

**Remuneration Policy for the Directors of  
NH Hotel Group, S.A.**

## INTRODUCTION

The Board of Directors of NH Hotel Group, S.A. (hereinafter referred to as “NH”, the “Company” or the “Group”), according to a proposal made by the Appointment, Remuneration and Corporate Governance Committee, has approved at its meeting of 9 May 2018 this remuneration policy for the Company’s directors (hereinafter referred to as the Policy or the “Remuneration Policy”), which shall be subject to the binding votes of the General Shareholders’ Meeting as a separate item on the agenda.

The Remuneration Policy contains the following sections:

### Sections in the Remuneration Policy

1. Principles of the Policy.

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2. Duties undertaken by the Appointment, Remuneration and Corporate Governance Committee for determining, reviewing and applying the Remuneration Policy.

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3. Features of the remuneration system for the Chief Executive Officer, including the targets and metrics of the variable remuneration, remuneration components and the main terms and conditions.

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4. Features of the remuneration system for the Directors in their positions as such, including the maximum amount of the annual remuneration payable to the Directors as a whole and the different remuneration items to be received by the Directors.

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5. Remuneration Policy applicable to new directors.

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6. Relation of the Policy with the terms and conditions for the Company’s employees.

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7. Validity of the Policy.

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## 1.- PRINCIPLES OF THE REMUNERATION POLICY

The aim of NH's Remuneration Policy is to reward the commitment, responsibility and talent of our employees, always taking into consideration the economic situation, the Company's earnings, the Group's strategy and the best market practices.

Pursuant to the foregoing, the principles of the Remuneration Policy are as follows:

### Principles

#### **Alignment with the investors**

The design of the Remuneration Policy for the Chief Executive Officer will be regularly reviewed to ensure its alignment between achieving profits and creating value for the shareholders.

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#### **Proportionality**

The remuneration is in a suitable proportion to the Company's features and business model.

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#### **Balance**

The Directors' remuneration must not be excessive nor be insufficient in order to avoid unsuitable risks being taken.

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#### **Suitability**

The Remuneration Policy for the Directors in their positions as such is adapted to the composition of the Board and the amounts are sufficient to remunerate their qualifications, time spent and responsibility, guaranteeing their required loyalty and allegiance to the Company, but without compromising its members' independence.

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#### **Non-discrimination**

The Remuneration Policy of NH will be respectful of non-discrimination due to gender, age, culture, religion or race.

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#### **Alignment with the strategy**

The remuneration of the Chief Executive Officer is in line with the Group's strategic targets, among others, through two variable remuneration components, one short-term and the other long-term.

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#### **Transparency**

The information related to the remuneration is in line with the best corporate governance practices.

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WHAT WE DO
A link of the payment of the remuneration to the Company's profits ("pay for performance")
Long-term incentive plans with a minimum period of 3 years for measuring the targets
Providing the Long-Term Incentive Plans in shares subject to a term of one year for holding the shares.
Claw-back clauses for the long-term incentives
Permanently holding shares for a value equivalent to one year's fixed salary
Recurrent external advice

WHAT WE DO NOT DO
There is no guaranteed variable remuneration
There are no pension commitments undertaken with the Directors
There are no severance pay clauses for termination of the commercial relationship
No loans or advance payments are granted
The non-executive directors are not included in the remuneration formulae or systems linked to the Company's performance.

## 2.- DUTIES UNDERTAKEN BY THE APPOINTMENT, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

According to Article 26 of the Board of Directors' Regulations, the Appointment, Remuneration and Corporate Governance Committee (hereinafter referred to by its initials in Spanish "CNRGC") is competent for proposing the Remuneration Policy for the Directors and for those who perform their senior management duties, directly reporting to the Board, Executive Committees or Chief Executive Officers, as well as the individual remuneration and other contractual terms and conditions for the Chief Executive Officers, supervising such terms and conditions are observed.

The CNRGC may hold meetings as often as (i) considered necessary by the Chairperson, (ii) required by the Board of Directors or (iii) requested by two or more of its members with voting rights, to correctly fulfil its duties. In addition, in order to for the Directors to fulfil their obligations with the utmost excellence in their positions as such, they take part in informative meetings and training updates that the Company organises from time to time related to certain fields in their interest and related to their actions.

