
IDENTIFICATION DETAILS OF THE ISSUER

End date of 12-month period of reference

31/12/2018

CIF:

A28027944

Company Name:

NH HOTEL GROUP, S.A.

Registered Office:

SANTA ENGRACIA, 120 - 7ª PLANTA MADRID

A. OWNERSHIP STRUCTURE

A.1. Fill in the following table regarding the share capital of the Company:

Date of last change	Share capital (€)	Number of Shares	Number of voting rights
09/05/2018	784,360,486.00	392,180,243	392,180,243

Indicate whether there are different shares classes with different associated rights:

[] YES
[v] No

A.2. Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors.

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
MINOR INTERNATIONAL PUBLIC COMPANY LTD	0.00	94.13	0.00	0.00	94.13

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
MINOR INTERNATIONAL PUBLIC COMPANY LTD	MHG CONTINENTAL HOLDING (SINGAPORE) PTE. LTD.	94.13	0.00	94.13

Indicate the most significant movements in the shareholding structure of the company during the year:

Most significant movements

Between May and September 2018, various purchase agreements signed by Minor International Public Company Limited ("Minor IPC") as Purchaser were executed with the HNA Group and with funds managed by Oceanwood, all of them as Sellers. As a result of said operations, Minor IPC acquired the full shareholding of the Sellers in NH. In addition to these operations, Minor IPC acquired various non-significant shareholding packages which meant that, on 30 September 2018, Minor IPC held 179,772,214 shares in NH Hotel Group, S.A., representing 45.84% of its share capital.

At the same time, on 11 June 2018, MHG International Holding (Singapore) Pte (a company wholly owned by Minor IPC) launched a takeover bid for 100% of the shares in NH Hotel Group, S.A., which, once approved and the acceptance period opened, it was accepted, amongst others, by Grupo Hesperia.

In the wake of the takeover bid, whose result was reported by the CNMV by means of a relevant fact on 26 October 2018, and of the aforementioned purchase operations, (i) the funds managed by Oceanwood, Grupo HNA and Grupo Hesperia lost the status of significant shareholders in NH Hotel Group, S.A.; and (ii) Minor IPC acquired, through its wholly-owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd, shares representing 94.13% of the share capital in NH Hotel Group, S.A.

A.3. In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR ALFREDO FERNÁNDEZ AGRAS	0.04	0.00	0.00	0.00	0.04	0.04	0.00
MR RAMÓN ARAGONÉS MARÍN	0.00	0.00	0.00	0.00	0.00	0.04	0.00
MS MARIA GRECNA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR PAUL JOHNSON	0.00	0.00	0.00	0.00	0.00	0.00	0.00
% of total voting rights held by the Board of Directors						0.04	

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transmitted through financial instruments
No data		N.A.	N.A.	N.A.	N.A.

- A.4.** If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are significant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related Party	Nature of relationship	Brief description
No data		

- A.5.** Indicate, where applicable, the commercial, contractual or corporate relationships existing between major shareholders, and the company and/or its group, unless they have little relevance or arise from normal trading activities:

Name of related Party	Nature of relationship	Brief description
No data		

- A.6.** Describe the relationships, unless significant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Explain, as the case may be, how the significant shareholders are appointed. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
MR STEPHEN ANDREW CHOJNACKI	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Minor IPC is the significant shareholder (94.132%) in NH and has proposed the aforesaid Director. Likewise, Mr Stephen Andrew Chojnacki is Chief Commercial Officer and General Counsel of Minor IPC. Finally, note that Mr Chojnacki is a Director of the Minor IPC group companies that are listed

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
			in section H of this Report and which, for technical reasons, have not been reproduced in section A.6.
MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Minor IPC is the significant shareholder (94.132%) in NH and has proposed the aforesaid Director. Likewise, Mr William Ellwood Heinecke is Chairman and CEO of Minor IPC. Finally, note that Mr Heinecke holds the positions in the Minor IPC group companies broken down in section H of this Report and that have not been reproduced in section A.6.
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MINOR INTERNATIONAL PUBLIC COMPANY LTD	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Minor IPC is the significant shareholder (94.132%) in NH and has proposed the aforesaid Director. Likewise, Emmanuel Jude Dillipraj Rajakarier is Chief Operation Officer of Minor IPC and CEO of Minor Hotels. Finally, note that Mr Dillipraj Rajakarier is a Director of the Minor IPC group companies listed in section H of this Report and that have not been reproduced in section A.6.

