

# **REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF NH HOTEL GROUP, S.A., JUSTIFYING THE PROPOSAL REFERRED TO IN ITEM 8 OF THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING**

## **I. Introduction**

This report has been 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 Spanish Companies Act (Consolidating Act), as approved by Royal Legislative Decree 1/2010, of July 2<sup>nd</sup>, (hereinafter “LSC”), to justify the proposal that will be submitted for approval at the next Ordinary General Shareholders' Meeting in relation to the amendment of certain article of the Company's Bylaws.

The purpose of the proposed amendment to the Bylaws that is submitted to the General Shareholders' Meeting of the Company for consideration under item 8 of the Agenda is to include in the Bylaws some amendments made by Act 11/2018, of December 28<sup>th</sup>, amending the Code of Commerce, the Companies Act as approved by Royal Legislative Decree 1/2010, of July 2<sup>nd</sup>, and Accounts Auditing Act 22/2015, of July 20<sup>th</sup>, on non-financial information and diversity (hereinafter “Act 11/2018, of December 28<sup>th</sup>”).

Specifically, the amendments affect article 33.2 (Duties of the Board of Directors) as follows:

### **Proposed amendment of the article 33.2 (Duties of the Board of Directors) included in Chapter Two of Title Three of the Company's Bylaws, relating to the duties of the Board of Directors:**

The purpose of the proposed amendment of article 33.2 of the Company's Bylaws is to complement the content of the articles with the provisions established in article 529 *ter*, paragraph j) of the LSC, as amended by virtue of article 2.9 of Act 11/2018, of December 28<sup>th</sup>, adding to the list of faculties of the Board of Directors which may not be delegated “*Supervision of the process of drawing up and presenting financial information and the Directors' Report, which will include, when appropriate, the mandatory non-financial information, and submitting recommendations or proposals to the management body, aimed at safeguarding the integrity thereof.*”

Accordingly, the proposal to incorporate a new sub-section v) in the aforesaid article 33.2 of the Company's Bylaws seeks to reflect faithfully the list of powers set forth in articles 249 *bis* and 529 *ter* of the LSC.

**By virtue of the above, it is proposed to amend article 33.2 of the Company's Bylaws including a new subparagraph v), as highlighted as follows:**

### ***“Article 33 Duties of the Board of Directors***

*[...]*

*2. The faculties reserved by law or the Articles of Association exclusively to the Board, and any others necessary for responsible exercising of its basic function of supervision and control may not be delegated.*

*Specifically, the following faculties may not be delegated under any circumstances:*

*a) The approval of the strategic or business plan, the management objectives and annual budgets, the investment and financing policy, the corporate social responsibility policy and the dividends policy.*

*b) The determination of the control and risk management policy, including tax risks, and the supervision of internal reporting and control systems.*

*c) The determination of the corporate governance policy of the Company and of the group of which it is the controlling company; its organization and functioning and, in particular, the approval and modification of its regulations.*

*d) The approval of the financial information the Company must publish periodically.*

*e) The definition of the structure of the group of companies of which the Company is the controlling company.*

*f) The approval of all kind of investments or operations which, due to the high amount or special characteristics thereof, are of a strategic nature or involve a special tax risk, unless approval of such operations corresponds to the General Meeting.*

*g) The approval of the creation or acquisition of shares in entities with a special purpose or domiciled in countries or territories that are considered to be tax havens, and any other transactions or operations of a similar nature that, due to their complexity, may be detrimental to the transparency of the Company and its group.*

*h) The approval, following a report by the audit committee, on the operations that the Company or companies in its group carry out with Board members, in the terms of articles 229 and 230 of the Companies Act,*

*or with shareholders who individually or in conjunction with other shareholders hold a significant shareholding, including shareholders represented on the Board of Directors of the company or of other companies that form part of the same group or with persons related to them. The Board members who are affected or who represent or are related to the affected shareholders must refrain from participating in the deliberation and voting on the resolution in question. The only exception from this approval applies to operations that simultaneously fulfil the following three characteristics:*

- 1. they are carried out by virtue of standard-term contracts applied massively to a high number of customers,*
- 2. they are carried out at prices or rates established on a general basis by whoever acts as supplier of the good or service in question, and*
- 3. the amount thereof does not exceed one per cent of the company's annual revenues.*

*i) The determination of the company's tax strategy.*

*j) The supervision of the effective functioning of any committees that have been set up and of the performance of any delegated bodies and executive officers designated.*

*k) The determination of the company's general policies and strategies.*

*l) The authorization or release from obligations deriving from the duty of loyalty in accordance with the provisions of article 230.*

*m) Organization and functioning of the Board itself.*

*n) The drawing up of the annual accounts and their submission to the General Meeting.*

*o) The drawing up of any kind of report required of the governing body by law when the operation the report refers to cannot be delegated.*

*p) The appointment and removal of Executive Officers of the Company, and the establishment of the conditions of their contract.*

*q) The appointment and removal of executives who are directly dependent on the Board or any of its members, as well as the establishment of the basic conditions of their contracts, including their remuneration.*

*r) Decisions relating to the remuneration of Board members, within the framework established by the Articles of Association and, as the case may be, the remunerations policy approved by the General Meeting.*

*s) The convening of the General Shareholders' Meeting and the drawing up of the agenda and the proposed resolutions.*

*t) The policy concerning own shares.*

*u) Any faculties that the General Meeting has delegated to the Board of Directors, unless it has been expressly authorized by the Meeting to sub-delegate them.*

***v) Supervision of the process of drawing up and presenting financial information and the Directors' Report, which will include, when appropriate, the mandatory non-financial information, and submitting recommendations or proposals to the management body, aimed at safeguarding the integrity thereof."***