Moreover, the Board of Directors is notified of all the actions performed by the CNRGC, providing it with the relevant documentation in order to obtain information about such actions to perform its duties.

Apart from the duties assigned to the CNRGC by the Board of Directors' Regulations, the duties of this Committee are summarised below regarding the determination, review, application and transparency of the Remuneration Policy:

DUTIES OF THE APPOINTMENT, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE
<p><b>Determining the Policy</b></p> <p>It proposes to the Board of Directors the allotment among the different items of the maximum remuneration amount approved by the General Shareholders' Meeting for the Directors in their positions as such.</p> <hr/> <p>It proposes to the Board of Directors the amount and, if need be, the update of the Chief Executive Officer's fixed salary.</p>
<p><b>Application of the Policy</b></p>

## DUTIES OF THE APPOINTMENT, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

Every year it proposes to the Board of Directors the targets of the Annual Variable Remuneration and the relevant cycle for the multi-annual variable remuneration applicable to the Chief Executive Officer and the Senior Management.

It assesses achievement of the targets after the end of the measurement period for the variable remuneration and proposes to the Board of Directors the amount or number of shares to be received by the Chief Executive Officer and the Senior Management.

### Review of the Policy

It reviews the amount of the various remuneration items of the Directors in their positions as such; bearing in mind market practices, and submits its conclusions to the Board of Directors.

It reviews the structure and level of the Chief Executive Officer's remuneration to ensure it is competitive.

### Transparency of the Policy

The CNRGC decides on the contents of the Annual Directors' Remuneration Report and proposes it to the Board of Directors for the final approval thereof.

When performing the aforementioned duties, the CNRGC can obtain support from external advisors, experts in compensation.

As a precautionary measure to avoid conflicts of interest, the Chief Executive Officer may not be present or take part in the deliberations or decision-making process at the Board's meetings that deal with proposals related to his specific remuneration.

## 3.- REMUNERATION POLICY FOR THE CHIEF EXECUTIVE OFFICER

### 3.1. Linking the Chief Executive Officer's remuneration to the Company's earnings

A significant part of the Chief Executive Officer's remuneration packet is linked to the short-term and long-term earnings obtained by NH. In this respect, the terms and conditions for the Annual and Multi-Annual Variable Remuneration system, including the structure, the maximum remuneration levels, the targets set and the weight of each of them are reviewed every year by the CNRGC, bearing in mind the Company's strategy, the business needs and situation and are subject to approval by the Board of Directors.

In this respect, the functioning of the annual variable remuneration for NH's Chief Executive Officer is the same as for the Company's employees. It is determined based on the Management by Targets Program (DPO) for the following purpose:

- To compensate performance bearing in mind the achievement of the Company's quantity targets.
- To link the achievement of the annual targets set by the Company to its medium- and long-term strategy.
- To align the individual targets with those of the Company.

Regarding the long-term variable remuneration, a combination of mainly quantitative targets is determined related to creating value for the shareholders and the Company's medium- and long-term strategic priorities.

The Company will specify the metrics determined in the Annual Directors' Remuneration Report both for the Annual Variable Remuneration and the Long-Term Incentive Plans.

### 3.2. Ex-post adjustments of the Chief Executive Officer's remuneration

By virtue of the duties specified in the Articles of Association and the Board of Directors' Regulations, since the CNRGC is competent to propose the Chief Executive Officer's individual remuneration to the Board of Directors, it can request the Board to cancel or return the payment of the Chief Executive Officer's multi-annual variable remuneration if any of the following situations arise within twenty four months after the payment of such remuneration:

- a) Breach by the beneficiary of the internal code of conduct;
- b) Material reformulation of the Company's financial statements, when this is stipulated by an external auditor and it affects the achievement level of the targets in the multi-annual variable remuneration plan, except when this is due to an amendment in the accounting regulations;
- c) The variable remuneration is payable or has been paid by applying inaccurate or erroneous information or data.

Moreover, the CNRGC can propose adjustments to the Board of Directors for the items, criteria, thresholds and limits of the annual or multi-annual variable remuneration in exceptional situations due to extraordinary internal or external factors or events. The details and justification for such adjustments are included in the relevant Annual Directors' Remuneration Report.

