APPENDIX I

Standard form and statistics of the Annual Directors' Remuneration Report, according to Circular 4/2013 issued by the Spanish Securities and Exchange Commission (CNMV)

STANDARD FORM ANNEX I OF THE ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

IDENTIFICATION DETAILS OF THE ISSUER

END DATE OF THE REFERENCE FINANCIAL YEAR 31/12/2019

Tax Identification Code (CIF): A28027944

Company name:

NH HOTEL GROUP, S.A

Registered office:

Calle Santa Engracia 120
28003, Madrid

ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

A THE COMPANY'S REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

A.1 Explain the current directors' remuneration policy applicable to the year in progress. To the extent that it is relevant, certain information may be included related to the remuneration policy approved by the General Shareholders' Meeting, providing that these references are clear, specific and concrete.

The specific determinations for the year in progress should be described, both the directors' remuneration in their positions as such and as a result of their executive duties carried out for the Board pursuant to the provisions in the contracts signed with the executive directors and the remuneration policy approved by the General Shareholders' Meeting

In any case, the following aspects should at least be reported:

- A description of the procedures and company bodies involved in determining and approving the remuneration policy and its terms and conditions.

- An indication and, where applicable, an explanation about whether comparable companies have been taken into account in order to determine the company's remuneration policy.

- Information on whether any external advisors took part in this process and, if so, their identity details.

A.1.1 General Principles and Grounds

The Directors' Remuneration Policy for NH Hotel Group S.A. (hereinafter referred to as "NH", the "Company" or the "Enterprise") in force was approved by the General Shareholders' Meeting held on 21 June 2018 for the period 2018-2020, as a separate item on the agenda, according to the procedure stipulated in the Spanish Capital Companies Act.

The aim of this Remuneration Policy is to reward the commitment, responsibility and talent of NH's directors, always taking into consideration the economic situation, the company's earnings, the Group's strategy and the best market practices.

According to the foregoing, the principles governing the Remuneration Policy are as follows:

- Alignment with the investors: The design of the Remuneration Policy is regularly reviewed to ensure its alignment between achieving profits and creating value for the shareholder.
- Proportionality: The remuneration is in a suitable proportion to the company's features and business model.
- Balance: The directors' remuneration must not be excessive nor be insufficient in order to discourage inappropriate risk-taking.
- Suitability: The Remuneration Policy is adapted to the composition of the Board and the amounts are sufficient to remunerate the directors' qualifications, their time spent and their responsibility, guaranteeing their required loyalty and allegiance to the company, but without compromising the members' independence.
- Non-discrimination: NH's Remuneration Policy will be extremely respectful of non-discrimination due to gender, age, culture, religion or race.
- Alignment with the strategy: The Executive Directors' remuneration is aligned with the Group's strategic targets through two variable remuneration components, one short-term and the other long-term.

- Transparency: The information published about the remuneration is in line with the best corporate governance practices.

Regarding the remuneration items contained in the Remuneration Policy, pursuant to the provisions in Article 42 of NH's Articles of Association and Article 36 of the Board of Directors' Regulations, NH differentiates between the remuneration policy applicable to the Non-Executive Directors, in which their joint supervisory and decision-making duties are remunerated and the policy for the Executive Directors, which rewards the senior management duties they perform, as shown below:

- Remuneration items for the Non-Executive Directors:
  - A fixed annual amount that depends on the post or posts they hold on the Board or on its committees.
  - Expenses for attending the meetings of the Board of Directors' committees. The total annual amount for this item depends on the number of meetings held by each committee and the director attending them.
- Remuneration items for the Executive Directors:
  - Fixed remuneration, sufficient for their services and duties.
  - Short- and long-term variable remuneration linked to the company's results and creating value for the shareholder.
  - Remuneration in kind.

A.1.2 The procedures and bodies involved in determining and approving the Remuneration Policy

The company's main bodies involved in determining and approving the Remuneration Policy are as follows:

- The General Shareholders' Meeting:

  According to the Spanish Capital Companies Act, the General Shareholders' Meeting is competent for approving the following matters related to the Directors' remuneration:
  - The Remuneration Policy at least every three years.
  - Possible amendments to the Remuneration Policy in force from time to time.
  - The maximum amount of the annual remuneration payable to all the Directors in their positions as such.
  - The remuneration system, including the award of shares or stock options or share-linked remuneration.
  - The Annual Remuneration Report (advisory ballot).
- The Board of Directors:

  This is the competent body for proposing the Remuneration Policy to the General Shareholders' Meeting. The Board is also responsible for adopting decisions related to the directors' remuneration within the scope of the Articles of Association and the Remuneration Policy.

  Moreover, the Board of Directors determines the basic terms and conditions for the contracts, including the remuneration, for the executives that directly report to the Board or any of its members.

  The Board of Directors is informed of all the actions performed by the Appointment, Remuneration and Corporate Governance Committee, as explained below, providing it with the relevant documents in order to be informed of such actions to perform its duties.

  As a precautionary measure in order to avoid any conflict of interests, at the Board's meetings that deal with proposals related to the specific remuneration of the Directors, the latter may not be present nor take part in the deliberations or decision-making process.

- Appointment, Remuneration and Corporate Governance Committee (hereinafter referred to by its initials in Spanish "CNRGC"):

  This is the main body for determining and applying the Remuneration Policy. In this respect, the CNRGC is competent to propose the Directors' Remuneration Policy and for those who perform senior management duties directly reporting to the Board, Executive Committees or Executive Directors, and the individual remuneration and other contractual terms and conditions for the Executive Directors, ensuring such terms and conditions are observed.

  Specifically, the CNRGC performs the following duties:

  - Determining the Policy:
    - It proposes to the Board of Directors the allotment, among the different items, of the maximum remuneration amount approved by the General Shareholders' Meeting for the directors in their positions as such.
    - It proposes to the Board of Directors the amount and, if need be, the adjustment of the Executive Directors' fixed salary.
  - Application of the Policy
    - Every year it proposes to the Board of Directors the targets of the Annual Variable Remuneration and the relevant cycle for the multi-annual variable remuneration applicable to the Executive Directors.
    - It assesses achievement of the targets after the end of the measurement period for the variable remuneration and proposes to the Board of Directors the amount or number of shares to be received by the Executive Directors.
  - Review of the Policy
    - It reviews the amount of the various remuneration items for the directors in their positions as such, bearing in mind market practices, and submits its conclusions to the Board of Directors.
    - It reviews the structure and level of the Executive Directors' remuneration to ensure it is competitive.
  - Transparency of the Policy
    - The CNRGC decides on the contents of the Annual Directors' Remuneration Report and proposes it to the Board of Directors for the final approval thereof.

  For the current financial year (2020), it is estimated that the Committee will hold 4 meetings; however as many meetings as deemed necessary may be summoned apart from those initially planned. Up to the time this report was approved, the CNRGC has discussed the following matters, among others:

  - Approval of the settlement of the first cycle of the second long-term variable remuneration plan for the accrual period from 1 January 2017 that ended on 31 December 2019.
  - Evaluation and approval of the annual variable remuneration for the Executive Directors based on the results achieved in 2019.
  - Proposal and approval of the salary adjustment for the Executive Directors in 2020.
  - Approval of the targets linked to the annual variable remuneration for the Executive Directors in 2020.
  - Proposal and approval of the launch of a new long-term variable remuneration plan that will begin in 2020.

- Proposal and approval of an extraordinary bonus for the Board of Directors Chairman and Committee Chairmans for the great deal of time spent by its members and the responsibility thereof at the end of the financial year.
- Proposal and approval of this Report.

A.1.3 External advisors and comparable companies taken into account

The CNRGC regularly receives advice from Willis Towers Watson related to the following matters:

- Drawing up the Remuneration Policy.
- Drawing up this Annual Directors' Remuneration Report.

- Relative importance of the variable remuneration items vis-à-vis the fixed remuneration (remuneration mix) and the criteria and targets taken into consideration to determine them and to guarantee a suitable balance between the fixed and variable components of the remuneration. In particular, state the actions carried out by the company in relation to the remuneration system to reduce exposure to excessive risks and to adapt it to the company's long-term goals, values and interests, which must include, if any, the measures that have been adopted to guarantee that the company's long-term results are taken into account in the remuneration policy, the measures adopted in relation to the job categories of staff whose professional activities have a material impact on the company's risk profile and the measures that have been adopted to avoid conflicts of interest, if need be.

