

REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF NH HOTEL GROUP, S.A., JUSTIFYING THE PROPOSAL REFERRED TO IN ITEM SIX OF THE AGENDA FOR THE ORDINARY GENERAL SHAREHOLDERS' MEETING OF THE COMPANY

I. Introduction

This report is drawn up by the Board of Directors of NH Hotel Group, S.A. (hereinafter “**NH**” or the “**Company**”) in accordance with article 286 of the Companies Act (Consolidating Act), approved by Royal Legislative Decree 1/2010, of 2nd July, (hereinafter the “Companies Act”), to justify the proposals that will be submitted for the approval of the forthcoming Ordinary General Shareholders' Meeting of the Company, in relation to the amendment of certain articles of the Company's Articles of Association.

II. Justification of the reform of the Articles of Association proposed under Item Six of the Agenda:

The proposal for modification of the Articles of Association that is submitted to the General Shareholders' Meeting for consideration under Item Six of the Agenda seeks to modify the reference to the remuneration associated to Executive Directors and thus mitigate the remuneration costs associated to the Executive Director. Specifically, it is proposed that the remuneration received by Executive Directors for their executive functions also include any remunerative items they may receive by virtue of their status as Board members.

III. Proposed amendment of articles 42.1 and 42.2 (Remuneration of the members of the Board of Directors) of the Articles of Association, which shall henceforth read as follows:

By virtue of the above, it is proposed to amend articles 42.1 and 42.4 (*Remuneration of the members of the Board of Directors*) of the Articles of Association, so as to clarify that the remuneration of Executive Directors would only be that which corresponds to their executive functions, and they would not be entitled to also receive the remuneration received by all Directors by virtue of their duties as Board members.

Consequently, when section one of article 42 makes general reference to the remunerative items that correspond to Directors in general (it expressly states that “*The Directors' remuneration shall consist of a fixed annual allowance and an allowance for attending meetings of the Board of Directors and of its executive and consultative committees, the amounts of which will be determined by the General Shareholders' Meeting*”) it is proposed that a cross reference to the provisions of section four of the same article be added, in order to make it clear that in the case of Executive Directors, this remuneration “as a Director” does not apply.

The proposed amendment to section four clarifies that the remuneration received by Executive Directors for their executive functions also include any remuneration to which they may be entitled by virtue of belonging to the Board.

Consequently, the proposed text for the two above-mentioned sections one and four of article 42 would be as follows:

“Article 42. Remuneration of the members of the Board of Directors

Section One: General Considerations

1.- Notwithstanding the provisions of paragraph four below, the Directors' remuneration shall consist of a fixed annual allowance and an allowance for attending meetings of the Board of Directors and of its executive and consultative committees, the amounts of which will be determined by the General Shareholders' Meeting.”

[...]

“4.- The Executive Directors shall be entitled to receive remuneration for the executive functions carried out in the context of their employment or mercantile relationship with the Company, which will include their duty as a Board member. Accordingly, such remuneration will include both executive functions and the duties as a Board member. In particular, such remuneration will be made up of the following components: (a) a fixed portion, in line with the services and responsibilities undertaken; (b) a variable component, correlated to an indicator of the CEO's or the Company's performance; (c) benefits, which will include the pertinent insurance; and (d) compensation in the event of early termination of the provision of executive services not due to a breach attributable to the Director. The determination of the amounts of the remuneration items referred to in this paragraph will be in line with market conditions and will take into account the inherent responsibility and degree of commitment of the role of each Executive Director.”