohibition legally provided for.

d.) Whenever they receive a serious warning by the Nomination and Remuneration Committee on the grounds of having failed to comply with any of their obligations as Directors.

e.) Whenever their permanence on the Board of Directors can negatively affect the credit or reputation enjoyed by the Company in the market or in any other manner can place its interests at risk.

**B.1.15. Indicate those cases in which directors have the obligation of resigning.**

Directors shall cease to hold office when the term for which they were appointed has elapsed or when the General Meeting of Shareholders adopts the corresponding resolution, making use of the attributions legally granted to it.

Members of the Board of Directors must tender their resignation to the Board of Directors and shall formalize the corresponding resignation in the following cases:

a.) When they reach 70 years of age. Directors in executive office shall cease to fulfil their duties when they reach 65 years of age although they can continue as Directors if so decided by the Board of Directors itself.

In these cases, removal from office shall be implemented in the first meeting of the Board of Directors to take place after the General Meeting of Shareholders at which the financial statements of the year in which the Director has reached the age limit are approved.

b.) When they are removed from the executive posts to which their appointment as Director was associated or when the reasons for their appointment have disappeared, it being understood that such circumstance exists in a Proprietary Director when the corporation or business group which it represents ceases to hold a significant stake in the Company's corporate capital or when, in the case of an independent Director, it joins the executive area of the Company or of any of its subsidiary companies.

c.) When they are involved in any of the cases of incompatibility or prohibition legally provided for.

d.) Whenever they receive a serious warning by the Nomination and Remuneration Committee on the grounds of having failed to comply with any of their obligations as Directors.

e.) Whenever their permanence on the Board of Directors can negatively affect the credit or reputation enjoyed by the Company in the market or in any other manner can place its interests at risk.

**B.1.16. Explain whether or not the function of top executive of the company falls on the office of chairman of the board of directors. When applicable, indicate the measures which have been taken to limit the risks of accumulation of powers in a single person:**

YES  NO

Article 17 of the Board of Directors' Regulations establishes that the Executive Chairperson shall have the condition of First Executive 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 in all cases shall be put to and supervised by the General Meeting of Shareholders and the Board of Directors. Likewise, all resolutions and decisions of special relevance for the Company must first be submitted to the Board of Directors or corresponding control Committee, for its approval. Moreover, the adoption of certain resolutions requires the proposals and reports of the Board's various Committees.

**B.1.17. Are reinforced majorities, other than the legal majorities, required for certain types of decision?:**

YES  NO

Indicate how resolutions are adopted in the Board of Directors, explaining, at least, the minimum quorum of attendance and the type of majorities for adopting resolutions:

**Adoption of resolutions**

Description of the resolution	Quorum	Type of Majority
For any type of resolution.	Half plus one of the members of the Board of Directors.	Absolute majority of the attendees

**B.1.18. Explain whether or not specific requirements exist, other than those relating to directors, for being appointed to the office of chairman.**

YES  NO

Description of the requirements

**B.1.19. Indicate whether or not the chairman has the casting vote:**

YES  NO

Subjects for which a casting vote exists
Article 23 of the Articles of Association establishes that resolutions shall be adopted by an absolute majority of the Directors present at the meeting, with the vote of the Chairperson or the Vice-Chairperson who stands in for him/her being decisive.

**B.1.20. Indicate whether or not the articles of association or the regulations of the board of directors establish some type of limit on the age of directors:**

YES  NO

Age limit of chairperson	65
Age limit of managing director	65

Age limit of directors	70
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**B.1.21. Indicate whether or not the articles of association or the regulations of the board of directors establish a limited term of office for independent directors:**

YES  NO

Maximum number of years of office	0
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**B.1.22. Indicate whether or not formal processes exist for the delegation of votes in the meetings of the board of directors. If so, briefly explain.**

Article 22 of the Regulation of the Board of Directors establishes that Directors must personally attend Board meetings and, whenever due to exceptional circumstances they are unable to do so, they must endeavour to ensure that the representation they confer on another member of the Board shall include, as far as is possible, the appropriate instructions. These delegations can be granted by letter or by any other means which, in the Chairperson's opinion, guarantees the delegation's certainty and validity. Likewise, the Board of Directors may authorize the attendance of Directors via telephone or audiovisual systems, always provided that such systems enable real time interaction and intercommunication between all the attendees.

**B.1.23. Indicate the number of meetings held by the board of directors during the financial year. Similarly, indicate, as and when applicable, the number of times the board met without the attendance of its Chairperson:**

Number of board meetings	10
Number of board meetings without the Chairperson attending	0

**Indicate the number of meetings held in the financial year by the various board committees:**

Number of executive or delegated committee meetings	10
Number of Audit Committee meetings	7
Number of Nomination and Remuneration Committee meetings	4
Number of strategy and investment committee meetings	0
Number of committee meetings	0

**B.1.24. Indicate whether or not the individual and consolidated annual accounts which are submitted to the board of directors for its approval are certified beforehand:**

YES  NO

**Identify, as and when applicable, the person(s) who has or have certified the company's individual and consolidated annual accounts, for their formulation by the board of directors:**

Name	Office
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**B.1.25. Explain the mechanisms established by the board of directors, as and when they exist, for ensuring that the individual and consolidated accounts authorized by it are not presented to the General Meeting of Shareholders with qualifications in the audit report.**

Article 40.2 of the Board of Directors' Regulations establishes that the Board of Directors must endeavour to authorize the accounts in such a way that they do not give rise to qualifications on the part of the Auditors. Nevertheless, when the Board of Directors considers that it must maintain its criterion, it shall publicly explain the content and scope of the discrepancies.

**B.1.26. Provide details of the measures adopted so that the information disclosed to the securities markets is transmitted in a fair and symmetrical manner.**

Article 39 of the Regulations of the Board of Directors of NH Hoteles, S.A. includes all aspects relating to the listed company's relationship with the Securities Markets. In this connection, it states that "The Board of Directors shall discharge as many functions as may be imposed on it by virtue of the Company's category as a company that issues listed securities. In particular, the Board of Directors shall discharge, in the manner laid down in this Regulation, the following specific functions in relation to the Securities Market:

- a) Supervision of regular financial information made available to the public.
- b) The performance of all the activities and the adoption of all the measures that may be necessary to guarantee the Company's transparency before the financial markets, reporting to them, in particular, on all events, decisions and circumstances that may be of importance to the share price.
- c) The performance of all the activities and the adoption of all the measures that may be necessary for the correct formation of the Company's share prices and, when applicable, those of its subsidiaries, particularly avoiding manipulations and the abuse of insider information".

Lastly, the aforesaid Article establishes that the Board of Directors shall adopt the necessary measures to guarantee that the quarterly, half-yearly and any other financial information which it is deemed prudent to make available to the markets shall be prepared in accordance with the same principles, criteria and professional practices as those with which the Annual Accounts are prepared and shall enjoy the same reliability as the latter. To this end, such information shall be reviewed by the Audit and Control Committee.

In addition, the Board of Directors shall at all times enforce the due safeguarding of the data and information relating to the issued shares, without prejudice to its duty of notification and collaboration with the legal and administrative authorities, preventing such data and information from being the object of abusive or unfair use, reporting those cases in which this has occurred and immediately adopting the necessary measures within

their scope to prevent, avoid and, when applicable, correct any consequences that may result.

Additionally, all relevant information of interest to the Securities Markets is centralized in the Financial Department which, through its Manager, sends it on a regular basis as a Significant Event to the Securities Markets.

Finally it should be pointed out that article 25.b. 4 of the Board of Directors Regulation includes the following as one of the powers attributed to this Committee: "to know the financial information process and internal control systems".

**B.1.27. Is the secretary of the board of directors a director?**

YES  NO

**B.1.28. Indicate the mechanisms established by the company, when they exist, for safeguarding the independence of the auditors, financial analysts, investment banks and rating agencies.**

Through the Audit and Control Committee the Board of Directors has established a stable and professional relationship with the Company's firm of Auditors, with strict respect for its independence, with a view to complying with the recommendations of the Olivencia Code in this respect. Accordingly, the Audit and Control Committee monitors those situations which may represent a risk for the independence of the Company's external Auditors and, in particular, supervises the percentage which the fees paid by the Company represent over the total of the Auditors' income. In this regard, article 25.3, point e.) of the Article of Associations states that one of the powers of the Audit and Control Committee is "to maintain relations with the Auditors in order to receive information on any questions that may jeopardise the Auditor's independence and any others relating to the process of carrying out the audit, and to receive information and maintain with the Auditors the communications provided for in the audit legislation and technical audit standards.

Lastly, in accordance with the prevailing legal requirements, the fees paid to the Company's external auditors, including those relating to services other than audit services, are reported in the Company's annual report.