Furthermore, state whether the company has determined any period for the accrual or vesting of certain variable remuneration items in cash, shares or other financial instruments, any deferral period in the payment of amounts or the award of accrued and vested financial instruments or if there is any clause that reduces the deferred remuneration or that obliges the director to reimburse the remuneration received, when such remuneration has been agreed based on certain figures that have clearly been proven to be inaccurate.

A.1.4 The remuneration mix:

According to the best corporate governance practices, the remuneration of the Non-Executive Directors is only composed of a fixed amount and attendance expenses, with no amount being payable whatsoever for variable remuneration.

However, the total remuneration of the Executive Directors (CEO and CFO) is mainly composed of (i) fixed remuneration, (ii) annual variable remuneration and (iii) multi-annual variable remuneration.

In this respect, the percentage that the variable (annual and multi-annual) remuneration represents of the total remuneration in 2020 in a situation in which 100% of the targets are achieved is 56.5% for the CEO and 47.4% for the CFO.

In a situation in which the maximum targets are achieved, the remuneration percentage at risk regarding the total remuneration would amount to 65.2% for the CEO and 56.5% for the CFO.

A.1.5 Measures adopted to adapt the Remuneration Policy to the company's long-term goals, values and interests. Reference to the measures adopted to guarantee that the long-term results of the company are taken into account in the Remuneration Policy

The measures adopted by the company related to the remuneration system to reduce exposure to excessive risks and to adapt it to the company's long-term targets, values and interests are as follows:

a) Balance in the total remuneration:

The remuneration package of the Executive Directors includes a short- and long-term variable part, both parts being balanced. In this respect, the relative weight of the long-term variable remuneration, in annual terms, is very similar to that of the short-term variable remuneration.

b) Formulating the variable remuneration targets:

The variable remuneration takes into account the financial and strategic quantitative targets included in the long-term plan; hence contributing to creating a business model that promotes balanced and sustainable development. In this respect, a part of the annual variable remuneration depends on specific targets related to the progress made by the Company in sustainability. Therefore, in order to receive 100% of the annual variable remuneration linked to the Company's sustainability, a minimum position equivalent to a 90 percentile on the *Dow Jones Sustainability Index* 2020 must be achieved.

On an annual basis, the CNRGC analyses the components of the short-term variable remuneration that it submits for the final approval by the Board of Directors. The variable components of the remuneration are designed with sufficient flexibility so that no amount whatsoever is paid if the minimum targets are not achieved.

In addition, there is a correction factor for the annual variable remuneration that defines the maximum amount payable based on the company's results ("The Group's EBITDA"). The correction factor limits the final percentage obtained for settlement of the targets depending on the level at which the Group's EBITDA, which may be 0 if the EBITDA achieved is lower than 90%.

Regarding the multi-annual variable remuneration, it is ensured that the evaluation process is based on the company's long-term sustainable results and it may be adjusted depending on the company's economic cycle.

A.1.6 Actions carried out by the company to reduce exposure to excessive risks and avoid conflicts of interest and claw-back clauses that reduce the deferred remuneration or oblige the director to reimburse the remuneration received.

a) Claw-back formulae:

There are claw-back formulae in the "Performance Shares Plan 2017-2022" that are in line with market standards and the recommendations of proxy advisors and institutional investors. The CNRGC is authorised to decide on proposing the cancellation or reimbursement of the multi-annual variable remuneration if any of the following situations arise: a) breach by the beneficiary of the internal code of conduct; b) material reformulation of the company's financial statements, when this is stipulated by an external auditor and it affects the level of achievement of the targets in the multi-annual variable remuneration plan, except when this is due to an amendment made to the accounting regulations; c) the variable remuneration is payable or has been paid by applying inaccurate or erroneous information or data.

In addition, the CNRGC may propose adjustments to the Board of Directors of the elements, criteria, thresholds and limits of the annual or multi-annual variable remuneration, under exceptional circumstances caused by extraordinary internal or external factors or events. The details and justification for such adjustments are included in the relevant Annual Directors' Remuneration Report.

b) Minimum period for holding the shares:

The "Performance Shares Plan 2017-2022" determines a minimum period for holding the shares delivered as at least one year for the Executive Directors and Management Committee.

c) Additional requirements for holding shares:

The Executive Directors must hold at least the equivalent of one year of their fixed remuneration in shares and, when this obligation is fulfilled, the price is determined as the share price on the date the shares were delivered.

At present the CNRGC is working on the launch of a new Long-Term Incentive Plan with similar features to the current 2017-2022 Plan. This Plan will include claw-back formulae in line with market standards and the recommendations of proxy advisors and institutional investors.

d) Measures to avoid conflicts of interest:

At the Board's meetings that deal with proposals related to the specific remuneration of the Executive Directors, the latter may not be present or take part in the deliberations or decision-making process.

Regarding measures to avoid conflicts of interest by the directors, according to the Spanish Capital Companies Act, Articles 29-33 of the Board of Directors' Regulations states the obligations of the directors regarding their duties of diligence, faithfulness, secrecy, loyalty and prohibition of competition.

– **Amount and nature of the fixed components that are due to be payable in the year to the directors in their positions as such.**

The maximum amount of the remuneration that could be paid every year by the company to all its directors, in their positions as such, is €800,000, which was approved by the Ordinary General Shareholders' Meeting held on 13 May 2019, the maximum approved in the Policy in force up to such date being reduced by €600,000.

The remuneration system for the Non-Executive Directors for their supervisory and joint decision-making duties, as specified above in this report, consists of an annual fixed amount and expenses for attending the meetings of the Board of Directors and its committees.

In this respect, the planned amounts for the aforementioned items in 2020 are as follows:

- Annual fixed amount:

– Chairperson of the Board of Directors: €200,000. No amount will be payable for expenses to attend the meetings of the Board or the committees.

– Chairpersons of the Auditing Committee or the CNRGC: €90,000. No amount will be payable for expenses to attend the committee meetings that they chair.

– The other members of the Board of Directors: €50,000 for each director.

- Attendance expenses:

– Expenses for attending the Auditing and Control Committee Meetings: €1,000.

– Expenses for attending the CNRGC Meetings: €1,000.

Nevertheless, the proprietary directors representing the shareholder, Minor International PLC, have waived payment of the aforementioned remuneration.

The amounts payable to the Non-Executive Directors may vary from year to year within the maximum amounts approved by the General Shareholders' Meeting with the prior approval of the Board of Directors.

Moreover, the Executive Directors will not be entitled to receive the aforementioned remuneration.

– **Amount and nature of the fixed components that are payable in the financial year to the executive directors for performing senior management duties.**

According to the Articles of Association, the executive directors are entitled to be paid remuneration for the executive duties they perform, apart from their duties as directors within the scope of their labour or commercial relationship with the company. Such remuneration includes both their executive duties and their duties as director.

The amount of the aforementioned fixed remuneration planned for each of the Executive Directors in 2020 is €700,000 for the CEO and €430,000 for the CFO.

– **Amount and nature of any component of remuneration in kind that will be payable in the financial year, including, but not limited thereto, insurance premiums paid in favour of the director.**

The directors do not receive any remuneration in kind due to being members of the Board of Directors.

The Executive Directors are the beneficiaries of a medical insurance policy, for them and their first-degree relatives, a life and accident insurance policy and a company car. It is estimated that the cost for this remuneration in 2020 will amount to €40,895 for the CEO and €10,105 for the CFO. However, the final amount could vary depending on the changes taking place in the prices or premiums for the aforementioned remuneration.

- The amount and nature of the variable components, differentiating between those determined in the short- and long-term. Financial and non-financial parameters, including among the latter, social, environmental and climate change parameters selected to determine the variable remuneration in the current financial year, explaining the extent to which these parameters are related to the performance, both of the director and the company, their risk profile and the methodology, the term required and techniques established to determine the level of compliance with the parameters used in the design of the variable remuneration at the end of the year.

  State the range, in monetary terms, of the different variable components according to the achievement level of the targets and parameters determined and whether there are any maximum monetary amounts in absolute terms.