A.7. Indicate whether the company has been informed of shareholders' agreements which affect it, as established in Articles 530 and 531 of the Capital Companies Act. If so, describe these agreements and list the party shareholders:

[☒] Yes
[☐] No

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable
MINOR INTERNATIONAL PUBLIC COMPANY LTD, OCEANWOOD CAPITAL MANAGEMENT LLP	10.00	On 22 May 2018, Minor IPC and Oceanwood Capital Management Ltd signed a purchase agreement for the former to acquire the funds managed by Oceanwood. Said agreements included the reference to the fact that during a period of 12 months following the execution of the purchase agreement (Exclusivity Period), Minor IPC would have a preferential acquisition right over 10% of the share capital that Oceanwood could, in the future and during the Exclusivity Period, hold in NH. During this period Oceanwood undertakes not to negotiate, nor otherwise assist third parties, for the transfer of said share with third parties. Oceanwood also agrees to vote in favour of any decision that is necessary or appropriate to guarantee the success of the purchase agreement's execution, as well as in favour of the proposal to appoint the Purchaser's Directors.	11 June 2018
MINOR INTERNATIONAL PUBLIC COMPANY LTD, HNA GROUP CO LIMITED	26.47	On 5 June 2018, HNA (as seller) and through its subsidiary Tangla Spain, S.L.U. signed a purchase agreement with Minor IPC (as purchaser) for a total of 98,787,996 NH shares, representing 26.468% of its share capital. Said contract included the Seller's obligation to maintain the effective ownership of the shares subject to the sale until their transfer to the Buyer, as well as continuing to attend the General Meetings and vote in favour of all	21 August 2018

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable
		decisions that were appropriate or necessary to guarantee the successful outcome of the purchase, as well as to vote in favour of any necessary resolution so that the administrators proposed by the Purchaser are appointed directors of NH.	

Indicate if the company is aware of the existence of concerted actions among its shareholders. If so, give a brief description:

☐ YES
☒ No

In the event of any modification or termination of these pacts, agreements or agreed actions during the year, please specify it:

On 5 June 2018, via a Relevant Fact, Minor IPC communicated the modification of the shareholders' agreement contained in the purchase agreement signed between Minor IPC and Oceanwood on 22 March 2018, under which Oceanwood grants Minor IPC an exclusive right to acquire another 14,000,000 shares. Oceanwood maintains and reiterates the commitments regarding these shares that have already been assumed by Oceanwood under the original shareholders' agreement.

On 11 June 2018, Minor IPC and Oceanwood, by virtue of the corresponding Relevant Fact, published that the agreements contained in the aforementioned purchase agreement formalised on 22 May 2018 and amended on 5 June 2018 were rendered null and void.

Likewise, on 21 August 2018, through a Relevant Fact, HNA communicated the execution of the purchase signed with Minor IPC and duly informed the CNMV through Relevant Facts on 5 and 15 June 2018, meaning that the aforementioned purchase is exhausted and, with that, the shareholders' agreement broken.