**B.1.29. Indicate whether or not the firm of financial auditors performs other tasks for the company and/or its group apart from auditing activities and, if so, indicate the amount of the fees received for such tasks and the percentage they represent of the fees invoiced to the company and/or its group.**

YES  NO

	Company	Group	Total
Amount of work other than auditing work (in thousands of euros)	31	70	101
Amount of work other than auditing work as a percentage of the total amount invoiced by the firm of auditors	17.270	9.210	10.750

**B.1.30. Indicate the number of years the current firm of financial auditors has been carrying out the audit of the annual accounts of the company and/or its group uninterrupted. Likewise, indicate the number of years the company has been audited by its current firm of financial auditors as a percentage of the total number of years in which the annual accounts have been audited:**

	Company	Group
Number of uninterrupted years	5	5

	Company	Group
Number of years audited by the current firm of financial auditors as a percentage of the total number of years the company has been audited	25.000	25.000

**B.1.31. Indicate the stakes of the members of the board of directors in the capital of companies which have the same, an analogous or complementary type of activity to that which constitutes the corporate purpose of both the company and its group and which have been notified to the company. Likewise, indicate the offices or functions which they hold or exercise in these companies:**

Director's Name or Corporate Name	Name of the investee company	% stake	Office or functions
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	HOTEL ALAMEDA VALENCIA, S.L.	90.000	NONE
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	PLAYA HOTELS & RESORTS, S.L.	6.870	NONE
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	PROHORESA	29.930	NONE
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	IBERDROLA INMOBILIARIA, S.A.	1.000	THE INDIVIDUAL REPRESENTING BANCAJA IS ALSO A MEMBER OF IBERDROLA INMOBILIARIA, S.A.

**B.1.32. Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:**

YES  NO

Details of the procedure
Article 28 of the Board of Directors' Regulations expressly establishes that, for the purpose of being aided in the performance of their functions, external Directors voted in by a majority or any of the Board of Directors Committees, by virtue of a majority resolution of its members, can request the hiring of legal, accounting and financial advisers or other experts, with all costs for the Company's account. The remit must necessarily relate to specific problems of certain importance and complexity which may arise during the course of their activities. The decision to hire such services must be notified to the Company's Chairman and shall be formalized through the Secretary of the Board of Directors, except when the Board of Directors considers that such hiring is neither necessary nor advisable.

**B.1.33. Indicate whether or not a procedure exists whereby directors can count on the necessary information in order to prepare the meetings of the administrative bodies in sufficient time and, if so, provide details:**

YES  NO

Details of the procedure
<p>Article 27 of the Board of Directors' Regulations reflects the right and duty of the members of the Board of Directors to information. In this regard, it establishes that all Directors have the power and duty to request and obtain as much information as they may deem necessary or advisable at any given moment for the good discharge of their duties.</p> <p>To this end, the widest powers are granted to the Director to enable it to acquire information on any aspect of the Company and to examine the books, records, documents and all background details of corporate transactions to the extent that this is necessary or advisable for the due discharge of office.</p> <p>This right to information also extends to the various subsidiary companies which comprise the consolidated Group, and must always be exercised in accordance with the demands of good faith.</p> <p>Likewise, and following the Olivencia and Aldama recommendations, so as not to perturb the ordinary course of the Company's business, the exercising of the right to information shall be channelled through the Chairman or the Secretary of the Board of Directors, who shall receive the Directors' requests and directly provide the information or facilitate contacts with the appropriate interlocutors within the appropriate sphere of the organization.</p>

**B.1.34. Indicate whether or not a liability insurance policy exists in favour of the company's directors.**

YES  NO

## B.2. Board Committees

### B.2.1. List the administrative bodies:

Name of the body	No. of members	Functions
DELEGATED COMMITTEE	5	COMMITTEE WITH DECISION-MAKING CAPACITY OF A GENERAL NATURE AND, CONSEQUENTLY, WITH EXPRESS DELEGATION OF ALL THE POWERS WHICH CORRESPOND TO THE BOARD OF DIRECTORS, WITH THE EXCEPTION OF THOSE WHICH CANNOT BE DELEGATED BY VIRTUE OF THE LAW OR THE ARTICLES OF ASSOCIATION.
AUDIT AND CONTROL COMMITTEE	3	TO PROPOSE THE DESIGNATION OF THE FIRM OF FINANCIAL AUDITORS AND THE CONDITIONS OF ITS HIRE; TO SUPERVISE THE INTERNAL AUDIT SERVICES; TO KNOW THE FINANCIAL INFORMATION AND INTERNAL CONTROL SYSTEM PROCESSES.

NOMINATION AND REMUNERATION COMMITTEE	3	TO REPORT ON THE PROPOSALS FOR THE APPOINTMENT OF DIRECTORS AND TOP MANAGERS; TO APPROVE THE REMUNERATION RANGES OF THE COMPANY'S TOP MANAGERS; TO APPROVE STANDARD CONTRACTS FOR HIRING TOP MANAGERS; TO ESTABLISH THE REMUNERATION REGIME OF THE CHAIRMAN AND, WHEN APPLICABLE, THE MANAGING DIRECTOR; TO PROPOSE TO THE BOARD OF DIRECTORS THE REMUNERATION REGIME OF DIRECTORS; TO REPORT ON INCENTIVE PLANS;
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**B.2.2. Provide details of all the board committees and their members:**

**EXECUTIVE OR DELEGATED COMMITTEE**

Name	Office
GABRIELE BURGIO	CHAIRMAN
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	MEMBER
JOSE DE NADAL CAPARÁ	MEMBER
JULIO C. DIAZ-FREIJO CERECEDO	MEMBER
MANUEL HERRANDO Y PRAT DE LA RIBA	MEMBER
JOSE MARIA MAS MILLET	SECRETARY NON-MEMBER

**AUDIT COMMITTEE**

Name	Office
RAMON BLANCO BALIN	CHAIRMAN
ROBERTO CHOLLET IBARRA	SECRETARY NON-MEMBER
HOTELES PARTICIPADOS, S.L.	MEMBER
MIGUEL RODRÍGUEZ DOMÍNGUEZ	MEMBER

**NOMINATION AND REMUNERATION COMMITTEE**

Name	Office
MATÍAS AMAT ROCA	MEMBER
JOSE DE NADAL CAPARÁ	CHAIRMAN
MANUEL HERRANDO Y PRAT DE LA RIBA	MEMBER
JOSE MARIA MAS MILLET	SECRETARY NON-MEMBER

**STRATEGY AND INVESTMENT COMMITTEE**

Name	Office

**B.2.3. Provide a description of the organization and working rules and of the responsibilities attributed to each one of the board committees.**

1. Delegated Committee

a) How it is formed

The Delegated Committee shall be made up of the Chairman of the Board of Directors and a number of members of not less than three or more than nine Directors, designated by the Board of Directors.

In the Delegated Committee's qualitative composition, the Board of Directors shall endeavour to ensure that the external or non-executive Directors represent a majority over the executive Directors.

At any event, for the appointment or renewal of the Delegated Committee's members to be valid the vote in favour of at least two-thirds of the members of the Board of Directors shall be required.

#### b) How it works

The Delegated Committee shall meet as many times as it is called by its Chairman. The Delegated Committee's Chairman and Secretary shall be the persons who hold the same offices on the Board of Directors, it also being possible to appoint one or several Vice-Chairmen and one Vice-Secretary. The Delegated Committee shall be validly constituted when half plus one of its members are present or represented at the meeting.

The resolutions shall be adopted by the majority vote of the Directors present or represented at the meeting, with the Chairman having the casting vote in the event of a tie.

#### c) Relationship with the Board of Directors.

The Delegated Committee shall accurately inform the Board of Directors of the items discussed and the decisions adopted in its meetings.

## 2. Audit and Control Committee

#### a) How it is formed.

The Audit and Control Committee shall be made up of a minimum of three and a maximum of five Directors designated by the Board of Directors. The majority of this Committee's members must be non-executive Directors.

The Chairman of the Audit and Control Committee shall be nominated from amongst their non-executive Directors and must be replaced every four years, it being possible for the Chairman to be re-elected once a one-year period has elapsed since their removal.

#### b) Powers.

Notwithstanding any other tasks that may be assigned to it by the Board of Directors, the Audit and Control Committee's main function shall be that of supporting the Board of Directors in its supervisory functions and, in particular and as a minimum, it shall have the following powers:

- 1) To report at the General Meeting of Shareholders, through its Chairman, on the questions raised by the shareholders on the subjects that fall within the Committee's authority;
- 2) To propose to the Board of Directors, for submission to the General Meeting of Shareholders, the designation of the firm of financial Auditors to which article 204 of Spain's Company Law refers, and, when applicable, the conditions of their hire, the scope of their professional remit and the revocation or renewal of their appointment;

- 3) To supervise the internal audit services;
- 4) To know the financial information process and internal control systems;
- 5) To maintain relations with the firm of financial Auditors in order to receive information on those questions which may endanger the latter's independence and any others relating to the audit process, in addition to receiving information and maintaining with the Auditors the communications provided for in the corresponding legislation and in the technical audit standards; and
- 6) To exercise all other powers assigned to this Committee in these Regulations or that may be assigned to it by the Board of Directors.

c) How it works.

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

The Audit and Control Committee may require the Company's firm of financial Auditors and the person/department responsible for the internal audit to be present at its meetings.

### 3. Nomination and Remuneration Committee

a) How it is formed.

The Nomination and Remuneration Committee shall be made up of a minimum of three and a maximum of five Directors. All the members of this Committee must be non-executive Directors.

The Chairman of the Nomination and Remuneration Committee shall be appointed by the Committee itself from amongst its members.

b) Powers.