The Executive Directors are the only members of the Board of Directors that are entitled to be paid variable remuneration. The Executive Directors' variable remuneration is structured as additional and supplementary to their fixed remuneration and consists of a short-term annual variable and a triennial long-term variable. This remuneration is contingent and cannot be vested.

The main features of the variable remuneration components for the Executive Directors are described below:

ANNUAL VARIABLE REMUNERATION

The short-term variable remuneration is linked to achieving the corporate targets determined by the CNRGC and approved by the Board of Directors at the beginning of each financial year.

The functioning of the annual variable remuneration for NH's Executive Directors is the same as for the company's other employees. It is determined based on the Management by Objectives Programme (MBO) for the following purposes:

- To compensate performance, bearing in mind the achievement of the company's quantitative targets.
- To link the achievement of the annual targets set by the company to its medium- and long-term strategy.
- To align the individual targets with those of the company.

Regarding the annual variable remuneration for the financial year 2020, the CNRGC approved the following targets, with their relevant weightings:

CEO:

- 50% Corporate Targets: The Group's EBITDA (25%) and Net Recurrent Profit (25%).
- 10% Performance evaluation.
- 40% Indicators associated with the position that, in this case, are the following:
  - Complete successfully NH-Boscolo Integration
  - 5 Years Plan Strategy - Comply with the projects aligned with the 5-years-plan
  - Follow and guarantee that the action plans of CEO's potential successors take place
  - Revenue.

- Sustainability (relative position on the *Dow Jones Sustainability Index 2020*).

CFO:

- 50% Corporate Targets: The Group's EBITDA (25%) and Net Recurrent Profit (25%)
- 10% Performance evaluation.
- 40% Indicators associated with the position that, in this case, are the following:
    - Complete successfully NH-Boscolo Integration
    - Complete and stabilize Tivoli's integration
    - Supporting in Corporate Projects
    - Sustainability (relative position on the *Dow Jones Sustainability Index 2020).*

Each of the aforementioned targets are described below, along with the specified scales of achievement:

- <u>The Group's EBITDA and Net Recurrent Profit</u>: The initial target set for the Group's EBITDA and Net Recurrent Profit is compared with the Group's current and real EBITDA and Net Recurrent Profit, determining the following payment levels depending on the scale of achievement:
- Achievement below 80% of the Group's EBITDA and Net Recurrent Profit target means a payment level of 0%.
- If 80% to 120% of the Group's EBITDA and Net Recurrent Profit target is achieved, the following linear formula will be applicable:
- Achievement below 100%: Each percentage point below the estimate implies a decrease of 5% in the payment level determined for 100% achievement (target level).
- Achievement above 100%: Each percentage point above the estimate implies an increase of 2.5% in the target payment level. A maximum limit is determined of 150% of the target payment level, in the case of the maximum achievement of the targets (120%).
- <u>Performance evaluation</u>: The performance evaluation system for the Executive Directors has the same structure as for NH's other employees.

In order to promote the Company's sustainability, by evaluating the system and procedures apart from the results obtained, eight generic skills are evaluated and each of them is measured based on a definition and key words. The skills on which the Executive Directors will be evaluated in 2020 are as follows:

- Technical skills
- Customer focus
- Profit orientation
- Collaboration and influence
- Business sense
- Leadership
- Strategic thinking
- Change management

These skills will be evaluated according to the following scale, consisting of five levels: Low Performance, Needs Improvement, Good, Very Good and Excellent Work.

An overall evaluation will be conducted based on the assessment of the eight skills, which will be equivalent to a percentage that the target is achieved, according to the following scheme:

- “Low Performance”. Equivalent to 0% achievement.
- “Needs Improvement”. Equivalent to 50% achievement.
- “Good Work”. Equivalent to 100% achievement.
- “Very Good Work”. Equivalent to 125% achievement.
- “Excellent Work”. Equivalent to 200% achievement.
- Individual Targets (indicators related to the position): For the rest of the targets, is set and a maximum achievement that could imply up to 125% of the payment level for this target.

The CNRGC determines the specific amount payable depending on the achievement level of the targets.

In addition, in order to guarantee that the annual variable remuneration is aligned with the company’s results, a correction factor is applied based on the Group’s EBITDA. In this respect, the variable remuneration finally payable will be the lowest amount between (i) the amount calculated according to the pre-determined metrics and weightings and (ii) the amount resulting from applying the correction factor of the Group’s EBITDA to the target annual variable remuneration.

The correction factor functions as follows:

- If the level of achievement of the Group’s EBITDA target is lower than 90%, no amount whatsoever is payable as annual variable remuneration.
- If the level of achievement of the Group’s EBITDA target is 90%, a maximum of half the target annual variable remuneration is payable.
- If the level of achievement of the Group’s EBITDA target is 100%, a maximum of the whole of the target annual variable remuneration is payable.
- If the level of achievement of the Group’s EBITDA target is 110% or higher, a maximum of 120% of the target annual variable remuneration is payable.

When the achievement level of the target is between the specified values, the correction factor is calculated by linear interpolation.

The correction factor will have no value for employees that obtain the maximum score in the performance evaluation (“Excellent”) and that also obtain an average result in their individual targets equivalent to or higher than 100% achievement.

The target annual variable remuneration is set at 65% of the CEO’s fixed remuneration (€455,000) and 45% of the CFO’s fixed remuneration (€193,500), providing 100% of the targets set by the Board of Directors are achieved.

The maximum amount the Executive Directors can choose, if the maximum score is obtained in the performance evaluation and an extraordinary percentage is obtained in their individual targets, hence without applying the correction factor, is 138,75% achievement, equivalent to €631.312 for the CEO and to €268.841 for the CFO.

If the aforementioned minimum targets are not achieved, the Executive Directors will not be paid any amount whatsoever as variable remuneration.

MULTI-ANNUAL VARIABLE REMUNERATION

The General Shareholders’ Meeting held on 29 June 2017 approved the launch of a long-term incentive plan or “Performance Shares Plan 2017-2022”. The plan will last a total of five years, divided into the following three overlapping cycles, each one lasting three years:

- The first cycle 2017-2019, delivering the shares in 2020 (explained in section B.7).

- The second cycle 2018-2020, delivering the shares in 2021.
- The third cycle 2019-2021, delivering the shares in 2022.

Before the start of each of the cycles, the Board of Directors is authorised to decide on its effective implementation depending on the Group's economic situation at the time. On the date this report is published all the cycles have been approved by the Board of Directors.

The main features of the (second and third) cycles of the Plan for the Executive Directors that are in force in 2020 are explained below:

1) Targets:

The number of shares to be delivered depends on the achievement level of the following four targets:

- Relative TSR ("Total Shareholder Return") of NH's shares compared with the evolution of the STOXX® Europe 600 Travel & Leisure stock exchange index (weighting: 25%).
- Revaluation of the share price (weighting: 25%).
- Net Recurrent Profit (weighting: 25%).
- The Group's Recurrent EBITDA (weighting: 25%).

Each target will have the scale of achievement explained below:

a) Relative TSR:

  - A position below the median of the comparison group implies a payment level of 0%.
  - A position in line with the median implies a payment level of 40% of the target incentive.
  - The top position implies a payment level of 150% of the target incentive level.
  - The following linear formula will be applied to a position between the median and top position of the group:
    - A position in the 75th percentile implies a payment level of 100% of the target incentive.
    - If NH's position is below the 75th percentile, each percentile below 75 implies a decrease of 2.4% in the target incentive.
    - If NH's position is above the 75th percentile, each percentile higher than 75 implies an increase of 2.4% in the target incentive.

b) Revaluation of the Share Price:

  - In order to reach the minimum achievement percentage for this target (100%), the average closing price per share in the 30 stock exchange business days immediately prior to 31 December in the last year of the cycle (inclusive) (adjusted by dividends or other similar items paid to the shareholder during the whole period the plan is in force until the end of the measurement period of each cycle), must be the same as a pre-determined price. In this case, the payment coefficient will be 100% of the target incentive.
  - For achievement below the minimum achievement percentage, the payment coefficient for this target will be 0%:
  - Once this condition has been met, a linear scale will be applicable until a maximum average closing price is reached, which implies this target is achieved with a payment coefficient of 120%.

c) Net Recurrent Profit:

- Minimum threshold: Achievement of 80% of the target implies payment of 50% of the incentive. A level of achievement lower than 80% implies a payment level of 0%.
- Target: Achievement of 100% of the target implies payment of 100% of the target incentive.
- Maximum: Achievement of 120% or higher of the target implies payment of 150% of the target incentive.