### 3.3. Components in the Chief Executive Officer's remuneration

The items included in the Chief Executive Officer's remuneration packet are as follows:

Fixed salary	
<i>Purpose: A reward taking into account his senior management duties</i>	
Limits and Metrics	Functioning
<p><b>Amount</b> Chief Executive Officer: €500,000.</p>	<p>No significant changes are planned for the period the Policy is in force.</p> <p>In all cases, the Board of Directors must approve any adjustment, depending on the level of responsibilities undertaken from time to time by the Chief Executive Officer, the development of the Company and the relevant market analysis.</p> <p>The updates taking place according to the aforementioned terms must always be justified by the CNRGC and be duly included in the Annual Directors' Remuneration Report.</p>

## Annual Variable Remuneration

*Purpose: A reward for performance bearing in mind the achievement of the Company's quantitative targets linking the achievement of the annual targets set by the Company to its medium- and long-term strategy and alignment of the individual targets with those of the Company.*

Limits and Metrics	Functioning
<p><b>Target</b> 60% of the Fixed Salary. This will be obtained when 100% of the pre-determined targets are achieved.</p> <p><b>Maximum</b> 87% of the Fixed Salary (143% of the target). This will be obtained in the case of over-achievement of the pre-determined targets.</p> <p><b>Metrics</b> It is linked to achieving a combination of quantitative targets (economic-financial, value-creation and operational), and specific pre-determined and calculable qualitative targets associated with the post aligned with the Company's strategy. The sum of the qualitative targets related to the post will have a maximum weight of 45% as a whole, whereas the weighting of the quantitative targets will not be higher than 55%.</p>	<p>The CNRGC is responsible for approving the targets at the beginning of each financial year and for evaluating their achievement at the end of each year. This evaluation is conducted based on the audited profits and losses and the achievement level of the targets. After such analysis, the CNRGC proposes a bonus that is submitted for the approval of the Board of Directors.</p> <p>The scale of achievement, set at the beginning of each financial year, includes a minimum threshold below which the incentive is not received, a target level corresponding to achieving 100% of the targets and a maximum level, specific for each metric. For intermediary levels it is determined by linear interpolation.</p> <p>In order to calculate the amount of the variable remuneration the level of achievement and weighting of each of the targets are taken into consideration and internal rules and procedures are applied for the evaluation of targets as determined by the Company for its executives.</p> <p>In addition, the Company can determine additional corrective factors that limit the maximum amount payable as the Annual Variable Remuneration. If need be, these corrective factors will be linked to economic financial metrics.</p> <p>The positive or negative economic effects caused by extraordinary events that could distort the results of the evaluation are eliminated and the quality of the long-term results and any risk related to the proposal for variable remuneration are taken into consideration.</p> <p>The Annual Variable Remuneration is fully paid in cash.</p>

**Long-Term Incentive Plan**

*Purpose: A reward for achieving NH's long-term strategic targets and creating sustainable value for the shareholders.*

Limits and Metrics	Functioning
<p><b>Target Incentive on an annual basis</b> 60% of the Fixed Salary.</p> <p><b>Maximum Incentive on an annual basis</b> 90% of the Fixed Salary (150% of the target amount).</p> <p><b>Metrics</b> Internal metrics based on economic financial targets (for example, EBITDA, Net Recurrent Profit, etc.) and external metrics of creating value for the shareholders (for example, Total Shareholder Return). Some of the metrics can be relatively measured regarding a comparison group consisting of competing companies.</p>	<p>The measurement period for the targets is at least three years.</p> <p>The Plan may be paid in cash and/or include assignment of shares, stock options or remuneration rights linked to the value thereof, providing the targets set for such purpose are achieved. The shares assigned will be subject to a period of non-availability of at least one year.</p> <p>In order to calculate the payment coefficient reached for each achievement level of the targets, an achievement scale will be determined for each of the metrics that includes a minimum threshold below which no incentive is received and a maximum level in the case of over-achievement of targets.</p> <p>The CNRGC conducts regular monitoring of the targets and, once the Plan has ended, the level of achievement is determined. In this evaluation work, the Committee is supported by the Financial Department and the Auditing and Control Committee, which provides information about the audited profits and losses. The Committee also considers any related risk when determining the targets and evaluating their achievement.</p> <p>When determining the achievement level of the target, the positive or negative economic effects caused by extraordinary events that could distort the results of the evaluation are eliminated.</p>

**Remuneration in kind**

*Purpose: To offer a competitive compensation packet.*

**Functioning**

The Chief Executive Officer can be the beneficiary of certain payments in kind that include, among others, a company car, payment of life and medical insurance policies, which both the Chief Executive Officer and the members of his family unit that live with him can benefit from, contribution to pension systems, in line with the remuneration policy for the Group's senior management.