Without prejudice to any other tasks which may be assigned to it by the Board of Directors, the Nomination and Remuneration Committee shall have the following powers:

1. To report on the proposals for the appointment of Directors and Top Managers of the Company and of its subsidiary companies;
2. To approve the remuneration ranges of the Company's Top Managers;
3. To approve standard contracts for Top Managers;
4. To establish the remuneration regime of the Chairman and, when applicable, the Managing Director.
5. To propose to the Board of Directors the remuneration regime of the Directors and to review it on a regular basis in order to guarantee its adaptation to the duties discharged by such Directors, in accordance with the provisions of article 35 of these Regulations;
6. To report on incentive plans;
7. To carry out an annual examination of the remuneration policy of Directors and Top Managers;

8. To report on the appointment proposals of the members of the Delegated Committee and of all the other Board Committees;
9. To draw up and keep a record of situations of the Company's Directors and Top Managers; and
10. To exercise all other powers assigned to this Committee in these Regulations.

Of all the duties discharged by the Nomination and Remuneration Committee, it must inform the Board of Directors accordingly at the first meeting held by the latter, at any event making available to such Board of Directors the corresponding documentation so that it has knowledge of such activities for the exercising of its powers.

c) How it works

The Nomination and Remuneration Committee shall meet as many times as may be deemed appropriate by the Chairman or when so requested by two of its members or the Board of Directors.

At any event, the working rules of each and every one of the Committees are available on the Company's web site.

**B.2.4. Indicate, as and when applicable, the advisory and consultation powers and, when applicable, those of delegation of each one of the committees:**

Name of committee	Brief description
DELEGATED COMMITTEE	DECISION-MAKING CAPACITY OF A GENERAL SCOPE AND, CONSEQUENTLY, WITH EXPRESS DELEGATION OF ALL THE POWERS WHICH CORRESPOND TO THE BOARD OF DIRECTORS, WITH THE EXCEPTION OF THOSE WHICH 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 DELEGATED COMMITTEE.
AUDIT COMMITTEE	TO ACT AS SUPPORT FOR THE BOARD OF DIRECTORS IN ITS SUPERVISORY FUNCTIONS, HAVING FOR THE PURPOSE ALL THE GRANTED POWERS BOTH BY VIRTUE OF SPAIN'S COMPANY LAW (LSA) AND THE ARTICLES OF ASSOCIATION ON THE SUBJECT OF AUDIT AND CONTROL.
NOMINATION AND REMUNERATION COMMITTEE	TO REPORT ON THE PROPOSALS FOR THE APPOINTMENT OF DIRECTORS AND TOP MANAGERS OF THE COMPANY AND OF ITS SUBSIDIARY COMPANIES; TO PROPOSE TO THE BOARD OF DIRECTORS THE REMUNERATION REGIME OF DIRECTORS AND TO REVIEW IT ON A REGULAR BASIS SO AS TO GUARANTEE ITS ADAPTATION TO THE DUTIES DISCHARGED BY SUCH DIRECTORS; TO REPORT ON INCENTIVE PLANS; TO REPORT ON THE PROPOSALS FOR THE NOMINATION OF MEMBERS OF THE DELEGATED COMMITTEE AND OF ALL THE OTHER BOARD COMMITTEES.

**B.2.5. Indicate, as and when applicable, the existence of regulations of the board committees, the place where they are available for consultation and any amendments introduced during the financial year. At the same time, an indication should be given as to whether or not an annual report has voluntarily been drawn up on the activities of each committee.**

The composition, working and powers of each one of the Committees are set down in the Regulations of the Board of Directors, it having been considered neither appropriate nor necessary to develop them in greater detail in additional regulations.

The aforesaid Regulations of the Board of Directors are available for consultation in the web site of NH Hoteles, S.A.

The Audit and Control Committee draws up Annual Reports on its activities, which are published in the Report.

**B.2.6. In the event of the existence of an executive committee, explain the degree of delegation and the autonomy it enjoys in the discharge of its duties, for the adoption of resolutions on the company's management and administration.**

All the powers which correspond to the Board of Directors have been delegated to the Delegated Committee, with the exception of those which, by virtue of the law or the Articles of Association, cannot be delegated.

**B.2.7. Indicate whether or not the executive committee's composition reflects the participation in the board of directors of the different directors on the basis of their condition:**

YES  NO

If negative, explain the executive committee's composition

**B.2.8. In the event of the existence of a nomination committee, indicate whether or not all its members are external directors:**

YES  NO

## **C RELATED-PARTY TRANSACTIONS**

**C.1. Provide details of any relevant transactions which represent a transfer of resources or debentures between the company or a company in its group and the company's significant shareholders:**

Name or Corporate Name of the significant shareholder	Name or corporate name of the company or a company in its group	Nature of the relationship	Type of operation	Amount (in thousands of euros)

CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	NH HOTELES, S.A.	Contractual	Guarantees	9,000
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	NH HOTELES, S.A.	Contractual	Financial agreements: other	500
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	NH HOTELES, S.A.	Contractual	Financial agreements: loans	17,219
CAJA DE AHORROS DE VALENCIA, CASTELLON Y ALICANTE (BANCAJA)	NH HOTELES, S.A.	Contractual	Financial agreements: Miscellaneous	6,000
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	NH HOTELES, S.A.	Contractual	Financial agreements: Miscellaneous	23,500
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	NH HOTELES, S.A.	Contractual	Financial agreements: loans	30,144
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	NH HOTELES, S.A.	Contractual	Financial agreements: loans	31,150
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	SOTOGRADE, S.A.	Contractual	Financial agreements: Miscellaneous	6,000
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	NH HOTELES, S.A.	Contractual	Financial agreements: loans	4,465
DON AMANCIO ORTEGA GAONA	NH HOTELES, S.A.	Contractual	Operating lease agreements	4,948
DON AMANCIO ORTEGA GAONA	NH PAMPLONA, S.A.	Contractual	Operating lease agreements	2,354

**C.2. Provide details of any relevant transactions which represent a transfer of resources or debentures between the company or a company in its group and the company's administrators or managers:**

Name or corporate name of the administrators or managers	Name or corporate name of the company or a company in its group	Nature of the transaction	Type of operation	Amount (in thousands of euros)
JESUS IGNACIO ARANGUREN GONZALEZ-TARRÍO	NH HOTELES, S.A.	CONTRACTUAL	Financial agreements: loans	3,437
GABRIELE BURGIO	NH HOTELES, S.A.	CONTRACTUAL	Financial agreements: loans	8,305
ROBERTO CHOLLET IBARRA	NH HOTELES, S.A.	CONTRACTUAL	Financial agreements: loans	2,578
MANUEL HERRANDO Y PRAT DE LA RIBA	SOTOGRADE, S.A.	CONTRACTUAL	Operating lease agreements	20
FRANCISCO ALEJANDRO ZINSER CIESLIK	NH HOTELES, S.A.	CONTRACTUAL	Financial agreements: loans	400

**C.3. Provide details of any relevant transactions carried out by the company with other companies belonging to the same group, always provided that they are not eliminated in the process of drawing up consolidated financial statements and do not form part of the company's normal trade as regards their object and conditions:**

Corporate name of the group company	Brief description of transaction	Amount (in thousands of euros)

**C.4. Identify, as and when applicable, any situations of conflict of interest in which the company's directors may find themselves, as provided for in article 127 ter of Spain's Company Law (LSA).**

**C.5. Provide details of the mechanisms established to detect, establish and solve possible conflicts of interest between the company and/or its group and its directors, managers or significant shareholders.**

Article 32 of the Regulations of the Board of Directors lays down the mechanisms for detecting, establishing and solving possible conflicts of interest between the company and/or its group and the Directors. This article literally states that Directors when discharging their duties shall act with absolute loyalty to the Company's corporate interests.

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

a) Directors may not use the Company's name or invoke their condition as Administrators in order to carry out transactions for their own account or on behalf of persons with whom they have ties.

b) No Director may make investments or carry out transactions linked to the Company's property of which they may have obtained knowledge during the course of the discharge of their duties, either for their own benefit or that of persons with whom they have ties, when such transactions have been offered to the Company or it has interest in them, except when the Company has rejected them without the Director exerting any influence.

c) Directors may not make use of the Company's assets or take advantage of their position within it in order to obtain patrimonial advantages, unless they have paid an adequate consideration.

If the advantage is received in their capacity as a partner, it shall only be deemed to be proper if the principle of equal treatment of shareholders is respected.

d) Directors must notify the Board of Directors of all situations of direct or indirect conflict which they may have with the Company's interests. In the event of conflict, the affected Director shall abstain from taking part in the transaction to which the conflict refers.

e) Directors must abstain from taking part in votes which affect matters in which they or persons with whom they have ties are directly or indirectly interested.

f) No Director can carry out direct or indirect professional or commercial operations or transactions with the Company or any of its Group companies, when such transactions do not form part of the Company's normal trade or are not carried out in market conditions, unless it informs the Board of Directors of them in advance and the latter, subject to the opinion of the Nomination and Remuneration Committee, approves the transactions with the vote in favour of at least 80% of the Directors present or represented at the meeting.

g) Directors must communicate any stakes which they or persons with whom they have ties may hold in the capital of a company with the same, a similar or complementary type of activity to that which constitutes the corporate purpose, the offices they hold or functions they discharge in such company and the conducting for their own account or on behalf of others of the same, a similar or complementary type of activity to that which constitutes the corporate purpose.

The Board of Directors, at the proposal of the Nomination and Remuneration Committee, shall prohibit the holding by Directors of relevant offices in companies that are competitors of the Company or of any of its Group companies.

For the purpose of the provisions established in the foregoing section, persons with whom a Director has ties shall be deemed to be those persons to which article 127 ter.5 of Spain's Company Law refers.