When the level of achievement is between the minimum threshold and the target, and between the target and the maximum, the payment level will be calculated by linear interpolation.

d) Recurrent EBITDA:

- Minimum threshold: achievement of 90% of the target implies payment of 50% of the incentive. A level of achievement lower than 90% implies a payment level of 0%.
- Target: achievement of 100% of the target implies payment of 100% of the target incentive.
- Maximum: achievement of 110% or higher of the target implies payment of 150% of the target incentive.

When the level of achievement is between the minimum threshold and the target, and between the target and the maximum, the payment level will be calculated by linear interpolation.

2) The amount for each of the cycles of the Plan:

If the aforementioned minimum threshold is not achieved, the beneficiaries of the Plan will not be entitled to receive any shares within the scope thereof.

If the overall achievement level of the targets is 100%, the Executive Directors will be entitled to receive the target incentive consisting of a certain number of shares:

- 50,336 shares in the second cycle and 98,485 shares in the third cycle for the CEO, the benchmark value of which on the date granted will be equivalent to 60% of the fixed remuneration in the second cycle and 65% in the third cycle.
- 25,168 shares in the second cycle and 48,864 shares in the third cycle for the CFO, the benchmark value of which on the date granted will be equivalent to 40% the fixed remuneration in the second cycle and 45% in the third cycle.

In this respect, the reference value is calculated as the average closing price of NH's shares in the last 10 stock exchange sessions before 31 December in the year prior to each cycle being launched.

The General Shareholders' Meeting held on 29 June 2017 agreed that under no circumstances may the value of the shares delivered to the CEO exceed €1,400,000 for all three cycles of the Plan.

The CFO may not receive more than 142.5% of the assigned shares.

3) Payment:

The Executive Directors must remain in the Group on each of the settlement dates of the Plan.

The resulting number of shares, depending on the achievement level of the targets, will be delivered in the first quarter of the financial year immediately after the financial year when the measurement period ends.

Once the three-year term of each cycle has ended, the reference value for settlement of the shares will be the closing price of NH's shares in the stock exchange session on the date the settlement is approved of the targets for the Long-term incentive and the delivery of the shares by the Board of Directors.

4) Claw-back:

This plan includes a claw-back clause, the basic conditions of which have been explained above.

5) Shareholding commitment:

The Executive Directors must continue holding the number of company shares resulting from having invested an amount equivalent to once his gross fixed remuneration in the purchase thereof. For such purpose, in the case of shares obtained from this Long-term Incentive Plan, these will have the value of the shares according to the price paid at the time of the delivery or, in the case of shares previously acquired, according to the average weighted market price of the shares on the date of the Long Term Incentive Terms and Conditions was approved.

The aforementioned investment level must be reached by the end of a five-year term counted from the date of the Long-Term Incentive Terms and Conditions was approved.

Once the required investment level has been reached, a period for holding the shares will remain in force for one year after the settlement of each of the Long-term incentive Plan's cycles.

6) Adjustment Clause:

This Plan included an adjustment clause, the basic terms and conditions of which are as follows:

If any of the following situations arise during the term of the Plan:

- A change in the par value of the shares;
- Any situation that could result in a dilution or concentration of the theoretical value of the Performance Shares;
- Any change in the Company's perimeter (acquisitions, mergers, spin-offs, etc.), change of control or any event that affects the measurement of the set targets.
- NH will adopt the required measures to ensure the following:
- The economic value to be received by the Beneficiaries is equivalent to the amount they would have received if this special situation had not arisen;
- The performance targets are adapted to the situation that has arisen and these are homogeneously measured.

If there is any change in the composition of the reference Group determined for the relative measurement of the TSR during the term of the Plan, NH will adopt the required decisions to adjust the calculation of the Relative TSR. These adjustments must be confirmed by the Auditing Committee and approved by the CNRGC.

In addition, as previously mentioned, the CNRGC is working on the launch of a new Long-Term Incentive Plan in 2020, with similar features to the current 2017-2022 Plan. However, the payment, if any, related to this new Plan will be in cash.

– The main features of long-term savings schemes. Among other information, state the contingencies covered by the scheme, whether through defined contributions or benefits, the annual contribution that needs to be made to the defined contribution scheme, the benefits that the beneficiaries are entitled to in the event of defined benefit schemes, the conditions under which economic rights are vested for directors and their compatibility with any other type of payment or severance pay as a result of the early termination or dismissal of the director, or related to the termination of the contractual relationship, according to the terms stipulated, between the company and the director.

State if the accrual or vesting of any of the long-term savings plans are linked to achieving certain targets or parameters related to the director's short- or long-term performance.

The company does not plan to undertake any obligation or commitment whatsoever with the directors in 2020 related to pensions, retirement or similar items.

- Any type of payment or severance pay for early termination or dismissal of the director, or related to the termination of the contractual relationship, according to the terms stipulated, between the company and the director, whether voluntary resignation by the director or dismissal of the director by the company, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, minimum contractual term or loyalty, which entitle the director to any type of remuneration.

The directors of the company, in their positions as such, are not entitled to any severance pay or compensation in the event of dismissal or resignation.

The terms and conditions included in the Executive Directors' contracts in this respect are described below:

- CEO: Under no circumstances will the CEO be entitled to any severance pay due to resignation or termination of his commercial relationship. However, the conditions regulating his suspended labour relationship stipulate that the period of time in which the Executive Director holds his commercial relationship must be acknowledged as seniority for the purpose of possible severance pay due to termination of such labour relationship.

  In this respect, once the commercial relationship has been terminated, the labour relationship that was in force between the Company and the Executive Director will become valid again until he takes up his new position, unless gross and wilful breach of contract is ruled by the courts. If, at the time of termination of the commercial relationship and, apart from the aforementioned exception, the company refuses to reinstate the Executive Director in his previous labour relationship, this fact will be considered unfair dismissal. In such case, the Executive Director will be entitled to the relevant severance pay according to applicable labour regulations. In order to calculate the severance pay, the compensation basis will be determined according to the full salary paid and received thereby over the twelve months prior to the termination including, if any, those paid and received in his position as Executive Director.

  If the termination of the labour relationship is due to serious and wilful breach of the Chief Executive Officer's essential obligations and this is ruled by the competent court, all rights to receive any kind of severance pay will be deemed null and void.

- CFO: He is not entitled to receive any severance pay whatsoever if the Company decides to terminate his contract by virtue of a resolution adopted by the General Shareholders' Meeting or Board of Directors, which implies the CFO being dismissed from his post as Executive Director, regardless of the fact his seniority in the position is acknowledged for all purposes (even for the purpose of severance pay that could be implied in the event of termination) in the previous labour relationship between the parties, which will be resumed after the aforementioned termination of the commercial relationship.

  If the Company refuses to reinstate the CFO in the previous labour relationship, the CFO will be entitled to severance pay according to the applicable labour regulations and his acknowledged seniority, the Company undertaking to pay him at least severance pay equivalent to one year of his fixed salary and the last variable remuneration he was paid. However, if the termination of the commercial relationship between the parties is due to serious and wilful breach of the Chief Executive Officer's essential obligations and this is ruled by the competent court, all rights to receive any kind of severance pay will be deemed null and void.

  In order to calculate the severance pay that could be owed to the CFO in the case of termination of his ordinary labour relationship, the basis for the severance pay will be determined regarding the whole remuneration payable and received thereby in the twelve months prior to such termination, even if it were payable by virtue of a commercial relationship.

- State the conditions that contracts must observe for those exercising senior management duties as executive directors. Among others, information should be provided on the term, limits in the amounts of severance pay, minimum contractual term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to hiring bonuses, compensation and golden parachute clauses due to early termination of the contractual relationship between the company and the executive director. Include, among others, the clauses or

agreements on non-competition, exclusivity, minimum contractual term and loyalty and post-contractual non-competition, unless these have been explained in the previous section.

The contract of NH's Executive Directors is of a commercial nature and includes the duties and obligations held thereby within the scope of their positions and their remuneration.