The Remuneration Policy for the Chief Executive Officer does not include granting any other benefits, loans, advance payments or guarantees by the Company.

**3.4. Commitment to permanently hold shares**

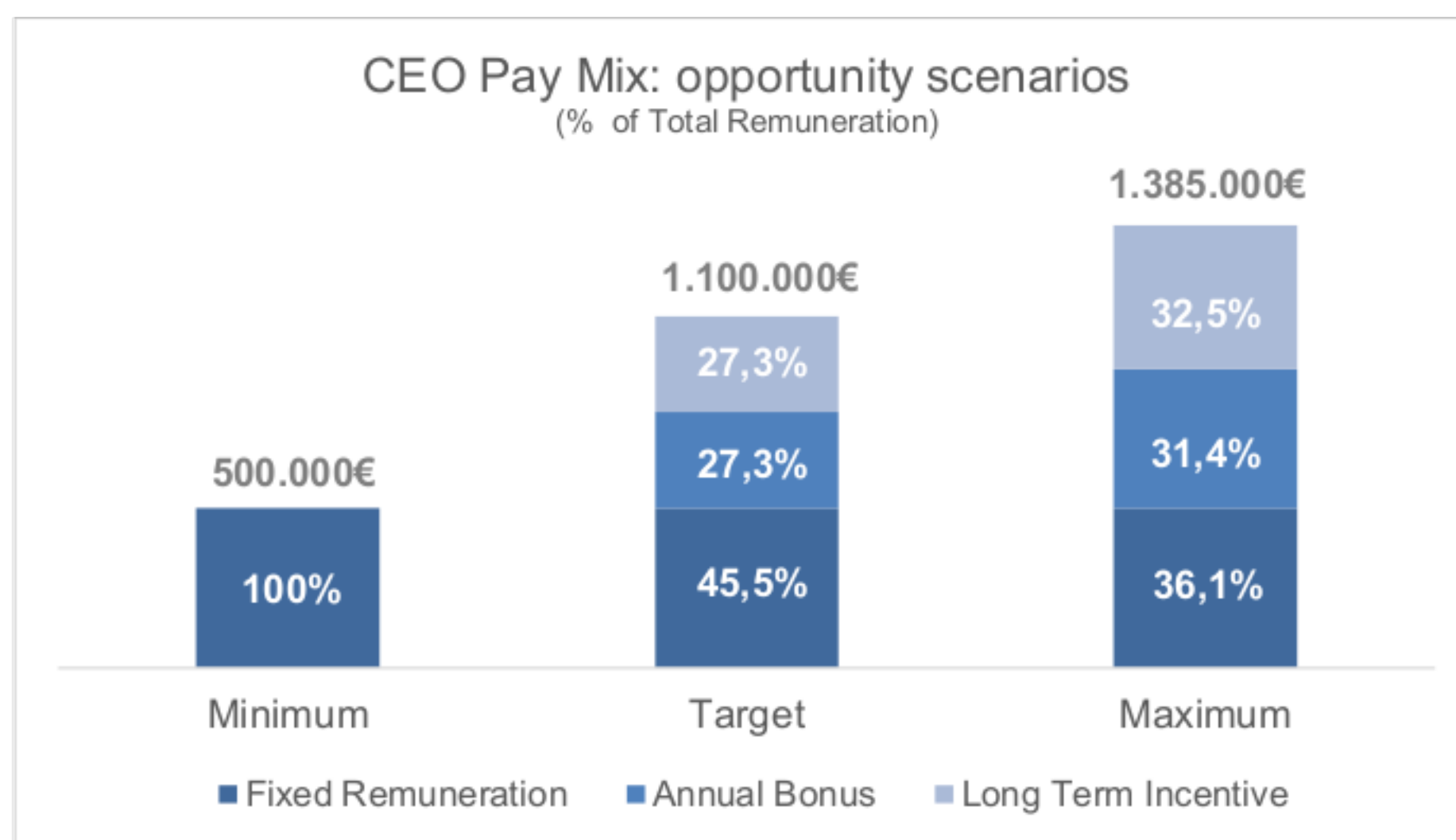
The Chief Executive Officer must continuously hold the number of company shares that result from investing an amount equivalent to once his gross fixed salary in the purchase thereof. For such purpose, if the shares were obtained from the Long-Term Incentive Plan, the shares will be valued at the price at which they were assigned or, in the case of shares previously acquired, they are valued according to the average weighted market price of the shares on the date this agreement is approved.