Similarly, the Internal Code of Conduct establishes the duties and general loyalty obligations which the Company's Directors and top management undertake to fulfil and which, in broad terms, refer to conflicts of interest, rules of conduct in connection with insider information, the circulation of relevant information and transactions involving securities.

## **D SYSTEMS FOR CONTROLLING RISKS**

### **D.1. General description of the risk policy of the company and/or its group, providing details of and evaluating the risks covered by the system, together with a justification of the adaptation of such systems to the profile of each type of risk.**

Systems for controlling the business risks of the NH Hoteles, S.A. Group activities can be classified as follows:

1. Control of financial type risks
2. Control of strategic development risks
3. Control of operational and environmental business risks
4. Other Preventive Procedures

### **D.2. Indicate the control systems which have been established in order to evaluate, mitigate or reduce the main risks of the company or its group.**

#### 1. Systems for Controlling Financial Risks

The Group controls its financial risks through the following mechanisms:

1.1 Procedure Manual: The transactions carried out by the NH Hotel Group are standardized through an internal procedures manual, which covers sales and procurement circuits, asset management, cash flow, processes for the monthly closing of accounts, etc. In addition, the rules applicable to accounting matters for all the Group's national and foreign companies have been regulated.

1.2 Internal Audit: The work of the internal audit department is on-going and to a large extent is focussed on the identification of risk situations and the evaluation of their management. Thus, it has defined an annual audit plan, the object of which, inter alia, is to check the correct application of the established rules and procedures, not only at the level of corporate departments but also in the various hotels.

1.3 Audit Committee: Reporting directly to the Board of Directors, the Audit Committee is in charge of supervising the correct working of all the Group's Internal Control Systems. Moreover, it analyses the main business risks and the systems which have been established for their management and control and is the body which is responsible for relations with the Group's external auditors.

1.4 Centralised Management: Through its Economic-Financial General Management, the Group implements single and centralised management of its financing, interest rate and exchange rate policies based on non-speculative criteria.

## 2. Systems for Controlling Strategic Risks

2.1 The NH Hotel Group has a team of professionals devoted to the analysis of strategic opportunities of all types. This team selects the alternatives that are most in line with the Group's global strategy and submits them to the Management Committee and, subsequently, to the Delegated Committee and Board of Directors.

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

2.3 Reporting to the Managing Committee, the Expansion Committee analyses the proposed operations. It is made up of members taken from each one of the areas for the purpose of analysing each and every one of the business opportunities and their risks presented to the Group.

## 3. Systems for Controlling Business Risks and Operational and Environmental Control

3.1 The Management Committee meets weekly for the purpose, on the one hand, of analysing the information contained in the control charts prepared by the Corporate Management Control Department for evaluating the development of operations and, on the other, for carrying out a better follow-up of the aspects of commercial evaluation obtained via the IT system.

At the same time it establishes the policy to be followed in all departments of the Company and monitors the application of the market policy for the Committee.

3.2 The Group in general, and its golf activities in particular, has adopted a policy orientated towards maximum respect for the environment and for this reason it has hired the services of an environmental consultancy company for providing diagnosis and advisory services in respect of the Group's activities.

## 4. Other Preventive Procedures

### 4.1 In the field of occupational safety

The occupational health and safety plans involve the planning of those processes which are liable to cause risks and the establishment of the appropriate safety measures.

The Company provides numerous training courses, for both its direct employees and those of its subcontractors.

### 4.2 Insurance

The NH Hotel Group follows a policy of wide coverage through the signing of insurance policies relating to all the risks which may affect the Group. In addition, a policy of continuous review of coverage has been adopted.

#### 4.3 Risk Map

Through its Audit Committee the NH Hotel Group has drawn up a risk map, which includes a wide range of up to 14 types of risk, which vary from future income commitments to the status of the hotels' operating licences, passing through the commitment of financial covenants in loans.

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

**D.3. In the event that some of the risks facing the company and/or its group have materialised, indicate the circumstances which have brought this about and whether or not the established control systems have worked.**

The risks which affect the Company and/or its Group are those that are proper of the activity conducted by the Company, and the risk control systems explained in detail in the foregoing sections have worked at all times.

**D.4. Indicate whether or not a committee or other governing body exists which is responsible for establishing and supervising these control devices and provide details of their functions.**

The Audit and Control Committee is responsible for establishing and supervising the risk control systems. In this connection, the internal Audit Department carries out a continuous activity which, to a large extent, is focussed on the identification of risk situations and the evaluation of their management. This department has defined an Annual Audit Plan the purpose of which, inter alia, is to check the correct application of the established rules and procedures, not only at the level of corporate departments but also at that of the various hotels. This department reports directly to the Audit and Control Committee.

**D.5. Identify and describe the processes for complying with the different regulations that affect the company and/or its group.**

The Company has implemented a series of internal rules and procedures for safeguarding at all times complete compliance with the different regulations which affect the Company.

The internal Audit Department has defined an Annual Audit Plan, the purpose of which, inter alia, is to check the correct application of the established rules and procedures, not only at the level of corporate departments but also in the various hotels. This department reports directly to the Audit and Control Committee.

In addition, and without prejudice to the fact that each one of the internal Departments of NH Hoteles, S.A. (Legal, Occupational Hazard Prevention, Financial, etc.) safeguards compliance with the regulations affecting its specific area, the Company at all times receives the external advice of legal, accounting and financial advisers and other experts, who guarantee fulfilment of the different regulations relating to the activity of NH Hoteles, S.A.

## **E GENERAL MEETING OF SHAREHOLDERS**

**E.1. Indicate the quorum for the general meeting's constitution as established in the articles of association. Describe how this differs from the regime of minimums provided for in Spain's Company Law (LSA).**

For the calling of and the quorum for the constitution of both ordinary and extraordinary General Meetings of Shareholders, Article 11 of the Articles of Association of NH Hoteles, S.A. refers to the regulations established in Spain's Company Law.

**E.2. Explain the regime for the adoption of corporate resolutions. Describe how it differs from the regime provided for in the LSA.**

Article 15 of the Articles of Association establishes that the resolutions of General Meetings of Shareholders shall be adopted by the majority of the votes of the shares present or represented. Each share grants the right to one vote. No shareholder, regardless of the number of shares held, can issue more votes than those which correspond to 10% of the issued shares with the right to vote. This limitation shall not apply to those General Meetings at which, in accordance with the list of attendees, a shareholder present or represented at the Meeting is the owner of more than 75% of the issued shares with the right to vote. The Meeting's Chairman shall inform of this circumstance when declaring the Meeting open.

With the exception of the rule referred to above (majority of votes present or represented), Article 15 also indicates that "for the amendment of this Article, the vote in favour of at least 75% of the corporate capital shall be necessary."

**E.3. Describe any rights of shareholders in connection with general meetings that differ from those established in the LSA.**

- Right to Information:

Article 9 of the Regulations of the General Meetings of Shareholders indicates that as from the publication date of the notice of the General Meeting, the Company shall place at the disposal of its shareholders the documents and information that by virtue of the law or the Articles of Association must be made available to them in connection with the various points included on the agenda, including such documents and information in the Company's web site as from the aforesaid date. The foregoing notwithstanding, shareholders can obtain these documents and information, immediately and free of charge, at the Company's registered office or they can request their free delivery or shipment, in the cases and in the terms and conditions as established by Law.

Likewise, as from the publication date of the notice of the General Meeting and in order to facilitate shareholders' attendance at and participation in the General Meeting, in addition to the legally enforceable documents and information, the Company shall incorporate into its web site, to the extent that they are available, all data which the Company deems suitable for the aforesaid purposes and, in particular, merely as an example, the following:

- a) The full text of all the proposed resolutions that are going to be submitted 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 modified by such body up until the date on which the General Meeting is to be held, whenever this is legally possible.
- b) Information on the place where the General Meeting is to be held, describing, as and when applicable, how to get to the room.

- c) Procedure for obtaining attendance cards or certificate issued by the bodies legally authorized to do so.
- d) Means and procedures for granting representation at the General Meeting.
- e) If so established, means and procedures for exercising the right to vote from a distance.
- f) All other aspects of interest for following the meeting, such as the existence or otherwise of simultaneous translation facilities, the possible audiovisual broadcasting of the General Meeting or information in other languages.

All this information may be subject to change at any moment, in which case the pertinent modifications and clarifications shall be published on the Company's web site.

The Company shall make available, sufficiently in advance, all the information and documentation referred to in section 1 and point a) of section 2 of this Article to the *Comisión Nacional del Mercado de Valores* (CNMV - Spain's National Securities Market Commission) and all other applicable securities market governing bodies.

Article 10 of the aforementioned Regulations also establishes all aspects relating to shareholders' right to information and states that as from the moment at which the announcement calling the General Meeting of Shareholders is published and up to the seventh day prior to the date set for holding the Meeting at the first call, any shareholder can request in writing to the Company's Board of Directors all the information and clarifications that they may deem necessary or can formulate in writing all the questions they deem pertinent on the items included on the Meeting's Agenda published together with the notice or in connection with the information accessible to the public which the Company may have made available to the *Comisión Nacional del Mercado de Valores* after the holding of the immediately previous General Meeting of Shareholders.

The Board of Directors shall have the obligation of providing in writing up until the day on which the General Meeting is held all the requested information and clarifications and of replying in writing to the questions raised. The replies to questions raised and to the requests for information shall be transmitted through the Secretary of the Board of Directors, by any of the Board Members or by any person expressly authorized to do so by the Board of Directors for the purpose.