A.8. Indicate whether any individual person or legal entity exercises, or could exercise, control over the Company in accordance with Article 5 of the Stock Market Act. If so, give details here:

☒ Yes
☐ No

Name
MINOR INTERNATIONAL PUBLIC COMPANY LTD

A.9. Fill in the following tables regarding the Company's treasury stock:

At year end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
600,000		0.15

(*) Through:

Name or company name of the direct holder of the shareholding	Number of direct shares
No data	

Explain any significant changes during the year:

Explain the significant changes

At the end of the year, NH Hotel Group, S.A. had 600,000 treasury shares on its balance sheet, compared with 9,416,368 treasury shares at 31 December 2017. The reduction in treasury shares over the period can be explained by the following movements:

- In June 2018, the Group delivered 8,569,262 own shares to bond-holders for the early conversion of convertible bonds worth 250 million euros. These include 1,384,473 shares held by one of the entities participating in the loan of 9,000,000 shares associated with the issue, which has been definitively settled.
- In first half of 2018, the second cycle of the long-term incentive plan was settled (see Note 23). This second cycle was settled by the delivery of 247,106 shares valued at 1,029 thousand euros.

A.10. Describe the conditions and the term of the current mandate of the Board of Directors to issue, repurchase or transmit treasury stock, as conferred by the General Shareholders' Meeting.

The General Shareholders' Meeting held on 29 June 2017 authorised the Board of Directors of the Company to repurchase treasury stock under the terms indicated below:

- The acquisition can be made by any title accepted in Law, once or more times, provided that the acquired shares, added to those the Company already owns, do not exceed 10% of the Company's share capital, together with those owned by other companies in the group, if applicable.
- The acquisition, including the shares which the Company, or a person acting in their own name but on behalf of the Company, may have acquired beforehand and have in its portfolio, can be made as long as this does not lead to net equity being below the amount of share capital plus the reserves made unavailable by law or the Company's articles of association. For these purposes, net assets shall be considered to be the amount identified as such in accordance with the criteria for preparing annual accounts, less the profits directly attributable to it, and plus the uncalled share capital, as well as the amount of the principal and the share premium that are registered in the accounts as liabilities.
- The shares must be fully paid up.

d) The authorisation will be valid for 5 years from the day this agreement comes into force.
e) The minimum purchase price will be 95% and the maximum price will be 105% of the listed market value at the close of Spain's continuous market the day before the transaction, and the purchase transactions will adhere to security market regulations and customs.
The shares acquired due to the authorisation can be disposed of or amortised, or used in the payment systems set out in Article 146.a) 3 of the Capital Companies Act.

A.11. Estimated floating capital:

	%
Estimated floating capital	5.87

A.12. State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

☐ YES
☒ No

A.13. State whether the General Shareholders' Meeting has agreed to adopt neutralisation measures against take-over bids, pursuant to Law 6/2007.

☐ YES
☒ No

If so, please explain the measures approved and the terms under which such limitations would cease to apply.

A.14. State if the company has issued shares that are not traded on a regulated EU market.

☐ YES
☒ No

If so, please list each type of share and the rights and obligations conferred on each.

B. GENERAL SHAREHOLDERS' MEETING

B.1. Indicate whether differences exist between the minimum quorum established in the Spanish Capital Companies Act (LSC) and the quorum of the General Shareholder's Meeting. If so, explain these differences.

☐ YES
☒ No

B.2. Indicate, and if applicable, specify any differences from the system established in the Capital Companies Act (LSC) for adopting company agreements:

☐ YES
☒ No

B.3. Indicate the regulations applicable to modification of the company articles of association. In particular, note the majorities required for changes to the articles of association and, if any, the regulations governing the protection of shareholders' rights when making changes to the articles of association.

Title VIII, covering Articles 285 - 345, of Royal Decree-Law 1/2010 of 2 July, approving the Revised Text of the Capital Companies Act (hereunder, LSC), and Articles 158 - 164 of Royal Decree 1784/1996, of 19 July, approving the Regulation of the Companies Register (hereunder, RRM), establish the legal system applicable to the modification of articles of association. The text of the articles of association of NH Hotel Group faithfully reflects these legal regulations, with no higher quorum or majority required than is set out therein.

