

# NH HOTEL GROUP'S CORPORATE RISK MANAGEMENT POLICY

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## BACKGROUND INFORMATION

NH Hotel Group's risk management system aims to identify events that may negatively affect the achievement of the objectives of the Company's Strategic Plan, providing the maximum level of assurance to shareholders and stakeholders and protecting the Group's revenue and reputation.

According to article 5 in the Regulations of the Board of Directors, NH's Board of Directors is the body in charge of the supervision of the risk management system.

As part of the exercise of this function, NH Hotel Group's Board of Directors has established a Corporate Policy, as well as a Risk Management Corporate Manual.

## OBJECTIVE

The aim of NH Hotel Group's Risk Management Corporate Policy is to define the basic principles and the general framework of action to identify and control risks of any nature which may affect NH, without prejudice to the policies and procedures that may be issued at corporate, department or geographic level to develop the present document.

## SCOPE

NH Hotel Group's Risk Management Policy applies to all companies over which NH Hotel Group has effective control.

For those companies where NH does not exercise effective control, the Policy applies to all centers where NH operates, regardless from the type of contract and always within the limits set in the corresponding contracts.

## RISK – DEFINITION AND CATEGORIES

Risk is any action or omission that may negatively affect the achievement of the NH Hotel Group's Strategic objectives.

In general, the risks to which the Group is exposed can be classified into the following categories:

- a) **Financial Risk**, such as fluctuation of interest rates, inflation, liquidity, non-compliance with financing undertakings, restrictions on financing and credit management.
- b) **Compliance Risks**, arising from possible regulatory changes, interpretation of legislation, regulations and contracts, and non-compliance with internal and external regulations.
- c) **Business Risks** generated by inadequate management of procedures and resources, whether human, material or technological. This category encompasses difficulty in adapting to changes in customer demand and customer needs.
- d) **Systems Risks**, produced by attacks or faults in infrastructures, communication networks and applications that may affect security (physical and logical) and the integrity, availability or reliability of operational and financial information. This heading also includes business interruption risk.
- e) **Reputational Risks**, arising from the company's behavior which negatively affects fulfilment of the expectations of one or more of its stakeholders (shareholders, customers, suppliers, employees, the environment and society in general).
- f) **External Risks**, arising from natural disasters, political instability or terrorist attacks.
- g) **Strategic Risks**, produced by difficulty accessing markets and difficulties in asset disinvestment.

## BASIC PRINCIPLES

NH Hotel Group's Board of Directors commits to have a framework for action that allows enterprise risk management, including an appropriate identification, measurement, control and management of all relevant risks that affect the Group, as well as the alignment of the Group's activities with the approved risk tolerance levels.

The framework for action is based on the following principles:

- **Responsibility:** NH's Board of Directors has the responsibility for enterprise risk management. As set in article 25 b) Section 3 in the Regulations of the Board of Directors, the Audit and Control Committee supports the Board in supervising the efficiency of internal control. Furthermore, risk and control owners are designated throughout the organization fostering participation at all Group levels.
- **Integrity:** inclusion of all risks, regardless from the category and geographic location where they may materialize.
- **Consistency** with the strategic objectives, the approved tolerance level, the assumed risks and the established internal controls.
- **Independence:** segregation of duties between the risk owner and the responsible for analysis, control and supervision.
- **Coordination** between the different areas of the Group through the definition of policies, procedures, measurement systems and common methodologies.
- **Update and continuous improvement** through active periodic reviews and application of best practices in Corporate Governance.

- **Efficiency** in responding to changes in the risks' materialization likelihood, through the establishment of communication channels that may allow to alert about such changes as well as the immediate implementation or update of action plans.
- **Transparency** in the communication to external regulators regarding the Group's risks and the performance of the implemented systems, as established in the applicable regulations.

## **ENTERPRISE RISK MANAGEMENT AND CONTROL SYSTEM**

NH Hotel Group's risk and control management system includes:

1. The continuous identification of risks that may impact the Group's strategic objectives, not only in the existing projects but also in the decision making process regarding new investments.
2. Measurement of the likelihood of occurrence and impact based on a methodology and common tolerances for all the Group.
3. The maintenance of an internal control system based on policies, measurement indicators and the definition and assignment of roles and responsibilities in the different steps in the process.
4. The continuous assessment of the efficiency and effectiveness of the implemented controls, through self-assessments performed by the risk and control owners as well as the self-assessment performed by the Management Committee and reflected in the Group's Risk Map.
5. The definition and monitoring of action plans needed to improve controls and mitigate the materialization of risks.
6. The system's adaptation to best practices and recommendation in regards to risk management.
7. The periodic supervision of the enterprise risk and control management system by the Audit and Control Committee, through the Group's Internal Audit function.

## **RELATED DOCUMENTS**

Risk Management Corporate Manual.

## **VALIDITY**

This Risk Management Corporate Policy was approved by NH Hotel Group's Board of Directors on November 11, 2015.