During the holding of the General Meeting, the Company's shareholders may verbally request all the information and clarifications that they deem appropriate on the items included on the Agenda and, whenever it is not possible to satisfy the shareholder's right at that moment, the Administrators shall have the obligation of providing such information in writing within the seven days following the General Meeting's termination.

The Administrators shall have the obligation of providing the information requested under the foregoing two paragraphs, except in those cases in which, in the Chairman's opinion, public knowledge of the requested information would harm the Company's interests.

Refusal to provide information when the request is backed by shareholders who represent at least one-quarter of the corporate capital is improper.

- Suggestions by the Shareholders.

Without prejudice to the right of shareholders to request the inclusion of certain subjects on the agenda of the General Meeting which they are requesting, in those cases, terms and conditions legally provided for, shareholders may make suggestions in respect of the organization, working and powers of the General

Meeting of Shareholders at any moment and subject to proof of their identity as such.

- Right of Attendance.

Article 12 of the Regulations lays down all aspects relating to the right of attendance. In this connection, it establishes that shareholders who are the holders of the minimum number of shares as required by the Articles of Association registered in their name in the corresponding shareholders register five days prior to the date set for the holding of the General Meeting of Shareholders have the right to attend such Meeting, always provided that they demonstrate this through the appropriate attendance card or certificate issued in their name by one of the participating entities in the body which manages such accounting record or directly by the Company itself, or in any other manner that is acceptable by virtue of the prevailing legislation. This card or certificate may be used by shareholders as a document for the granting of their representation at the General Meeting in question. Those shareholders who are not the holders of the minimum number of shares required in order to be able to attend may delegate their representation, as indicated in the next Article, to a shareholder with the right to attend the General Meeting or they may group together with other shareholders in the same situation, until they complete the necessary number of shares, having the obligation of granting their representation to one of them. The grouping together must be carried out specifically for each General Meeting and must be placed on record in whatsoever written format.

The Chairman may authorize the attendance of any person it may consider suitable, although the General Meeting shall be able to revoke such authorization.

- Right of Delegation and Representation.

Article 13 of the Regulations of the General Meeting of Shareholders establishes that all shareholders with the right to attend the General 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 representative and must be conferred specifically for each General Meeting, either using the printed delegation formula on the attendance card or in any other manner accepted by Law, with the exception of what is established in article 108 of Spain's Company Law for cases of family representation and the granting of general powers.

Representation may also be conferred through electronic or remote telematic means of communication provided they duly guarantee the representation attributed and the represented party's identity. Representation granted by these means shall be accepted when the electronic document by virtue of which it is conferred includes the recognized electronic signature used by the represented party or other class of signature with adequate guarantees of authenticity and identification of the shareholder who is granting his/her representation and it complies with all other requirements established in the legal regulations in force at any given moment.

The documents placing on record the delegations or representations for the General Meeting of Shareholders shall also indicate instructions on the direction of the vote, it being understood that, should no express instructions be given, the representative shall vote in favour of the proposed resolutions formulated by the Board of Directors on the items included on the Agenda.

Should there be no voting instructions because the General Meeting of Shareholders is going to decide on matters that, not appearing on the agenda and, therefore, being unknown on the date of delegation, may be put to the vote at the General Meeting, the representative must issue the vote in the direction which it

considers most appropriate, in fulfilment of the interests of the Company and of the represented party. This same rule shall apply when the corresponding proposal or proposals put to the decision of the General Meeting have not been formulated by the Board of Directors.

If the representation or delegation document fails to indicate the specific person to whom the shareholder is granting its representation, such representation shall be deemed to have been granted in favour of the Chairman of the Company's Board of Directors or the person designated by the latter or whoever stands in for the Chairman in the chairmanship of the General Meeting of Shareholders.

In those cases in which, pursuant to the provisions of article 107 of Spain's Company Law, a public request for representation is made, the restriction on the exercising of the right to vote as established in article 114 of Spain's Securities Market Law for cases of conflict of interests shall be applied to the Administrator who obtains such representation.

Representation is always revocable. The represented party's personal attendance at the General Meeting of Shareholders shall have the value of revocation.

- Right to Vote.

Shareholders present or represented at the General Meeting of Shareholders may exercise their right to vote on the proposed resolutions put to the General Meeting. The resolutions of General Meetings shall be adopted with the legally established majorities, with one vote being recognised for every share.

Shareholders who are physical persons without full capacity to act and shareholders which are corporate persons shall be represented by whoever, pursuant to the Law, may exercise such representation, duly accredited.

At any event, for cases not only of voluntary representation but also of legal representation, shareholders may not have more than one representative at the General Meeting of Shareholders.

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

**E.4. Indicate, as and when applicable, the measures adopted to foster the participation of shareholders in the general meetings.**

So as to foster the participation of shareholders in the General Meetings of Shareholders, the Company places at the disposal of its shareholders the documents and information which must be made available to them in relation to the different points included on the Agenda, including such documents and information in the Company's web site as from the mentioned date. The foregoing notwithstanding, shareholders can obtain these documents and information,

immediately and free of charge, at the Company's registered office or they can request their free delivery or shipment, in the cases and in the terms and conditions established by Law.

Likewise, as from the publication date of the notice of the General Meeting and in order to facilitate shareholders' attendance at and participation in the General Meeting, in addition to the legally enforceable documents and information, the Company shall incorporate into its web site, to the extent that they are available, all data which the Company deems suitable for the aforesaid purposes and, in particular, merely as an example, the following:

- a) The full text of all the proposed resolutions that are going to be submitted 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 modified by such body up until the date on which the General Meeting is to be held, whenever this is legally possible.
- b) Information on the place where the General Meeting is to be held, describing, as and when applicable, how to get to the room.
- c) Procedure for obtaining attendance cards or certificate issued by the bodies legally authorized to do so.
- d) Means and procedures for granting representation at the General Meeting.
- e) If so established, means and procedures for exercising the right to vote from a distance.
- f) All other aspects of interest for following the meeting, such as the existence or otherwise of simultaneous translation facilities, the possible audiovisual broadcasting of the General Meeting or information in other languages.

As from the moment at which the announcement calling the General Meeting of Shareholders is published and up to the seventh day prior to the date set for holding the Meeting at the first call, any shareholder can request in writing to the Company's Board of Directors all the information and clarifications that they may deem necessary or can formulate in writing all the questions they deem pertinent on the items included on the Meeting's Agenda published together with the notice or in connection with the information accessible to the public which the Company may have made available to the *Comisión Nacional del Mercado de Valores* after the holding of the immediately previous General Meeting of Shareholders.

The Board of Directors shall have the obligation of providing in writing up until the day on which the General Meeting is held all the requested information and clarifications and of replying in writing to the questions raised. The replies to questions raised and to the requests for information shall be transmitted through the Secretary of the Board of Directors, by any of the Board Members or by any person expressly authorized to do so by the Board of Directors for the purpose.

During the holding of the General Meeting, the Company's shareholders may verbally request all the information and clarifications that they deem appropriate on the items included on the Agenda and, whenever it is not possible to satisfy the shareholder's right at that moment, the Administrators shall have the obligation of providing such information in writing within the seven days following the General Meeting's termination.

At any event, and in order to facilitate communication between the Company and its shareholders, a Department for Relations with Investors and Shareholders has been placed at the disposal of the shareholders, who can address themselves to the department via e-mail or telephone in order to solve any doubts they may have in connection with the Company's corporate governance.

Apart from the foregoing, NH Hoteles, S.A. maintains a web site in which it informs shareholders and investors in general of the most important highlights occurring in connection with the Company. The corporate web site includes significant documents and information on corporate governance and its purpose is to be the communications channel with shareholders, providing them with current information on all the aspects that may be relevant.

The Administrators shall have the obligation of providing the information requested under the foregoing two paragraphs, except in those cases in which, in the Chairman's opinion, public knowledge of the requested information would harm the Company's interests, except when the request is backed by shareholders who represent at least one quarter of the corporate capital.

**E.5. Indicate whether or not the office of chairman of the general meeting of shareholders coincides with the office of chairman of the board of directors. As and when applicable, provide details of the measures adopted to guarantee the independence and good working of the general meeting of shareholders:**

YES  NO

Details of the measures
The Regulations of the General Meeting of Shareholders, which regulate all aspects relating to the calling, preparation and holding of the General Meeting, in addition to the rights which correspond to the shareholders, guarantee the General Meeting's correct working.
In addition, the presence of a Commissioner for Oaths is requested in order to draw up the minutes of the Meeting and discharge the duties relating to the preparation thereof, such as participation in the organization of the order in which attendees can take the floor as provided for in the Meeting and to take note of or safeguard the literal interventions which shareholders may wish to make.

**E.6. Indicate, as and when applicable, any modifications made during the financial year to the regulations of the general meeting of shareholders.**

Since being approved by the Board of Directors on 31<sup>st</sup> March 2004, the Regulations of the General Meeting of Shareholders have not undergone any modifications.