The most significant clauses in both contracts are described below:

- Permanent term.
- Full-time and non-competition: They may not perform the following duties without the company's prior consent for the period they render their services within the scope of their valid contract:
  - Hold an indirect or direct stake of any kind in companies that perform activities that are in competition with or are similar or related to the company's activities or that are suppliers and/or customers of NH.
  - This condition will remain in force, in the case of the CEO, until twelve months have elapsed after the termination of his commercial or employment contract with NH, whatever the reason for such termination may be.
  - The gross annual fixed remuneration of the Executive Directors already includes compensation for the non-competition clause.
- Both Executive Directors must provide at least two months' prior notice of their decision to terminate their commercial relationship with NH and may choose to renew their ordinary labour relationship.
- Severance pay: see the previous section.
- Confidential information: during the valid term of the commercial contract and after the termination thereof for any reason, the Executive Directors must not indirectly or directly disclose or disseminate to third parties not associated with NH any commercial or industrial secrets, processes, methods, information or data related to the activities, business or finances of NH or any company in its Group.

- **The nature and estimated amount of any other supplementary remuneration payable to the directors in the current financial year in consideration for their services rendered other than those inherent to their post.**

The directors have not received, nor is it planned they will receive, any other supplementary remuneration for services other than those inherent to their posts and that have not already been described in this report.

- **Other remunerative items such as those derived, if any, from the company granting the director advance payments, loans, guarantees or any other remuneration. The nature and estimated amount of any other planned supplementary remuneration payable to the directors in the current financial year that is not included in the previous sections, whether the amount is paid by the company or another company in its group.**

The directors have not received, nor is it planned they will receive, any other supplementary remuneration for services other than those inherent to their posts and that have not already been described in this report.

A.2 Explain any significant change in the remuneration policy applicable in the current financial year resulting from:

- A new policy or modification of the policy already approved by the General Shareholders' Meeting.
- Significant changes in the specific determinations established by the Board for the current financial year regarding the remuneration policy in force compared with those applied in the previous financial year.
- Proposals that the Board of Directors has agreed to submit to the General Shareholders' Meeting to which this annual report will be submitted and that are proposed to be applicable in the current financial year.

After the Directors' Remuneration Report was published for the financial year 2018, the General Shareholders' Meeting held on 13 May 2019, according to a proposal made by the Appointment, Remuneration and Corporate Governance Committee approved to set the maximum total gross annual amount for the fixed remuneration and attendance expenses of the Board of Directors and its Committees at €800,000, reducing the maximum approved in the Policy in force up to such date by €600,000.

In addition, on 10 April 2019, the CFO was appointed as an Executive Director by co-optation. Such appointment was ratified at the General Shareholders' Meeting held on 13 May 2019. Section 5 of the Remuneration Policy regulated the remuneration system applicable to new directors. In this respect, it was determined that the remuneration system described for the CEO would be applicable to any director that could become a member of the Board of Directors that performs executive duties during the term of the Policy. Regarding the foregoing, the remuneration items determined for the CFO have been described in the previous sections.

Moreover, bearing in mind the level of responsibility undertaken by the CEO, the progress of the Company and the relevant market analysis conducted by the Company, the Board of Directors, according to a proposal made by the CNRGC, decided to increase the fixed remuneration for the CEO in 2020 by 17% compared with the fixed remuneration set for 2019.

Lastly, as already explained above, the CNRGC is working on the launch of a new Long-Term Incentive Plan in 2020 with similar features to the current 2017-2022 Plan. However, the payment that, if any, is related to this new Plan will be paid in cash.

A.3 Provide the direct link to the document where the current company remuneration policy is posted, which must be available on the company's website.

https://www.nh-hoteles.es/corporate/sites/default/files/files-accionistas/10.-_nh_politica_remuneraciones_consejeros_esp_09-05-18.pdf

A.4 Explain, taking into account the data provided in Section B.4, the outcome of the advisory ballot of the shareholders at the General Shareholders' Meeting on the annual remuneration report for the previous financial year.

The last General Shareholders' Meeting held on 13 May 2019 approved the Annual Directors' Remuneration Report by 99.99% of the votes, mainly supporting the remuneration policy for the company's directors described above.

B OVERALL SUMMARY OF HOW THE REMUNERATION POLICY HAS BEEN APPLIED DURING THE PREVIOUS YEAR

B.1 Explain the process followed to apply the remuneration policy and determine the individual remuneration contained in Section C of this report. This information will include the role played by the remuneration committee, the decisions adopted by the Board of Directors and, as the case may be, the identity and the role of the external advisors whose services have been used in the process of applying the remuneration policy in the previous year.

B.1.1 Process used to apply the Remuneration Policy

As explained in the previous section A.1.2, the main bodies that are involved in determining the Remuneration Policy are the General Shareholders' Meeting, the Board of Directors and the CNRGC.

B.1.2 The role played by the CNRGC

The CNRGC is the body competent for proposing the Remuneration Policy for the directors and those who perform senior management duties, directly reporting to the Board, Executive Committees or Executive Directors, and the individual remuneration and other contractual terms and conditions for the Executive Directors, ensuring such conditions are observed.

The CNRGC may hold meetings as often as (i) considered necessary by the Chairperson, (ii) required by the Board of Directors or (iii) requested by two or more of its members with voting rights, to correctly fulfil its duties. In 2019, the CNRGC held 5 meetings that all its members attended.

The matters related to remuneration that have been discussed by the CNRGC in 2019 are explained below:

- Evaluation and approval of the annual variable remuneration for the CEO based on the results obtained in 2018.
- Approval of the settlement of the third and last cycle of the long-term variable remuneration Plan for the accrual period from 1 January 2016 and that ended on 31 December 2018.
- Proposal and approval of the Annual Directors' Remuneration Report for the financial year 2018.
- Approval of the targets linked to the annual variable remuneration in 2019 for the CEO.
- Proposal and approval of the launch of a new cycle of the Long-term Incentive Plan 2017-2022, the third cycle of which will begin on 1 January 2019.
- Proposal of a maximum amount of €800,000 for the annual remuneration payable to all the Non-Executive Directors.

B.1.3 Composition of the CNRGC

According to Article 47 of the Articles of Association, the Committee is comprised of a minimum of three and a maximum of six directors and solely consists of Non-Executive Directors appointed by the Board of Directors, at least two of which must be independent directors.

On 31 December 2019, the Committee was composed of three non-executive members, two of them being independent directors:

- Mr. José María Cantero de Montes-Jovellar; Chairman and Independent Director since 21/06/2016.
- Mr. Alfredo Fernández Agras; Member and Independent Director since 10/04/2019.
- Mr. Stephen Andrew Chojnacki; Member and Proprietary Director since 07/02/2019.

B.2 Explain the different actions carried out by the company related to the remuneration system and how they have contributed to reducing exposure to excessive risks and adapting them to the company's long-term targets, values and interests, including a reference to the measures that have been adopted to guarantee the long-term results of the company have been taken into consideration in the remuneration payable and that a suitable balance has been achieved between the fixed and variable components of the remuneration, the measures that have been adopted related to the job categories of staff whose professional activities have a material impact on the company's risk profile and the measures that have been adopted to avoid conflicts of interest, if need be.

The actions carried out by the company related to the remuneration system to reduce exposure to excessive risks and adapt it to the company's long-term targets, values and interests have been explained in sections A.1.5 and A.1.6 of this Report. It is explained below how these actions were carried out in 2019:

a) Balance of the total remuneration:

The remuneration package of the Executive Directors includes a short- and long-term variable part, both parts being balanced. In this respect, the relative weight in the total remuneration, in annual terms, of the long-term variable remuneration target in 2019 was 28.26% for the CEO and 23.68% for the CFO.

Moreover, the relative weight, in annual terms, of the short-term variable remuneration target was 28.3 for the CEO and 23.7% for the CFO.

b) Determining the variable remuneration targets:

The targets set for the annual variable remuneration determined by the Board of Directors for the Executive Directors in 2019, as described in section B.7, according to a proposal made by the CNRGC, were in line with the company's strategic priorities. In addition, by evaluating performance, the company's sustainability was promoted by assessing the manner and procedures apart from the results obtained.

In addition, the correction factor continued being applicable in 2019 to the annual variable remuneration that defines the maximum amount payable based on the Group's EBITDA.

