

**ANNUAL REPORT OF THE APPOINTMENTS, REMUNERATION AND
CORPORATE GOVERNANCE COMMITTEE OF NH HOTEL GROUP, S.A.
FOR THE YEAR 2016**

1.- Introduction

The Appointments, Remuneration and Corporate Governance Committee of NH Hotel Group, S.A. issues this Report on operation and compliance of its goals during the year 2016.

The object of the Report is to give an account to the Board of Directors of the activity carried out by this Committee, in accordance with the provisions of Recommendation 6 of the Code of good governance for listed companies (hereinafter, Good Governance Code), approved by a Resolution of the Board of the CNMV dated 18th February 2015.

The composition, competence and operation of the Appointments, Remuneration and Corporate Governance Committee are regulated in article 47 of the Articles of Association and article 26 of the Board Regulations.

During 2016 the above-mentioned regulation has undergone a modification, approved by the Board of Directors on 21st June 2016, whereby the members of the Board of Directors who are not members of the Committee are expressly empowered, at the prior invitation of its Chairman, to attend the meetings of the Appointments, Remuneration and Corporate Governance Committee occasionally.

2.- Composition of the Appointments Committee

At 31st December 2016, the Appointments, Remuneration and Corporate Governance Committee consisted of 6 members, and the non-member Secretary, all of whom have the necessary qualifications to perform diligently the duties entrusted to that Committee.

The composition of the Committee at 31st December 2016 is as follows:

Chairman: Mr Francisco Román Riechmann (Independent)

Members: Mr José María Cantero de Montes-Jovellar (Other External)
Mr Alfredo Fernández Agras (Representative)
Mr Francisco Javier Illa Ruiz (Representative)
Mr José María López Elola (Independent)
Ms Koro Usarraga Unsain (Independent)

Secretary: Mr Carlos Ulecia Palacios

During 2016 there has been a change in the composition of this Committee, as a result of the departure from the Board of Directors of Mr Xianyi Miu following the General Shareholders' Meeting of 21st June 2016 and, as a result of this, his departure from his post on the Appointments, Remuneration and Corporate Governance Committee, and the appointment at the same General Meeting of Mr José María Cantero de Montes-Jovellar, who has replaced him as a member of the Appointments, Remuneration and Corporate Governance Committee.

On 7th February 2017, Mr Francisco Javier Illa ceased in his functions due to decease.

The composition of this Committee complies with the requirements concerning composition and qualification established in the LSC which establishes that it is to be made up of a minimum of three and a maximum of six Directors, consisting exclusively of non-executive Directors appointed by the Board of Directors, at least two of whom must be Independent Directors. The Chairman of the Committee will be designated out of the Independent Directors who form part of it.

3.- Competences

The Appointments, Remuneration and Corporate Governance Committee is governed by the functions attributed to it by both ruling legislation and the Articles and Association and the Board Regulations, which comprise at least the following competences:

1. Evaluate the necessary competence, knowledge and experience on the Board of Directors. For these purposes, it will define the functions and aptitudes necessary in the candidates who are to cover each vacancy and will evaluate the time and dedication required to carry out their undertaking efficiently.
2. Establish a representation target for the least-represented gender on the Board of Directors and draw up guidelines on how to reach that target.
3. Submit proposals to the Board of Directors for the appointment of Independent Directors to be appointed by co-optation or to be submitted to the decision of the General Shareholders' Meeting, together with proposals for the re-election or removal of such Directors by the General Shareholders' Meeting.
4. Report on the proposals for the appointment of the other Board members for appointment by co-optation or to be submitted to the decision of the General Shareholders' Meeting, together with proposals for their re-election or removal by the General Shareholders' Meeting.

5. Report on the proposals for the appointment and removal of senior executives and the basic conditions of their contracts.
6. Examine and organize the succession of the Chairman of the Board of Directors and of the Chief Executive Officer of the company and, as the case may be, submit proposals to the Board of Directors so that the aforementioned succession can take place in an orderly and planned manner.
7. Propose to the Board of Directors the remuneration policy for Directors and general managers or whoever carries out their senior management functions directly depending on the Board, Executive Committees, or Managing Directors, as well as the individual remuneration and other contractual conditions of executive directors, ensuring that the policy is followed.
8. Supervise and control compliance with the corporate governance rules and with the corporate social responsibility policy and plan, proposing the necessary Briefs and Reports to the Board.
9. Evaluate periodically the suitability of the corporate governance system to ensure that it fulfils its mission of promoting the corporate interest.

All the actions carried out by the Appointments, Remuneration and Corporate Governance Committee will be reported to the Board of Directors at the first meeting held by the Board, and the corresponding documentation shall in any case be made available to the Board so that it can be informed of such actions in order to carry out its duties.

4.- Operation

The Appointments, Remuneration and Corporate Governance Committee will meet as often as the Chairman considers appropriate, or when requested by two of its members with voting rights or the Board of Directors.

Furthermore, the members of the Board of Directors who are not members of the Committee may attend the meetings of the Appointments, Remuneration and Corporate Governance Committee occasionally, at the Committee Chairman's invitation.

5.- Activities carried out during 2016

During 2016 the Appointments, Remuneration and Corporate Governance Committee has held 10 meetings and dealt with the following matters:

- Evaluation and proposal of appointment of Independent Directors to submit the aforesaid proposal to the Board of Directors for the designation of such directors

by co-operation or for submission to the decision of the General Shareholders' Meeting.

- Reporting on proposals for the appointment of other Board members for the designation of such directors by co-optation or for submission to the decision of the General Shareholders' Meeting, as well as proposals for their re-election by the General Shareholders' Meeting.
- Study of the conformity to legislation and to the Recommendations of the Good Governance Code and drawing up of the Policies for the selection of Directors, ensuring that a target is set for representation of the least-represented gender on the Board of Directors and drawing up guidelines on how to achieve this target.
- Review of the Corporate Social Responsibility Policy and Director Selection Policy.
- Evaluation of the Board and Plans of action to correct any shortcomings detected.
- Reporting on proposals for appointment and removal of senior executives and the basic conditions of their contracts.
- Proposal to the Board of Directors on the remuneration policy for Directors and general managers or whoever carries out their senior management functions, as well as the individual remuneration and other contractual conditions of the CEO.
- Proposal to the Board of Directors on the economic settlement of certain executives and the CEO due to their leaving of the company.

Madrid, 28th February 2017