**E.7. Provide details of attendance at the general meetings of shareholders held in the financial year to which this report refers:**

#### Details of attendance

Date of General Meeting	% physical presence	% in representation	% remote voting	Total %
05-05-2006	40.282	18.574	0.000	58.856

**E.8. Briefly indicate the resolutions adopted at the general meetings of shareholders held in the financial year to which this report refers and the percentage of votes with which each resolution was adopted.**

One: Examination and approval of the Annual Accounts, Management Report, and Proposed application of profit corresponding to fiscal 2005  
Percentage of votes with which the resolution was adopted: 94.962%

Two: Distribution of dividends charged to voluntary reserves.  
Percentage of votes with which the resolution was adopted: 95.280%

Three: Renewal and, where applicable, appointment of Directors.  
Percentage of votes with which the resolution was adopted: 90.731%

Four: Acquisition of own shares.  
Percentage of votes with which the resolution was adopted: 95.279%

Five: Appointment of financial Auditor of the Company and of its consolidated Group.

Percentage of votes with which the resolution was adopted: 95.280%

Six: Delegation to the Board of Directors of the power to agree on a share capital increase in one or several stages under the terms and with the limitations established in art. 153 of Spain's Company Law.

Percentage of votes with which the resolution was adopted: 93.607%

Seven: Authorisation for the Board of Directors to issue securities, bonds or similar that cannot be converted into shares.

Percentage of votes with which the resolution was adopted: 93.648%

Eight: Share capital increase by a nominal amount of 8,500,000 Euros, through issuing and circulating 4,250,000 new ordinary shares with a nominal value of two Euros each, with an issue premium of 11.50 Euros per shares, which will be fully subscribed and paid out in full through a non-monetary contribution consisting of 1,162,439 shares from Latinoamericana de Gestión Hotelera, S.A. in order to meet the consideration established for the purchase of these shares by NH Hoteles, S.A. Total elimination of the preferential subscription right. Amendment of article 5 of the Articles of Association. Delegation to the Board of Directors of the power to substitute to the Delegated Committee or any Directors the necessary powers to establish the increase conditions not envisaged in the Meeting of Shareholders agreement, take the necessary actions to enforce it and request acceptance for the quotation of new shares on the various Securities Markets.

Percentage of votes with which the resolution was adopted: 95.239%

Nine: Share capital increase by a nominal amount of 17,540,260 Euros, by issuing and circulating, with the possibility of incomplete subscription, of 8,770,130 new ordinary shares with a nominal value of two Euros each, with an issue premium of 11 Euros per share, which will be fully subscribed and paid up through a non-monetary contribution consisting of 8,770,130 shares from Sotogrande, S.A. (where Sotogrande, S.A. holds a share for every share owned by NH Hoteles, S.A. issued as a result of this agreement) in order to meet the consideration established for the purchase by NH Hoteles, S.A. of these shares through a Tender Offer. Total elimination of the preferential subscription right. Amendment of article 5 of the Articles of Association. Delegation to the Board of Directors of the power to substitute to the Delegated Committee or any Directors the necessary powers to establish the increase conditions not envisaged in the Meeting of Shareholders agreement, take the necessary actions to enforce it and request acceptance for the quotation of new shares on the various Securities Markets. Efficacy of the agreement conditional on authorisation from the *Comisión Nacional del Mercado de Valores* of a Tender Offer made by NH Hoteles, S.A. regarding the aforementioned shares owned by Sotogrande, S.A.

Percentage of votes with which the resolution was adopted: 95.239%

Ten: Delegation of powers to formalise, interpret, rectify and execute the resolutions adopted by the General Meeting of Shareholders.

Percentage of votes with which the resolution was adopted: 95.280%

**E.9. Indicate, as and when applicable, the number of shares which are necessary in order to be able to attend the General Meeting of Shareholders and whether or not there are any bylaw limitations in this respect.**

Article 12 of the Articles of Association states that all shareholders in possession of two or more shares, which were registered in the corresponding Register five days prior to the holding of the General Meeting of Shareholders, shall have the right to attend such General Meeting.

Votes on proposals regarding points of any nature contained in the agenda of the General Meeting can be delegated or exercised by the shareholder via post, e-mail or any other form of remote communication, provided that the identity of the person exercising their right to vote is duly proven, in accordance with the terms established in the Regulations of the General Meeting. Shareholders who vote remotely shall be considered as present at the Meeting for the purposes of representation.

**E.10. Indicate and justify the policies followed by the company in relation to the delegation of votes in the general meeting.**

All shareholders with the right to attend the General Meeting can be represented at the Meeting by another person even when that person is not a shareholder. The representation must be conferred in the terms and with the scope established in Spain's Company Law, in writing and especially for each Meeting. This restriction shall not apply when the representative is the represented party's spouse, ancestor or descendant, nor when the latter holds a power of attorney granted in a public document to administer all of the shareholder's equity within national territory.

The representation may also be conferred through the remote means of communication that, duly proving the represented party's and representative's identity, has been established.

In accordance with the Regulations of the General Meeting of Shareholders, and whenever this is possible as per the Articles of Association, representation may also be conferred through electronic or remote telematic means of communication provided they duly guarantee the representation attributed and the represented party's identity. Representation granted by these means shall be accepted when the electronic document by virtue of which it is conferred includes the recognised electronic signature used by the represented party or other class of signature with adequate guarantees of authenticity and identification of the shareholder who is granting his/her representation and it complies with all other requirements established in the legal regulations in force at any given moment.

The documents placing on record the delegations or representations for the General Meeting of Shareholders shall also indicate instructions on the direction of the vote, it being understood that, should no express instructions be given, the representative shall vote in favour of the proposed resolutions formulated by the Board of Directors on the items included on the Agenda.

The Chairman of the General Meeting of Shareholders or, by its delegation, the Secretary thereof shall settle any doubts which may arise in respect of the validity and value of the documents from which the right of attendance of whatsoever

shareholder at the General Meeting may derive either individually or from the grouping together of its shares with other shareholders, as well as the delegation or representation in favour of another person, endeavouring to consider as invalid or valueless only those documents which lack the minimum legal and bylaw essential requirements and always provided that such defects have not been remedied.

In any case, article 13 of the Articles of Association expressly state that the represented party's personal attendance at the Meeting shall have the value of revocation.

**E.11. Indicate whether or not the company has knowledge of the policy of its institutional investors of participating or otherwise in the company's decisions:**

YES  NO

Describe the policy

**E.12. Indicate the address of the company's web site and how to access the content on corporate governance.**

All information of interest to shareholders, including the Corporate Governance Reports, which have been approved annually, is available at all times in the web site of NH Hoteles, S.A. at [www.nh-hoteles.com](http://www.nh-hoteles.com), under the section "información para el accionista" [*information for shareholders*].

## **F DEGREE OF FOLLOW-UP OF CORPORATE GOVERNANCE RECOMMENDATIONS**

**Indicate the company's degree of compliance with existing corporate governance recommendations or, when applicable, the non-acceptance of such recommendations.**

**In the event of not complying with any of them, explain the rules, recommendations, practices and criteria applied by the company.**

**Until such time as the single document referred to in ORDER ECO/3722/2003 of 26<sup>th</sup> December is drawn up, the recommendations of the Olivencia and Aldama Reports should be taken as a reference for completing this section.**

Since the year 2000, NH HOTELES, S.A. has been including in its Annual Report a chapter devoted to Corporate Governance, with full information on the Company's Board of Directors and Management.

The Company would like to place on record that although on 19<sup>th</sup> May 2006 the Unified Code of Good Governance (the so-called "Conthe Code") was approved, which contains 58 Recommendations, the level of compliance with said Recommendations will be analysed in the "Corporate Governance Report" for fiscal 2007 to be submitted in 2008.

Until then, the level of compliance by NH HOTELES, S.A. with the recommendations for good Corporate Governance will be briefly explained in the Olivencia and Aldama reports.

#### §Functions of the Board of Directors

With the exception of the matters reserved for the General Meeting of Shareholders, the Board of Directors is the Company's main decision-making body, with the Company's representation and administration being entrusted to it by virtue of the law and the Articles of Association and accepting responsibility for the general supervisory function, as recommended in the Olivencia Report.

To be specific, and as already indicated, the Board accepts the undertaking of exercising the following responsibilities, which cannot be delegated:

- a) Approval of the Company's general strategies;
- b) Hiring and, when applicable, firing of the top managers of the Company and the other entities which make up the consolidated group;
- c) Appointment and, when applicable, removal of Administrators in the various subsidiary companies;
- d) Identification of the Company's main risks and implantation and monitoring of adequate information and internal control systems;
- e) Establishment of policies for information to and communication with shareholders, the markets and public opinion;
- f) Fixing of the treasury stock policy within the framework that may be established by the General Meeting of Shareholders;
- g) Authorization of transactions between the Company and its Directors and significant shareholders which may present conflicts of interest; and
- h) In general, decision on business and financial transactions of particular importance for the Company.

#### §Composition and Independence of the Board of Directors

Following the recommendations of the Olivencia and Aldama Reports, a characteristic of the Board of Directors of NH HOTELES, S.A. is that it has an ample majority of external Directors and, amongst these, a significant participation of independent Directors, always taking into account the shareholder structure and the capital represented on the Board of Directors.

Likewise, the Regulations of the Board of Directors contain an article which establishes that:

"The Board of Directors, in the exercising of its rights of co-option and proposal of appointments to the General Meeting of Shareholders, shall endeavour to ensure that in the Body's composition external or non-executive Directors represent an ample majority over executive Directors.

To this end, executive Directors shall be understood to be the Managing Director and all other Directors who, by virtue of whatsoever other title, discharge management duties within the Company or any of its subsidiary companies.