Regarding the multi-annual variable remuneration, the third cycle of the Performance Shares Plan 2017-2022, which began in 2019, used the same targets as the previous cycle, aligned with the economic and financial targets and targets related to value creation for the shareholders determined for the long-term by the Company.

c) Claw-back formulae:

The claw-back clauses referred to in the previous section A.1.6. are applicable to the "Performance Shares Plan 2017-2022".

d) Minimum period for holding the shares:

The "Performance Shares Plan 2017-2022" determines a minimum period for holding the shares delivered as at least one year for the Executive Directors.

e) Additional requirements for holding shares:

The CEO must hold at least the equivalent of one year of his fixed remuneration in shares and, if this obligation has been fulfilled, the price being determined as the share price on the date the shares were delivered.

B.3 Explain how the remuneration payable during the year fulfils the provisions contained in the current remuneration policy.

Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short- and long-term, explaining, if need be, how the variations in the performance of the company have influenced changes in the directors' remuneration, including those payable when the amount thereof has been deferred, and how the latter contribute to the company's short- and long-term results.

The items included in the directors' remuneration package in the financial year 2019 are summarised below. The details of these items can be found in the following paragraphs of this section B:

Remuneration of the Non-Executive Directors:

In 2019, the Non-Executive Directors' remuneration consisted of fixed amounts and expenses for attending the meetings as described in section B.5.

In addition, at the first meeting of the CNRGC held in 2020, it was proposed to the Board to increase the fixed amount in an extraordinary manner from 2019 for certain members of the Board of Directors due to the decrease in the number of Independent Directors and the extra dedication of those who remain throughout 2019, especially in related transactions.

The maximum gross annual amount payable to the directors in their positions as members of the Board of Directors observed the limit stipulated by the General Shareholders' Meeting held on 13 May 2019 (€800,000).

The Executive Directors:

The remuneration items of the Executive Directors in 2019 were as follows:

CEO:

- Fixed Remuneration: €600,000.
- Short-term variable remuneration payable in 2019: €498.256, bearing in mind an overall target achievement level of 127,8%. The settlement of the variable remuneration payable in 2019 will be approved and paid in the first quarter of 2020.
- Multi-annual variable remuneration (the first cycle of the second Performance Shares Plan 2017-2022 that began on 1 January 2017 and ended on 31 December 2019): 89.425 gross shares bearing in mind the overall target achievement level of 113,5%
- Other remuneration (company car, medical insurance and life and accident insurance policy): €40.895.

CFO:

- Fixed Remuneration: €430,000.
- Short-term variable remuneration payable in 2019: €231.025 bearing in mind an overall target achievement level of 119.4%. The settlement of the variable remuneration payable in 2019 will be approved and paid in the first quarter of 2020.
- Multi-annual variable remuneration (the first cycle of the second Performance Shares Plan 2017-2022 that began on 1 January 2017 and ended on 31 December 2019): 41.732 gross shares bearing in mind the overall target achievement level of 113.35%.
- Other remuneration (company car, medical insurance and life and accident insurance policy): €10.104.

The details of the target achievement level for the annual variable remuneration and the third cycle of the first "Performance Shares" Plan are provided in section B.7.

As explained in the previous sections, the Executive Directors are not paid any additional remuneration for their positions as members of the Board of Directors.

56.5% (CEO) and 47.4% (CFO) of their total salary is linked, as previously specified, to both short- and long-term variable remuneration. The aim of this remuneration mix is to compensate the performance of both directors' bearing in mind achievement of the company's quantitative targets, linking the achievement of the annual and multi-annual targets set by the company to its medium- and long-term strategy and aligning the individual targets with those of the company, creating value for the shareholders.

B.4 Report on the result of the advisory ballot at the General Shareholders' Meeting on the annual remuneration report for the previous financial year, indicating the number of votes that may have been cast against the proposal:

	Number	% of total

Votes cast	372,617,943	95.01%

	Number	**% cast**
Votes against	36,781	0.00%
Votes in favour	372,581,162	99.99%
Abstentions	0	0.00%

Remarks

B.5 Explain how the fixed components payable during the financial year to the directors in their positions as such have been determined and how they have changed compared with the previous year.

The directors, in their positions as such, to whom fixed remuneration was payable in 2019 were Non-Executive Directors that do not represent the shareholder Minor International PLC. The latter have waived all remuneration payable due to being members of the Board of Directors

The fixed components payable in 2019 are shown below:

- Annual fixed amount:
  - Chairperson of the Board of Directors: €200,000.
  - Chairpersons of the Auditing Committee or the CNRGC: €90,000. These amounts were payable on a pro rata basis when a director stepped down from office as Chairperson of the Committee in the financial year.
  - The other members of the Board of Directors: €50,000 for each director. These amounts were payable on a pro rata basis when a director stepped down from office as a member on the Board of Directors in the financial year.
- Attendance expenses of the members:
  - Expenses for attending the Auditing and Control Committee Meetings: €1,000.
  - Expenses for attending the CNRGC meetings: €1,000.

  The Chairpersons of the aforementioned committees were not paid any amount whatsoever as expenses for attending the committee meetings.

  The amounts previously specified are identical to those determined for the financial year 2018.

In addition, at the first meeting of the CNRGC held in 2020, it was proposed to the Board to increase the fixed amount in an extraordinary manner from 2019 for certain members of the Board of Directors due to the decrease in the number of Independent Directors and the extra dedication of those who remain throughout 2019, especially in related transactions. The additional amount was as follows:

- Additional extraordinary amount for the Chairperson of the Board of Directors: €87,958.89.
- Additional extraordinary amount for the Chairperson of the Auditing and Control Committee €39,631.67.
- Additional extraordinary amount for the Chairperson of the CNRGC Committee €39,631.67.

This extraordinary amount was also paid in 2018, with a bonus at such time of €75,000 for the chairperson and €6.000 for the other Independent directors.

B.6 Explain how the salaries were determined that were payable to each of the executive directors during the last financial year for performing management duties and how they have changed compared with the previous year.

The fixed remuneration paid to the CEO, due to performing senior management duties, amounted to €583,333.33 in 2019 resulting from a fixed salary of €500,000, which was increased as of 1 March to €600,000 (an increase of 20%). In the same way, the fixed remuneration of the CFO, due to performing senior management duties, amounted to €432,977 in 2019 resulting from a fixed salary of 375,000 euros which was increased from March 1 to 430,000 euros (and certain minor adjustments resulting from a change in the way extra pay is received). The percentages of the variable remuneration were not changed in either case compared with 2018. As mentioned above, the Executive Directors are not paid any remuneration whatsoever for their positions as directors.

B.7 Explain the nature and main features of the variable components of the remuneration systems payable in the previous year.
In particular:

- Identify each of the remuneration plans that have determined the different types of variable remuneration payable to each of the directors in the previous year, including information on their scope, the date of approval, date of implementation, the periods payable and validity, the criteria used to evaluate performance and how this has affected the determination of the variable amount payable, as well as the measurement criteria used and the term necessary to be in a position to suitably measure all the stipulated conditions and criteria.

  In the case of share options and other financial instruments, the general features of each plan must include information on both the conditions to acquire unconditional ownership (vesting) and to exercise these options or financial instruments, including the price and term for exercising them.

- Each of the directors, along with their category (executive directors, proprietary external directors, independent external directors and other external directors), who are beneficiaries of remunerations systems or plans that include variable remuneration.

- If need be, information must be provided on the periods payable or deferment of payment applied and/or the periods for holding/unavailability of shares or other financial instruments, if any.

Explain the short-term variable components of the remuneration systems
As reported above, the only directors entitled to payment of variable remuneration are those assigned executive duties. After assessing the level the targets were achieved, the Board of Directors, according to a proposal made by the CNRGC, agreed on 25 February 2020 on an overall achievement level for each of the two directors. ▪ CEO: 127.8%, equivalent to an amount of €498.256 for the annual variable remuneration corresponding to the financial year 2019. The details of the process for determining the aforementioned amount is specified below. ▪ CFO: 119.4%, equivalent to an amount of €231.025 for the annual variable remuneration corresponding to the financial year 2019. The details of the process for determining the aforementioned amount is specified below. **1. Target achievement level**

- CEO: The level that the targets were achieved was as follows:
  - EBITDA (weighting 50%): The level of achievement was between the target level and the maximum level.
  - Evaluation of performance (weighting 10%): Excellent level
  - Individual targets (weighting 40%): The level of achievement was between the target level and the maximum level.
- CFO: The level that the targets were achieved was as follows:
  - EBITDA (weighting 50%): The level of achievement was between the target level and the maximum level.
  - Evaluation of performance (weighting 10%): Excellent level
  - Individual targets (weighting 40%): The level of achievement was between the target level and the maximum level.