B.4. Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

	Attendance data				
			% distance voting		
Date of general meeting	% physically present	% present by proxy	Electronic voting	Others	Total
21/06/2016	0.09	82.10	0.00	3.60	85.79
Of which, free float:	0.09	32.57	0.00	3.60	36.26
29/06/2017	39.02	42.57	0.00	0.00	81.59
Of which, free float:	0.08	26.24	0.00	0.00	26.32
21/06/2018	8.28	62.77	0.00	0.31	71.36
Of which, free float:	0.00	24.40	0.00	0.31	24.71

B.5. State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

☐ YES
☒ No

B.6. State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

☐ YES
☒ No

B.7. State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

☐ YES
☒ No

B.8. Indicate the address and access on the Company website to information on corporate governance and other information on general shareholders' meetings which must be available to shareholders on the Company website.

All information of relevance to shareholders, including information on corporate governance and other information on general shareholders' meetings is available at all times on the NH Hotel Group website, www.nh-hotels.es, in the section "Shareholders and Investors".

C. COMPANY MANAGEMENT STRUCTURE

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of Directors	20
Minimum number of Directors	5
Number of directors set by the general meeting	12

C.1.2 Complete the following table with the members of the Board:

Name of director	Representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to the Board
MR ALFREDO FERNÁNDEZ AGRAS		Other External	CHAIRMAN	19/06/2015	13/08/2018	CO-OPTED
MR RAMÓN ARAGONÉS MARÍN		Executive	CHIEF EXECUTIVE OFFICER	29/06/2017	29/06/2017	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR		Independent	DIRECTOR	21/06/2016	21/06/2018	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR STEPHEN ANDREW CHOJNACKI		Proprietary	DIRECTOR	21/06/2018	21/06/2018	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MS MARIA GRECNA		Independent	DIRECTOR	21/06/2016	21/06/2018	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR WILLIAM ELLWOOD HEINECKE		Proprietary	DIRECTOR	21/06/2018	21/06/2018	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR PAUL JOHNSON		Independent	DIRECTOR	21/06/2016	21/06/2018	AGREEMENT BY GENERAL

Name of director	Representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to the Board
						SHAREHOLDERS' MEETING
MR FERNANDO LACADENA AZPEITIA		Independent	DIRECTOR	21/06/2016	21/06/2018	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER		Proprietary	DIRECTOR	21/06/2018	21/06/2018	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING
MR JOSÉ MARÍA SAGARDOY LLONIS		Independent	DIRECTOR	21/06/2016	29/06/2017	AGREEMENT BY GENERAL SHAREHOLDERS' MEETING

Total number of directors	10
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State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
MR JOSE MARÍA LÓPEZ-ELOLA GONZÁLEZ	Independent	29/06/2015	21/06/2018	Mr José Maria López Elola was a member of the Appointments, Remuneration and Corporate Governance Committee.	NO
MR JOSE ANTONIO CASTRO SOUSA	Proprietary	21/06/2018	12/11/2018	Mr José Antonio Castro was Chairman of the Executive Committee.	YES
GRUPO INVERSOR HESPERIA, S.A	Proprietary	21/06/2018	12/11/2018	Grupo Inversor Hesperia, S.A, through its	YES

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
				representative Mr Jordi Ferrer Graupera was a member of the Appointments, Remuneration and Corporate Governance Committee.	

C.1.3 Fill in the following tables about the Board members and their corresponding categories:

EXECUTIVE DIRECTORS		
Name of director	Post in organisational chart of the company	Profile
MR RAMÓN ARAGONÉS MARÍN	CHIEF EXECUTIVE OFFICER	Tourism diploma from the University of Palma de Mallorca. Master's in International Hotel Management from the International Business School, Hotel and Tourism Management. His professional career, for more than twenty years, has been in positions of management and responsibility, in companies in the tourism sector, such as Hesperia (General Manager) and NH Hotel Group, S.A. (Chief Operations Officer). He is currently Chief Executive of NH Hotel Group, S.A.