Likewise, the Board of Directors shall endeavour to ensure that the majority group of external Directors includes, on the one hand, the proposals made by the holders of significant stable shareholdings in the Company's capital (Proprietary Directors) and, on the other, professionals of recognised prestige who have no ties with the executive team or with the significant shareholders (independent Directors).

So as to establish a reasonable balance between both classes of external Director and in view of the Company's current shareholder structure, the Board of Directors shall endeavour to ensure that there is a majority of independent Directors with respect to proprietary Directors, given the Company's current shareholder configuration, in which the portion of floating capital is considerably greater than the sum of the significant stable shareholdings represented by the proprietary Directors.

It shall be understood that the provisions of this article are without prejudice to the shareholders' legally recognised right of proportional representation."

During fiscal 2006 the Company's Board of Directors was made up of 11 Directors, of whom one Director was executive and eleven Directors were external (four were proprietary Directors and six were independent Directors).

#### §Dimension of the Board of Directors

When following the recommendation suggesting that the number of Board Members should be that which is reasonable to guarantee its functioning and the work of each Director, the Regulations of the Board of Directors indicate that the Board shall propose to the General Meeting of Shareholders the number of Directors which, in accordance with the circumstances governing the Company at any given moment, is most adequate for guaranteeing the body's due representativity and efficient working, without under any circumstances the proposed number exceeding twenty.

#### §Deconcentration of power

The Board of Director's Chairman is the Company's top Executive although, in accordance with the provisions of the Regulations of the Board of Directors, his or her actions must at all times comply with the guidelines and criteria established by the General Meeting of Shareholders, the Board of Directors and the Committees which report thereto. Similarly, all decisions or resolutions of special relevance for the Company must first be submitted to the Board of Directors or the corresponding control Committee for its approval. Moreover, the opinions and proposals of the various Board Committees are necessary for the adoption of certain resolutions.

#### §Regulatory guarantee

The Olivencia Report stresses the need to give greater importance to the figure of the Secretary of the Board of Directors, reinforcing his/her independence and stability and highlighting the function of safeguarding the formal and material legality of the Board of Directors' activities.

In this connection, the functions of Secretary of the Board of Directors are being discharged in the Company by a Lawyer of recognized prestige who enjoys the full backing of the Board of Directors for carrying out his functions with complete independence, thereby facilitating successful Board meetings.

#### §Board Committees

² Delegated Committee

In accordance with the provisions of article 24 of the Regulations of the Board of Directors, the Delegated Committee shall be made up of the Chairman of the Board and a number of members which shall be no less than three and no greater than nine Directors, designated by the Board of Directors.

The Delegated Committee has a general decision-making power, and consequently all the powers which correspond to the Board of Directors have been delegated to the former, with the exception of those which, by virtue of the law or the Articles of Association, cannot be delegated. The Board of Directors may also entrust other powers to the Delegated Committee.

The Delegated or Executive Committee of NH Hoteles, S.A. was constituted on 29<sup>th</sup> June, 2004 and is currently made up of 5 members plus the Secretary.

#### º Other Committees

NH HOTELES S.A. has the following sub-committees:

Audit and Control Committee

Nomination and Remuneration Committee

Both Committees are made up of a minimum of three and a maximum of five external Directors and their working rules have been included as separate headings in the Board of Directors' Regulations.

#### §Information for the Board of Directors

The Directors have available to them specific and accurate information on all the points to be discussed in the Board Meetings. Depending on its content, this information is provided as far in advance as possible so that the Directors can prepare their interventions on the different matters. All other information which, by virtue of being insider information or for reasons of keeping it updated right up to the last moment, cannot be made available in advance is handed out at the beginning of the meeting.

#### §Frequency and working of Board Meetings

In accordance with the content of the Regulations of the Board of Directors, the Board of Directors ordinarily meets once every two months and, at the initiative of the Chairman, as many times as the latter may deem necessary for the Company's good working; with the Board having held in 2006 eight ordinary meetings and one extraordinary meeting and one non-session meeting.

In these meetings the Chairman organizes the debates, endeavouring to obtain and encouraging the participation of all the Directors in the discussions.

#### §Appointment of Directors

Following the recommendations of the Olivencia committee, the Nomination and Remuneration Committee's duties are to report on proposals for the appointment of Directors, to establish the Directors' remuneration regime and to review their remuneration on a regular basis so as to ensure that it is commensurate to the tasks discharged, working in a strictly transparent way.

Similarly, the proposals for re-electing Directors which the Board of Directors decides to submit to the General Meeting of Shareholders must follow a formal preparation process, of which a report issued by the Nomination and Remuneration Committee, in which the quality of work and dedication to the office during the mandate of the Directors proposed for re-election must necessarily form a part.

#### §Non-removability of external Directors

Directors hold office for a term of three years, being removed from office once the term for which they were appointed has elapsed or when so decided by the General Meeting of Shareholders, making use of the powers legally granted to it.

Other than in exceptional circumstances, the Board does not propose to the General Meeting the early removal of external Directors, as recommended by all good governance practices.

#### §Resignation from office

As laid down in the Regulations of the Board of Directors, Directors must tender their resignation to the Board of Directors and formalise the corresponding resignation whenever they are involved in any of the cases of incompatibility or prohibition legally provided for, whenever they receive a serious warning from the Audit and Control Committee on the grounds of failing to fulfil any of their obligations as Directors and, in particular, when the fact of their remaining on the Board can negatively affect the credit or reputation enjoyed by the Company in the market or in any other way endanger its interests.

#### §Directors' age

As proposed in the Olivencia Report, the Regulations of the Board of Directors clearly establish the age limits for Directors which consist of the obligation of Directors to tender their resignation and formalise the corresponding resignation when they reach 70 years of age. Directors who hold executive offices shall cease to discharge such functions once they reach 65 years of age although they can continue as Directors if so established by the Board of Directors itself.

During fiscal 2006 no Directors reached the age limit referred to above.

#### §Information for Directors

It is the right and obligation of all Directors to obtain as much information as they may deem necessary or advisable at any given moment for the good fulfilment of their duties.

To this end, the widest powers are granted to the Director to enable it to acquire information on any aspect of the Company and to examine the books, records, documents and all background details of corporate transactions to the extent that this is necessary or advisable for the due discharge of office.

This right to information also extends to the various subsidiary companies which comprise the consolidated Group, and must always be exercised in accordance with the demands of good faith.

Likewise, and following the Olivencia and Aldama recommendations, so as not to perturb the ordinary course of the Company's business, the exercising of the right to information shall be channelled through the Chairman or the Secretary of the Board of Directors, who shall receive the Directors' requests and directly provide the information or facilitate contacts with the appropriate interlocutors within the appropriate sphere of the organization.

#### §Directors' remuneration

As established in the Regulations of the Board of Directors, it is the Nomination and Remuneration Committee which proposes, evaluates and reviews Directors'

remuneration, for which it shall endeavour to ensure that the remuneration is commensurate to what is paid in the market in companies of a similar size and activity.

In respect of remuneration consisting of shares, stock options or referenced to the share's value, the Company complies with the Aldama recommendations, as this applies exclusively to the executive Director.

At the same time, the remuneration received by each member of the Board of Directors is published annually in the Report, broken down into all its concepts.

Lastly, the annual Report also includes the remuneration and total cost of top management, with the necessary breakdowns.

#### §Directors' duty of loyalty

The Regulations of the Board of Directors specifically devote a section to an extensive description of the main rights and obligations of the Directors, regulating in detail situations of conflict of interests, the use of corporate assets, the use of insider information and the exploitation, for personal benefit, of the business opportunities to which the Director has access as a consequence of its position.

None of the cases referred to above occurred during fiscal 2006.

#### §Duty of loyalty of significant shareholders and top management

The Regulations of the Board of Directors extend to significant shareholders the duties of loyalty to the Company, officially allotting to the knowledge and authorization of the Board of Directors whatsoever transaction between the Company and any of its significant shareholders, always subject to the prior report of the Nomination and Remuneration Committee, in which the latter must analyse and evaluate the transaction from the point of view of equal treatment of shareholders and the transaction's market conditions.

Similarly, the Internal Code of Conduct establishes the duties and general loyalty obligations which the Company's Directors and top management undertake to fulfil and which, in broad terms, refer to conflicts of interest, rules of conduct in connection with insider information, the circulation of relevant information and transactions involving securities.

#### §General Meeting of Shareholders

So as to facilitate and make possible the exercise by any shareholder of its right to information, the proposed resolutions which are put to the Board of Directors for its approval and the mandatory documents and reports relating thereto are made available to the shareholders, in the terms and conditions established in Spain's Company Law, from the very moment at which the announcement of the calling of a Board meeting is published.

Similarly, the Company, to the extent that it is possible, responds to the requests for information which, in connection with the items included on the Agenda of the General Meeting of Shareholders, are made by any of the shareholders either during the days immediately prior to the holding of the Meeting or during the Meeting itself, the Agenda of which expressly includes shareholders' interventions, during which any of the shareholders present at the Meeting who so wish can intervene and whose interventions are always the object of a reply by the Company's Chairman.

As regards attendance and voting rights at the General Meeting of Shareholders, the Company, always within the framework established by the applicable prevailing legislation and the Articles of Association, does everything possible to facilitate the exercising of

such rights, particularly that of shareholders' representation at the General Meeting of Shareholders, which can be granted in favour of any person, even when that person is not a shareholder.