2. Application of the correction factor

Bearing in mind that (i) the result of the performance evaluation was "excellent" and that (ii) the achievement level of the individual targets was equivalent to or higher than 100%, the correction factor of the EBITDA was not applicable.

3. Determining the annual variable remuneration

Bearing in mind that the target amount of variable remuneration for the CEO and CFO is 65% and 45% of their fixed remuneration respectively, and the overall achievement level of the targets was 127.8% (CEO) and 119.4% (CFO), the annual variable remuneration in the financial year 2019 for each director amounted to €498.456 for the CEO and €231.025 for the CFO.

Explain the long-term variable components of the remuneration systems

As described in section A, the General Shareholders' Meeting held on 29 June 2017 approved the launch of the Long-Term Incentive Plan or "Performance Shares 2017-2022" Plan. The Plan has a term of five years, divided into three cycles of three years each:

a. First cycle 2017-2019 with delivery of shares in 2020.

b. Second cycle 2018-2020 with delivery of shares in 2021.

c. Third cycle 2019-2021 with delivery of shares in 2022.

The main features of the first cycle of the Plan applicable to both Executive Directors are described below:

1) Targets, weightings and achievement level:

The number of shares to be delivered will be subject to the level the following four targets are achieved:

a. TSR ("total shareholder return") related to NH's shares compared with the changes in the STOXX® Europe 600 Travel & Leisure stock exchange index (weighting: 25%).

b. Revaluation of the price per share (weighting: 25%).

c. Net Recurrent Profit (weighting: 25%).

d. The Group's Recurrent EBITDA (weighting: 25%).

Each target will be assigned an achievement scale as explained below:

a) Relative TSR ("Total Shareholder Return") comparing the evolution of NH's TSR in the period 01/01/2017 – 31/12/2019 with the STOXX® Europe 600 Travel & Leisure index (weighting: 25%).

The incentive payment levels depending on the achievement scale are as follows:

- A position below the median of the comparison group implies a payment level of 0%.
- A position in line with the median implies a payment level of 40%.
- The top position implies a payment level of 150% of the target payment level.
- The following linear formula is applicable to a position between the median and top position of the group:
  - A position in the 75th percentile implies a payment level of 100% of the target incentive.
  - If the position of NH is below the 75th percentile, each percentile below 75 implies a decrease of 2.4% in the target incentive.
  - If the position of NH is above the 75th percentile, each percentile higher than 75 implies an increase of 2.4% in the target incentive.

Notwithstanding the foregoing, bearing in mind the corporate transaction carried out within NH in 2018, and the impact of such transaction on the share value, the Board of Directors adopted a resolution, for the purpose of the Plan, , to set the result of this metric at 100% achievement due to the practically illiquid state of the NH shares.

b) Revaluation of the Price per Share:

- In order to reach the minimum achievement percentage for this target (100%), the average closing price per share in the 30 stock exchange business days immediately prior to 31 December in the last year of the cycle (inclusive) (adjusted by dividends or other similar items paid to the shareholder during the whole period the plan is in force until the end of the measurement period of each cycle), must be the same as a pre-determined price. In this case, the payment coefficient will be 100% of the target incentive.
- For achievement below the minimum achievement percentage, the payment coefficient for this target will be 0%:
- Once this condition has been met, a linear scale will be applicable until a maximum average closing price is reached, which implies this target is achieved with a payment coefficient of 120%.

Due to the low liquidity of the shares resulting from the Public Take-Over Bid launched by Minor International PLC in 2018, the Board of Directors decided (bearing in mind the adjustment clause in the Plan's Regulations, which is explained along with the variable remuneration in section A), to consider this point was achieved by reaching 100% of the target.

c) Net Recurrent Profit:

- Minimum threshold: achievement of 80% of the target implies payment of 50% of the incentive. A level of achievement lower than 80% implies a payment level of 0%.
- Target: achievement of 100% of the target implies payment of 100% of the target incentive.
- Maximum: achievement of 120% or more of the target implies payment of 150% of the target incentive.

When the level of achievement is between the minimum threshold and the target, and between the target and the maximum, the level of payment will be calculated by linear interpolation.

Finally, the achievement level for the Net Recurrent Profit target in each of the measurement years was as follows:

- 2017: Maximum achievement.
- 2018: Maximum achievement.

- 2019: Between the target level and the maximum level.

d) Recurrent EBITDA:

- Minimum threshold: achievement of 90% of the target implies payment of 50% of the incentive. A level of achievement lower than 90% implies a payment level of 0%.
- Target: achievement of 100% of the target implies payment of 100% of the target incentive.
- Maximum: achievement of 110% or more of the target implies payment of 150% of the target incentive.

When the level of achievement is between the minimum threshold and the target, and between the target and the maximum, the level of payment will be calculated by linear interpolation.

Finally, the achievement level for the EBITDA target in each of the measurement years was as follows:

- 2017: Between the target level and the maximum level.
- 2018: Between the target level and the maximum level.
- 2019: Between the target level and the maximum level.

2) Amount of the incentive:

If the target achievement level was 100%, the Executive Directors would be entitled to receive the target number of shares (78,893 shares for the CEO and 36,817 for the CFO); the reference value of which on the date granted would be equivalent to 60% and 40% of the fixed remuneration on such date respectively. In this respect, the reference value was calculated as the average closing price of NH's shares in the last 10 stock exchange sessions before 1 January 2017.

If the target achievement level were the maximum, the CEO and CFO would be entitled to receive 112.423 and 52.464 shares respectively.

Bearing in mind the overall achievement level of 113.35%, the payment levels described and the number of performance shares awarded, the CEO will receive 89.425 gross shares and the CFO 41.732 gross shares.

This number of shares is shown in table C.1.b) ii).

The reference value for tax purposes of the settlement of the shares will be the closing price of NH's shares in the stock exchange session on the date the settlement is approved of the targets for the long-term incentive and the delivery of the shares by the Board of Directors

B.8 Specify whether certain variable components have been reduced or clawed back when, in the case of the former, payment has been vested and deferred or, in the case of the latter, vested and paid, on the basis of data that have subsequently proved to be inaccurate. Describe the amounts reduced or clawed back through the application of the reduction or claw-back clauses, why they were implemented and the years to which they refer.

No clause of this kind was applied in 2019.

B.9 Explain the main features of the long-term savings schemes where the amount or equivalent annual cost appears in the tables in section C, including retirement and any other survivor benefits that are partially or fully financed by the company, whether through internal or external contributions, indicating the type of plan, whether it is a defined contribution or benefits, the contingencies covered, the conditions for vesting economic rights for the directors and their compatibility with any type of severance pay for early termination or termination of the contractual relationship between the company and the director.

The company did not undertake any obligation or commitment whatsoever with the directors in 2019 related to pensions, retirement or similar items.

B.10 Explain, when appropriate, the severance pay or any other type of payment related to early dismissal or early resignation, or the termination of the contract according to the terms provided therein, accrued and/or received by directors during the previous year.

In relation to the amounts associated with the departure in 2016 of the previous Chief Executive Officer, for which maximum amounts were fully provisioned, this dispute was definitively resolved in 2019, and the dispute was closed for an amount lower than the provision.

B.11 Specify whether there have been any significant changes in the contracts of persons performing senior management duties, such as executive directors, and, if any, explain such changes. In addition, explain the main terms and conditions for the new contracts signed with executive directors during the year, unless these have already been explained in section A.1.

There were no changes made to the Executive Directors' contracts in 2019.

B.12 Explain any supplementary remuneration payable to the directors as consideration for services rendered that are unrelated to their posts.

The Remuneration Policy does not include any supplementary remuneration other than that previously specified.

On the date this Report is issued, there was no supplementary remuneration payable to the directors as consideration for services rendered other than those related to their posts.

