

2017 ANNUAL REPORT FROM THE APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE OF NH HOTEL GROUP, S.A.

1. Introduction

The Appointments, Remuneration and Corporate Governance Committee of NH Hotel Group, S.A. ("**NH**") issues this report on the performance and fulfilment of duties for 2017 (hereinafter, the "**Report**").

The purpose of this report is to inform the Board of Directors of the activities pursued by the Committee, in accordance with Recommendation 6 of the code of good governance of listed companies (hereinafter, the ("**Code**") Approved by Board Agreement of the Spanish National Securities Market Commission (CNMV) on 18 February 2015.

The composition, competences and functioning of the Appointments, Remuneration and Corporate Governance Committee is governed by Article 47 of the Articles of Association and 26 of the Board Regulations

2. Composition of the Appointments Committee

At 31 December 2017, the Appointments, Remuneration and Corporate Governance Committee consisted of four members plus a non-member Secretary, who all possess the required qualifications for diligent fulfilment of the duties entrusted to the Committee.

On 31 December 2017, the Committee was composed of the following members:

- Chairman: - Mr José María Sagardoy Llonis (Independent)
- Members: - Mr José María Cantero de Montes-Jovellar (Independent)
- Grupo Inversor Hesperia, S.A. (Proprietary) (represented by Mr Jordi Ferrer Graupera)
- Mr José Maria López-Elola González (Independent)
- Secretary: - Mr Carlos Ulecia Palacios

During 2017 there were changes to this Committee's composition, due to the terminations: (i) of the Chairman of the Appointments, Remuneration and Corporate Governance Committee Mr Francisco Román Riechmann as Chairman and member of the committee on 25 January 2017; (ii) of Mr Juan José Andrés Alvez as member of this Committee on 27 January 2017; (iii) of Mr Francisco Javier Illa Ruiz on 7 February 2017 as a result of

his death; and (iv) of Mr Alfredo Fernández Agras as a member of this Committee on 29 June 2017.

The composition of this Committee meets the requirements of composition and qualification set forth in the LSC establishing that it shall consist of a minimum of three and maximum of six Directors and be exclusively non-executive directors appointed by the Board of Directors, two of whom, at least, must be Independent Directors. The Chairman of the Committee shall be chosen by the Independent Directors that comprise it.

3. Competences

The Appointments, Remuneration and Corporate Governance Committee is governed the functions provided to it by applicable legislation, the Articles of Association and the Board Regulations.

The Committee will have at least the following responsibilities:

1. Evaluate the competences, knowledge and experience necessary on the Board of Directors. For these purposes, it shall define the abilities and functions required by candidates to cover each vacancy, and assess the time and dedication required to correctly carry out their functions.
2. Establish a representation goal for the less represented sex on the Board of Directors and create guidelines for how to achieve said goal.
3. Pass along to the Board of Directors proposals for appointments of Independent Directors for their designation by co-opting or for their submission to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or removal of said Directors by the General Shareholders' Meeting.
4. Inform the Board of proposals for appointments of remaining Directors for their designation by co-opting or for their submission to the decision of the General Shareholders' Meeting, as well as proposals for their re-election or removal by the General Shareholders' Meeting.
5. Provide notification of proposals for appointing or removing senior management and the basic conditions of their contracts.
6. Examine or organise the Chairman of the Board's and the chief executive's succession and, if appropriate, bring proposals before the Board so that such successions are effected in an orderly fashion.
7. Propose to the Board of Directors the remuneration policy for the directors and general managers or for those who perform functions of upper management directly reporting to the Board, Executive Committee or Chief Executives, as well

as the individual remuneration and other contractual conditions for the Chief Executives, ensuring compliance therewith.

8. Supervise and monitor compliance with corporate governance rules and with the corporate social responsibility policy and plan, proposing any necessary Reports to the Board.
9. Periodically evaluate the suitability of the corporate governance system, with the aim of ensuring that it fulfils its mission of promoting the company's interests.

The Board of Directors shall be informed of all the tasks carried out by the Appointments, Remuneration and Corporate Governance Committee during its first meeting, and in all events the corresponding documentation shall be made available to the Board so that it can take these actions into consideration when performing its duties.

4. Functioning

The Appointments, Remuneration and Corporate Governance Committee shall meet as often as considered necessary by its Chairman, or when requested by two of its members or the Board of Directors.

Furthermore, non-member Directors may attend Appointments, Remuneration and Corporate Governance Committee meetings on a one-off basis, when invited by the Chairman of the Committee.

5. Content and result of work undertaken by the Appointments, Remuneration and Corporate Governance Committee in 2017

During financial year 2017, the Appointments, Remuneration and Corporate Governance Committee held 9 meetings, dealing with the following matters:

- Proposal to the Board of Directors for the appointment of Mr Ramón Aragonés as CEO of Grupo NH and of the basic conditions of his contract.
- Study and verification of the 2016 Annual Reports: (a) Annual Corporate Governance Report, (b) Annual Appointments and Remuneration Committee Report, (c) Annual Remuneration Report.
- Approval of the launch of the long-term variable remuneration plan's second cycle ("Performance Shares" Plan) which begins in 2018 and whose accrual period will end in 2021.
- Approval of the 2014-2016 Long-Term Incentive settlement.
- Settlement of the objectives linked to the CEO's annual variable remuneration for 2016 and approval of the new objectives for 2017. Both the settlement of the 2016

Senior Management variable remuneration and the proposed objectives for 2017 were reported to the Committee.

- Proposal and approval of an extraordinary bonus for the three Executive Managing Directors as compensation for their additional functions of reporting to the Board and high dedication to the job in 2016.
- Having received internal and external analyses to determine the company's remuneration position, the proposal and approval of a new remuneration framework for the Board.
- Assessment of the Board of Directors. Following the mandate in Article 529 of the Capital Companies Law, in Recommendation 36 of the Code, and to detect and correct possible weaknesses in the Board of Directors. This Commission has again worked with an external advisor who provided greater transparency and objectivity to the entire process.
- Proposals for the appointments of Independent Directors and Proposal to name the Chairman of the Appointments and Remuneration Committee.

Madrid, 27 February 2018