In accordance with the requirements of Spain's mercantile legislation, the documentation relating to the items on the Agenda is made available to all shareholders at the Company's registered office, although shareholders also have the possibility of requesting that such information be sent to them free of charge. In addition, this same information is made available to all shareholders via the Company's web site.

#### §Transparency

The Regulations of the Board of Directors devote several of its articles to regulating the channels through which relations between the Board of Directors and the Company's shareholders are established so as to guarantee the greatest possible transparency in these relations.

The Board of Directors of NH HOTELES, S.A., going beyond the demands of the prevailing legislation, is responsible for supplying to the markets fast, accurate and reliable information. In particular, the regular financial information on the Company, as expressly set down in the Regulations of the Board of Directors, is drawn up on the basis of the same professional principles and practices as the Annual Accounts and, prior to being circulated, is analysed by the Audit and Control Committee, in accordance with the functions attributed to that Committee.

Moreover, in line with the recommendations of the Aldama Report, the Company transmits to the market all the information that may be considered relevant for investors, in a fair and symmetrical manner. Pursuant to the obligations established by the new Financial Law, the Company will communicate relevant information to the Comisión Nacional del Mercado de Valores prior to it being circulated by any other means and as soon as the fact is known or as soon as the decision has been adopted or the agreement or contract with third parties has been signed, as applicable. The Company supervises its communications of relevant information to ensure that they are at all times true, clear and complete.

#### §Information on the subject of corporate governance

Every year, NH HOTELES, S.A. has been publishing a good governance report, which is incorporated into the Report for each financial year and is included in the Company's web site, thereby ensuring that it is general knowledge for all shareholders and investors.

#### §Regular financial information

All the regular financial information which, in addition to the annual information, is offered to the markets is drawn up on the basis of the same principles and practices as the Annual Accounts, being analysed by the Audit and Control Committee prior to being circulated.

#### §Information via Internet

Apart from the foregoing, NH Hoteles, S.A. maintains a web site in which it informs shareholders and investors in general of the most important highlights occurring in connection with the Company. The corporate web site includes significant documents and information on corporate governance and its purpose is to be the communications channel with shareholders, providing them with current information on all the aspects that may be relevant.

Anybody accessing the corporate web site can display, amongst other information, the daily and historic quotation, financial information, the Regulations of the General Meeting of Shareholders and the Board of Directors, the Company's Articles of Association, the resolutions adopted at the last General Meeting to be held and all other contents that may be of interest to shareholders and investors.

#### §Independence of the external firm of Auditors

Through the Audit and Control Committee the Board of Directors has established a stable and professional relationship with the Company's firm of Auditors, with strict respect for its independence, with a view to complying with the recommendations of the Olivencia Code in this respect. Accordingly, the Audit and Control Committee monitors those situations which may represent a risk for the independence of the Company's external Auditors and, in particular, supervises the percentage which the fees paid by the Company represent over the total of the Auditors' income.

Lastly, in accordance with the prevailing legal requirements, the fees paid to the Company's external auditors, including those relating to services other than audit services, are reported in the Company's annual report.

#### §Accounting quality

As far as is possible, the Board of Directors of NH HOTELES, S.A. endeavours to avoid the Annual Accounts formulated by the Board being presented to the General Meeting of Shareholders with reservations and qualifications in the audit report.

## G OTHER INFORMATION OF INTEREST

**If it is considered that other relevant principles or aspects relating to corporate governance practices are applied by the company which have not been covered in this report, they should be mentioned below with an explanation of their content.**

**Any other information, clarification or nuance relating to the foregoing sections of the report, to the extent that it is relevant and not repetitive, can be included in this section.**

**In particular, indicate whether or not the company is subject to legislation other than Spanish legislation on the subject of corporate governance and, when applicable, include any information which it has the obligation of supplying and which differs from that required in this report.**

#### ADDITIONAL NOTES TO CERTAIN SECTIONS OF THE REPORT

SECTION A.3. The table in this section A.3. shows, *inter alia*, the number of shares and shareholding that the members of the Board of Directors of NH Hoteles, S.A. held during fiscal 2006.

The Company would like to state that the "direct option rights" to which the present section refers, which Mr. Gabriele Burgio holds and which amount to 528,971 are not option rights in the strict sense of the word since only "cash for stocks" can be exercised.

POINT B: The present Report reflects the composition of the company's Board of Directors during fiscal 2006.

SECTION B.1.8.: The individual amount of per diem allowances during fiscal 2006 for attendance at the meetings of the Board of Directors, Delegated Committee, Nomination and Remuneration Committee and the Audit and Control Committee is given below. This table is shown each year in the company's Annual Report.

Chairman of the Board and of the Delegated Committee:

Mr. Gabrielle Burgio:

- Per diem allowance as member of the Board in 2006: €42,000
- Per diem allowance for attending the Delegated Committee: €30,000.00
- Total per diem allowances: €72,000

Directors:

Mr. Manuel Herrando Prat y de la Riba:

- Per diem allowance as member of the Board in 2006: €42,000
- Per diem allowance for attending the Delegated Committee: €30,000.00
- Per diem allowance for attending the Remuneration and Nomination Committee: €7,397.04
- Total per diem allowances: €79,397.04

Mr. Jose de Nadal

- Per diem allowance as member of the Board in 2006: €42,000
- Per diem allowance for attending the Delegated Committee: €30,000.00
- Per diem allowance for attending the Remuneration and Nomination Committee: €1,849.26
- Total per diem allowances: €73,849.26

Mr. Alfredo Fernandez Duran:

- Per diem allowance as member of the Board in 2006: €6,098.63
- Total per diem allowances: €6,098.63

BANCAJA (Mr. Aurelio Izquierdo Gomez):

- Per diem allowance as member of the Board in 2006: €42,000
- Per diem allowance for attending the Delegated Committee: €30,000.00
- Total per diem allowances: €73,190.12

Mr. Julio César Diaz-Freijó Cerecedo:

- Per diem allowance as member of the Board in 2006: €35,901.37
- Per diem allowance for attending the Delegated Committee: €27,000
- Total per diem allowances: €62,901.37

Mr. Bernard S´ Jacob:

- Per diem allowance as member of the Board in 2006: €14,383.56
- Per diem allowance for attending the Audit and Control Committee: €4,808.07
- Total per diem allowances: €19,191.63

HOTELES PARTICIPADOS, S.L. (Mr. Ignacio Ezquiaga Dominguez):

- Per diem allowance as member of the Board in 2006: €42,000
- Per diem allowance for attending the Audit and Control Committee: €8,330.84
- Total per diem allowances: €50,330.84

Mr. Ramon Blanco Balín (Chairman of Audit and Control Committee):

- Per diem allowance as member of the Board in 2006: €42,000
- Per diem allowance for attending the Audit and Control Committee: €12,944.82

- Per diem allowance for attending the Remuneration and Nomination Committee: €5,547.78
- Total per diem allowances: €60,492.60

Mr. Matías Amat Roca:

- Total per diem allowances: €0

Mr. Gary Garrabrant:

- Per diem allowance as member of the Board in 2006: €27,616.44
- Total per diem allowances: €27,616.44

Mr. Alfonso Merry del Val i Gracie:

- Per diem allowance as member of the Board in 2006: €42,000
- Total per diem allowances: €42,000

Mr. Luis Fernando Romero García:

- Per diem allowance as member of the Board in 2006: €14,383.56
- Total per diem allowances: €14,383.56

Mr. Miguel Rodríguez Domínguez:

- Per diem allowance as member of the Board in 2006: €42,000
- Per diem allowance for attending the Audit and Control Committee: €3,205.38
- Total per diem allowances: €45,205.38

TOTAL:

- Per diem allowance as member of the Board in 2006: €434,383.56
- Per diem allowance for attending the Delegated Committee: €147.000
- Per diem allowance for attending the Audit and Control Committee: €29,289,11
- Per diem allowance for attending the Remuneration and Nomination Committee: €15,984.20
- TOTAL PER DIEM ALLOWANCES 2006: €626,656.87

SECTION B.1.8.: The Company would like to place on record that the amount relating to the "Executive Director" includes both the amount that he/she has received as member of the Board of Directors and as Executive of the company NH Hoteles, S.A. Therefore, the total remuneration received by all of the Directors as Board Members represents 1.003% of the profit that the consolidated group has gained during the fiscal year.

SECTION B.1.9.: The total remuneration accrued by Top Management in fiscal 2006 is broken down into the different concepts, as follows:

- Fixed remuneration: €1,738,505
- Variable remuneration: €1,169,794
- Remuneration in kind: €166,655
- Total: €3,074,954

The persons taken into account for the calculation of these amounts are those indicated in SECTION B.1.9.

B.1.13: Although during fiscal 2006 no amendments were made to the NH HOTELES, S.A. Board of Directors Regulation, the Company would like to place on record that at the start of 2007, the Board of Directors of NH HOTELES, S.A. introduced both amendments to the aforementioned Regulation in order to adapt it to the new Unified Code of Good Governance, approved last 19<sup>th</sup> May 2006.

B.1.30.: Virtually all of the fees received by the firm of Auditors for activities other than audit work correspond to the introduction of the International Accounting Standards.

E.6.: With regard to the Meeting of Shareholders Regulation, at NH Hoteles, S.A.'s Extraordinary Meeting held past 5<sup>th</sup> March 2007, the amendment of said Regulation was approved in order to bring it into line with the recommendations of the Unified Code of Good Governance.

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**This annual corporate governance report was approved by the Company's Board of Directors in its meeting held on 16-04-2007.**