The aforementioned investment level must be reached after five years counted from the date this agreement is approved.

## The Chief Executive Officer's remuneration mix

In the case that the target objectives are achieved, the percentage of remuneration at risk regarding the whole remuneration (for such purpose considered as the Fixed Salary, Annual Variable Remuneration and the long-term incentive on an annual basis) will amount to 54% for the Chief Executive Officer.

In the case that the maximum target achievement is obtained, the remuneration percentage at risk regarding the whole remuneration will amount to 63.90% for the Chief Executive Officer.



### 3.5. Contractual terms and conditions for the Chief Executive Officer

The contract currently in force that regulates the Chief Executive Officer's duties and responsibilities is of a commercial nature and includes the clauses that, in practice, are usually included in these kinds of contracts to attract and ensure the best professionals stay in the company. This contract has been proposed by the CNRGC and approved by the Board of Directors of the Company.

The main terms and conditions for the Chief Executive Officer's contract are summarised below:

	Description
<b>Term</b>	The term of the Chief Executive Officer's contract is permanent.
<b>Prior notice</b>	The Chief Executive Officer must provide at least two months' prior notice of his decision to terminate his commercial relationship with NH and may choose to renew his ordinary labour relationship.
<b>Full-time and non-competition</b>	<p>For the period he renders his services within the scope of his valid contract, he may not carry out the following without the prior consent of the Company:</p> <ul style="list-style-type: none"> <li>• Render services, enter into a service relationship of any kind, act as an executive, provide consulting services and/or hold a post as a Director in any other company.</li> <li>• Hold an indirect or direct stake of any kind in companies that perform activities that are in competition or are similar or related to the Company's activities or that are suppliers and/or customers of NH. This condition will remain in force until twelve months have elapsed after the termination of the commercial or labour contract with NH, whatever the reason for such termination may be. The gross annual fixed salary of the Chief Executive Officer already includes compensation for this non-competition clause.</li> </ul>

	Description
<b>Severance Pay</b>	Under no circumstances is the Chief Executive Officer entitled to receive any severance pay due to resigning from office or termination of his commercial relationship. However, the terms and conditions regulating his suspended labour relationship grant a period of time in which the Chief Executive Officer holds his commercial relationship that will be included as seniority for the purpose of possible severance pay due to termination of such labour relationship.
<b>Non-Disclosure</b>	During the valid term of the commercial contract and after the termination thereof for any reason, the Chief Executive Officer must not indirectly or directly disclose or disseminate to third parties not associated with NH any commercial or industrial secrets, processes, methods, information or data related to the activities, business or finances of NH or any company in its Group.

#### 4.- REMUNERATION POLICY FOR THE DIRECTORS IN THEIR POSITIONS AS SUCH

Pursuant to the provisions in Article 42 of the Articles of Association, the Directors' remuneration will consist of a fixed annual amount and expenses for attending the meetings of the Board of Directors and its executive and advisory committees, the amounts of which will be determined by the General Shareholders' Meeting.

In addition, apart from the remuneration referred to in the previous paragraph, according to the Articles of Association, remuneration systems may be determined linked to the market value of the shares or that involve shares or stock option rights being assigned to the Directors. Application of such remuneration systems must be expressly agreed by the General Shareholders' Meeting.

The amount of the remuneration that the Company could grant to the group of its Directors for the aforementioned items will be determined by the General Shareholders' Meeting for such purpose, which will remain in force until the GSM agrees on its modification. In this respect, a proposal is made to the Ordinary General Shareholders' Meeting to set €1,400,000 as the maximum gross amount for the remuneration payable to the Directors in their positions as members of the Board of Directors. This limit will continue being applicable during the valid term of this Policy unless the General Shareholders' Meeting decides to modify it in the future.