B.13 Explain any remuneration related to advance payments, loans or guarantees granted, specifying the interest rate, their key features and the amounts possibly reimbursed, as well as the obligations undertaken as a guarantee.

The Remuneration Policy does not include any possibility to grant advance payments, loans or guarantees to the directors.

On the date this Report is issued, no advance payments, loans or guarantees have been granted to any of the directors.

B.14 Itemise the remuneration in kind received by the directors during the year, briefly explaining the nature of the different salary components.

The directors, in their positions as such, do not receive remuneration in kind.

Apart from the shares they receive related to the "Performance Shares" Plan, the Executive Directors received the following remuneration in kind for their executive duties:

- A medical insurance policy for each executive director and their first-degree relatives.
- A life insurance policy with insured capital of €1,800,000 (CEO) and €1.290.000 (CFO).
- An accident insurance policy with insured capital of €1,800,000 (CEO) and €1.290.000 (CFO).
- A company car.

The amount for such remuneration was €40,895 for the CEO and €10,104 for the CFO.

B.15 Explain the remuneration payable to the directors by virtue of amounts paid by the listed company to a third company to which the director renders services when these payments are aimed at remunerating the director's services to the company.

On the date this report is approved, no amounts have been paid to third-party enterprises due to possible services being rendered by the directors.

B.16 Explain any other items of remuneration other than those mentioned in the previous sections, whatever their nature or the group company that settles the payment may be, particularly when this is a related transaction or its settlement distorts the true image of the total remuneration payable to the director.

On the date this report is approved, there are no other items of remuneration apart from those explained in the previous sections.

C ITEMISED INDIVIDUAL REMUNERATION PAYABLE TO EACH DIRECTOR

Don KOSIN CHAN	Proprietary Director	From 13/05/2019 to 31/12/2019
Don WILLIAM ELLWOOD HEINECKE	Proprietary Director	From 01/01/2019 to 31/12/2019
Don EMMANUEL JUDE DILLIPRAJ	Proprietary Director	From 01/01/2019 to 31/12/2019
Don STEPHEN ANDREW CHOJNACKI	Proprietary Director	From 01/01/2019 to 31/12/2019
Don JOSÉ MARÍA SAGARDOY LLONIS	Independent director	From 01/01/2019 to 10/04/2019
Don FERNANDO LACADENA	Independent director	From 01/01/2019 to 31/12/2019
Don PAUL DANIEL JOHNSON	Independent director	From 01/01/2019 to 10/04/2019
Don JOSÉ MARÍA CANTERO MONTES-JOVELLAR	Independent director	From 01/01/2019 to 31/12/2019
Doña MARÍA GRECNA	Independent director	From 01/01/2019 to 10/04/2019
Don ALFREDO FERNÁNDEZ AGRAS	Independent director	From 01/01/2019 to 31/12/2019
Doña BEATRIZ PUENTE FERRERAS	Executive Director	From 13/05/2019 to 31/12/2019
Don RAMÓN ARAGONÉS MARÍN	Executive Director	From 01/01/2019 to 31/12/2019

C.1 Complete the following tables regarding the individual remuneration of each director (including the remuneration paid for performing their executive duties) payable during the financial year.

a) Remuneration paid by the reporting company:

i) Remuneration in cash (in thousands of euros)

Name/type/accrual period in year t	Salary	Fixed remuneration	Per diem expenses	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board's Committees	Severance Pay	Other items	Total in year t	Total in year t-1
RAMÓN ARAGONÉS	583	-	-	498	-	-	-	14	1.095	855
BEATRIZ PUENTE	433	-	-	231	-	-	-	7	671	-
JOSE MARIA SAGARDOY LLONIS	-	25	1	-	-	-	-	-	26	79
ALFREDO FERNÁNDEZ AGRAS	-	288	-	-	-	-	-	-	288	250
MARÍA GRECNA	-	14	3	-	-	-	-	-	17	57
FERNANDO LACADENA AZPEITIA	-	130	-	-	-	-	-	-	130	83
JOSÉ MARÍA CANTERO DE MONTES-JOVELLAR	-	119	7	-	-	-	-	-	126	68
PAUL JOHNSON	-	14	-	-	-	-	-	-	14	96

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

Name/type/accrual period in year t	Name of Plan and date implemented	Financial instruments at start of year 2019		Financial instruments granted during year 2019		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2019	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/vested shares	Price of the vested shares	Gross profit from shares awarded or vested financial	No. of instruments	No. of instruments	No. of equivalent shares
RAMÓN ARAGONÉS	Performance Shares Plan (2017)	78.893	-	-	-	-	87.995	4,68	412	0,00		
	Performance Shares Plan (2018)	50.336									50.336	
	Performance Shares Plan (2019)			98.485							98.485	
BEATRIZ PUENTE	Performance Shares Plan (2017)	36.817					41.064	4,68	192	0,00		
	Performance Shares Plan (2018)	25.168									25.168	
	Performance Shares Plan (2019)			48.864							48.864	

iii) Long-term saving schemes

Name/type/accrual period in year t	Contribution by the company during the year (in thousands of €)		Amount of accumulated funds (in thousands of €)	
	Year t	Year t-1	Year t	Year t-1
Director				

iv) Details of other items

Name/type	Remuneration as advance payments, loans granted		
	Transaction interest rate	Essential features of the transaction	Amounts possibly refunded
Director			

Name/type	Life insurance premium		Guarantees granted by the Company in favour of the directors	
	Year t	Year t-1	Year t	Year t-1
RAMÓN ARAGONÉS	27,27	19,28		
BEATRIZ PUENTE	3,31	-		

b) Remuneration paid to the company's directors for being members on the boards of other group companies:

i) Remuneration in cash (in thousands of euros)

Name/type/accrual period in year t	Salary	Fixed remuneration	Per diem expenses	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board's Committees	Severance Pay	Other items	Total in year t	Total in year t-1
Director	-	-	-	-	-	-	-	-	-	-

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

Nombre/Tipología/periodo de devengo ejercicio t	Denominación del Plan y fecha de implantación	Financial instruments at start of year 2019		Financial instruments granted during year 2019		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2019	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/vested shares	Price of the vested shares	Gross profit from shares awarded or vested financial instruments (in €)	No. of instruments	No. of instruments	No. of equivalent shares
Director												

iii) Long-term saving schemes

Name/type/accrual period in year t	Contribution by the company during the year (in thousands of €)		Amount of accumulated funds (in thousands of €)	
	Year t	Year t-1	Year t	Year t-1
Director 1				

iv) Details of other items

Name/type	Remuneration as advance payments, loans granted		
	Transaction interest rate	Essential features of the transaction	Amounts possibly refunded
Director 1	0	0	0

c) Summary of remuneration (in thousands of €):

The summary should include the amounts corresponding to all the remuneration items included in this report that are payable to each director (in thousands of €).

Name/type	Remuneration payable by the company				Remuneration payable by group companies				Total		
	Total cash remuneration	Amount for the shares granted	Gross profit of options exercised	Total year t company	Total cash remuneration	Amount for the shares granted	Gross profit of options exercised	Total year t group	Total year t	Total year t-1	Contribution to the savings
RAMÓN ARAGONÉS	1.095	412	-	1.507	-	-	-	-	1.507	1.011	-
BEATRIZ PUENTE	671	192		863					863	-	-
JOSE MARIA SAGARDOY LLONIS	26	-	-	26	-	-	-	-	26	79	-
ALFREDO FERNÁNDEZ AGRAS	288	-	-	288	-	-	-	-	288	250	-
MARÍA GRECNA	17	-	-	17	-	-	-	-	17	57	-
FERNANDO LACADENA AZPEITIA	130	-	-	130	-	-	-	-	130	83	-
JOSÉ MARÍA CANTERO DE MONTES-JOVELLAR	126	-	-	126	-	-	-	-	126	68	-
PAUL JOHNSON	14	-	-	14	-	-	-	-	14	96	-

D OTHER INFORMATION OF INTEREST

If there are any relevant issues related to the directors' remuneration that you have not been able to address in the previous sections of this report but that are necessary to provide more comprehensive information with full grounds on the company's remuneration structure and practices regarding its directors, list them briefly.

This annual remuneration report has been approved by the company's Board of Directors' Meeting held on 25.02.2020.

State whether any director has voted against or abstained from approving this report.

Yes □ No X