

REMUNERATION POLICY FOR DIRECTORS NH, S.A. - REPORT OF THE APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE ON THE PROPOSAL FOR APPROVAL OF THE REMUNERATION POLICY FOR DIRECTORS (ARTICLE 529 NOVODECIES OF THE LAW ON CAPITAL COMPANIES)

1. INTRODUCTION

This report contains the reasoned proposal of the Nominating, Compensation and Corporate Governance Committee, held on 8 May 2018, regarding the Remuneration Policy for Directors ("Remuneration Policy") of NH Hotel Group, S.A. ("NH", the "Company" or the "Group"), which will be valid during 2018, 2019 and 2020, and which will be submitted to the General Shareholders' Meeting as a separate item on the agenda.

This report is made available to shareholders on the NH website, as required by Article 529r(1) of the Consolidated Text of the Spanish Companies Act ("LSC"). This article requires listed companies to have a remuneration policy approved by the General Meeting at least every three years and that any remuneration received by directors must be in line with this remuneration policy.

The consultative approval of the Annual Report on Directors' Remuneration for the 2014 financial year, under the eighth item on the agenda of the General Meeting of Shareholders held on 29 June 2015, made it possible to consider the remuneration policy of NH contained in that report as a remuneration policy for the following three financial years, all in accordance with the provisions of Transitory Provision, paragraph 2 a), of Law 31/2014, on the reform of the Law on Capital Companies to improve corporate governance.

In view of the foregoing, the Nominating, Compensation and Corporate Governance Committee submits for approval a new remuneration policy which, if approved by the General Shareholders' Meeting, will be applicable until 31 December 2020.

2. GROUNDS FOR THE DIRECTORS' REMUNERATION POLICY

The general principles underpinning the remuneration policy are as follows:

- **Alignment with investors:** The design of the Executive Director's Remuneration Policy is periodically reviewed to ensure alignment between the achievement of results and the creation of value for shareholders.
- **Proportionality:** The remuneration is in proportion to the characteristics of the Company and the business model.
- **Balance:** Directors' remuneration must not be excessive or insufficient to avoid taking inappropriate risks.
- **Suitability:** The Directors' Remuneration Policy as such is adapted to the composition of the Board and the amounts are sufficient to remunerate their qualifications, dedication and responsibility, guaranteeing due loyalty and linkage with the Company, but without compromising the independence of its members.
- **Non-discrimination:** NH's Compensation Policy will be respectful of non-discrimination on the basis of sex, age, culture, religion and race.
- **Alignment with the strategy:** The remuneration of the Executive Director is aligned with the strategic objectives of the Group, among others, through two components of variable remuneration, one short term and the other long term.
- **Transparency:** Information on remuneration is in line with best practices in corporate governance.

3. MAIN CHARACTERISTICS OF THE 2018-2020 REMUNERATION POLICY

The objective of the Remuneration Policy is to compensate for the commitment, responsibility and talent of the Directors, always taking into consideration the economic environment, the Company's results, the Group's strategy and best market practices.

In general terms, the new Remuneration Policy maintains the components and fundamental lines applied in previous years since it is considered that they comply with the best market practices and the main recommendations of good governance.

In this regard, the Remuneration Policy has the following characteristics in relation to the remuneration of the Executive Director for the performance of executive duties:

- Link the payment of variable remuneration to the Company's results ("pay for performance"), with no guaranteed variable remuneration. In the case of maximum compliance with objectives, the percentage of remuneration at risk of the Executive Director with respect to total remuneration (considered for this purpose as fixed remuneration, annual variable remuneration and annualised long-term incentive) could be as high as 63.90%.
- Long-term Incentive Plans with a minimum target measurement period of 3 years. These plans will be linked to internal metrics based on economic-financial objectives (e.g. EBITDA, Net Recurring Profit, etc.) and external metrics for creating shareholder value (e.g. Total Return to Shareholders).
- The shares delivered in the Long Term Incentive Plans will be subject to a period of unavailability of at least one year.
- Clawback clauses on long-term incentives. The Nominating, Compensation and Corporate Governance Committee may request the Board of Directors to cancel or refund the payment of the multi-year variable remuneration of the Executive Director if certain circumstances described in the Remuneration Policy occur.
- The Executive Director must maintain ownership of the number of shares of the Company that result from having invested an amount equivalent to one time their gross fixed remuneration in the purchase of these shares. The aforementioned level of investment must have been reached after five years from the date of approval of the new Remuneration Policy.

With regard to the remuneration of directors in their capacity as such, an increase in the maximum amount of the annual remuneration to be paid to all directors (without taking into account remuneration for the performance of executive duties) is proposed. This amount is estimated at EUR 1,400,000. The aforementioned increase will allow the Company to have a more appropriate budget for fixed remuneration and per diems in the event that the two vacancies currently existing on the Board of Directors are filled.

4. VALIDITY

This remuneration policy will be submitted for approval to the General Shareholders' Meeting of NH on 21 June 2018 and, if approved, will remain in force for the years 2018, 2019 and 2020, except for the modifications, adaptations, updates or substitutions agreed at any time, which will be submitted for approval to the General Shareholders' Meeting of NH.

8 May 2018