Determining the exact amount payable within the aforementioned limit and its allotment among the various Directors is decided by the Board of Directors according to a proposal made by the CNRGC, bearing in mind the duties and responsibilities assigned to each Director, their participation in the Committees of the Board of Directors and other objective circumstances that are considered relevant.

The current items in the Remuneration Policy for the Directors in their positions as such are detailed below:

	Annual Fixed Amount	Comments
<b>Chairperson of the Board of Directors</b>	€200,000	No expenses are paid for attending the meetings of the Board or the Committees
<b>Chairperson of the Executive Committee and Co-President of the Company</b>	€200,000	No expenses are paid for attending the committee meetings they chair.
<b>Chairpersons of the Auditing Committee or the CNRGC</b>	€90,000	No expenses are paid for attending the committee meetings they chair.
<b>The rest of the members</b>	€50,000	The Chief Executive Officer is not paid any Annual Fixed Amount

	Expenses per meeting and per Director	Comments
<b>Executive Committee</b>	€2,000	The Chairperson of this Committee will not be paid any amount for expenses.
<b>Auditing and Control Committee</b>	€1,000	The Chairperson of this Committee will not be paid any amount for expenses.
<b>Appointment, Remuneration and Corporate Governance Committee</b>	€1,000	The Chairperson of this Committee will not be paid any amount for expenses.

\* *The Chief Executive Officer will not be paid any amount for expenses to attend the Board or Committee Meetings.*

These amounts will remain in force until the Board of Directors decided to modify them, which will be specified in the Annual Directors' Remuneration Report that will be submitted every year for the consideration of the General Shareholders' Meeting.

## **5.- REMUNERATION POLICY APPLICABLE TO NEW DIRECTORS**

The aforementioned remuneration system for the Chief Executive Officer will be applicable to any new director that could join the Board of Directors during the valid term of this Policy that performs executive duties. For such purpose, the CNRGC and the Board of Directors will specifically take into consideration the duties assigned, the responsibilities undertaken, professional experience, market remuneration for this position and any others that are considered suitable to take into account in order to determine the applicable items and amounts for the remuneration system, if need be, for the new Chief Executive Officer, which will be duly stated in the relevant contract to be signed by the Company with the new Chief Executive Officer.

As an exception, in order to assist in the recruitment of an external candidate, the CNRGC can propose a decision to be adopted by the Board to determine a special bonus to compensate for the loss of incentives not received from the previous company due to his resignation and acceptance of NH's offer.

For internal promotions, the Committee may cancel and/or compensate any pre-existing incentives and other obligations that could be in force at the time of appointment.

If the new appointment implies international relocation, the Company's general policy for international relocation will be applicable. This covers (but not limited thereto) supplements for the cost of living, housing, removals, education, tax equalisation and tax advice.

In the case that new non-executive members join the Board of Directors during the valid term of this Policy, the remuneration system explained in section four above shall be applicable.

## **6.- RELATION OF THE POLICY WITH THE TERMS AND CONDITIONS FOR THE COMPANY'S EMPLOYEES.**

The Remuneration Policy for the Company's employees has been taken into account in order to determine the remuneration terms and conditions for the Chief Executive Officer described in this Policy.

In this respect, the Remuneration Policy for the Chief Executive Officer is in line with the rest of the employees and shares the following principles:

- The remuneration policies and practices guarantee non-discrimination based on gender, age, culture, religion or race. In this respect, a professional at NH is remunerated according to his/her professional merit, experience, time spent and responsibility undertaken.
- In the same way as for the other members of the Company's senior management, a significant part of the Chief Executive Officer's total remuneration is of a variable nature and receiving it depends on achieving financial, business, value creation and individual targets, all these predetermined, specific, calculable and in line with NH's corporate interests.
- The variable remuneration is not guaranteed and it may therefore be completely eliminated in certain cases.
- The remuneration practices are adapted to the different local markets where NH operates.

In this respect, the items included in the Chief Executive Officer's remuneration are identical to the items included in the remuneration packet of the senior management group of NH.

## **7.- VALIDITY**

Notwithstanding the provisions in the Spanish Capital Companies Act regarding the remuneration policy for the members of the Board of Directors, the policies and procedures contained in this document shall be valid in 2018, 2019 and 2020, except for the modifications, adaptations, updates or replacements that may be agreed from time to time, which shall be submitted to NH's General Shareholders' Meeting for their approval.