Total number of executive directors	1
Percentage of Board	10.00

PROPRIETARY DIRECTORS		
Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
MR STEPHEN ANDREW CHOJNACKI	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Degree in Foreign Relations and Economics from the University of Virginia, obtaining a Doctorate from the University of Virginia/School of Law. Mr Chojnacki has spent his professional career in the law firm Linklaters in their New York, Hong Kong and Bangkok offices. He is currently the Chief Commercial Officer and the General Counsel of Minor International PLC., Director of MHG Continental

PROPRIETARY DIRECTORS		
Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
		Holding (Singapore) Pte. Ltd., as well as Director of companies in the Minor group. During his time leading the commercial activities and legal advice of the Minor Group, he has carried out a number of mergers and acquisitions with other leading companies in the hospitality sector, with presence in Portugal, Brazil, China, Vietnam, Indonesia and Africa.
MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LTD	He holds an Honorary Doctorate of Business Administration in Management from Yonok University, Lampang. He also completed the Director Certification Program (DCP) from the Thai Institute of Directors Association (IOD). Mr Heinecke is the founder of Minor International Pcl. (MINT) and currently holds the position of Chief Executive Officer of Minor International PLC and is Chairman of the Board of Directors. Over the five decades of the Minor group's existence, Mr Heinecke has led the company and expanded its portfolio of restaurants, hotel businesses and lifestyle brand distribution. It currently has more than 2,100 restaurants, 160 hotels and 400 lifestyle outlets in 40 countries (excluding the NH Hotel Group portfolio). MINT is listed on the Thailand Stock Exchange, with revenues of more than 1.5 billion euros and a market capitalisation of 4 billion euros. Mr Heinecke is the author of the book "The Entrepreneur – 25 Golden Rules for Global Business Manager"
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MINOR INTERNATIONAL PUBLIC COMPANY LTD	Degree in Computer Systems Analysis & Design in Sri Lanka in 1984. MBA in Finance in the United Kingdom. Mr Rajakarier has spent his professional career from 2007 to date at Minor International Public Company Limited as Chief Operating Officer (COO) and Director and Chief Executive Officer (CEO) at Minor Hotel Group Limited. Minor International Public Company Limited is a global company focused on three main businesses: restaurants, the hotel sector and retail brands. From 2001 to 2007 he was Deputy Chief Financial Officer and Internal Audit Manager in the leading operator Orient Express Hotels, Trains & Cruises (Belmond).

Total number of proprietary directors	3
Percentage of Board	30.00

INDEPENDENT DIRECTORS	
Name of director	Profile
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR	He holds a degree in Law and Economics and Business Administration and Management from the Universidad Pontificia Comillas (ICADE E-3) and a diploma from the Business Management Programme (PADE) of IESE Business School. He was a founding partner of Results Mazimizer (consultancy for the execution and implementation of marketing, sales and communications projects) and Enubes (digital marketing company) and has been the Managing Partner since September 2015. Between July 2008 and August 2015 he held various senior positions in Mutua Madrileña, first as Sales and Marketing Director until May 2011 and subsequently as Deputy General Manager, whilst also being a Director at SegurCaixa Adeslas (from July 2011) and a Director at Mutuactivos Inversiones (from July 2013). Between August 2003 and June 2008 Mr José María Cantero de Montes-Jovellar was Marketing and Customers Director (sales and value enhancement management of the Residential Business Unit) of Amena/Orange in Spain. Previously, between July 1994 and July 2003 he worked for Procter & Gamble España in various positions within the marketing department: Assistant Brand Manager, Brand Manager, and his final position as Business Team Leader Textiles Care division for Spain and Portugal.
MS MARIA GRECNA	Economics degree from the Economics School of the University of Prague (Czech Republic) and a Masters in Finance from the London Business School. She has run Earlwood Rental Properties, which she co-founded, since 2013. Earlwood is a company focused on the acquisition, renovation and management of homes with a portfolio of over 100 homes in the centre of Madrid and Barcelona and for properties in construction and holiday homes in the Balearic Islands. Between 2005 and 2011 she worked for Värde Partners (a global alternative investment advisor), first as CEO of Värde Partners Europe (London) between 2005 and 2011 and later as CEO of Värde Partners Iberia (Madrid) between 2011 and 2013. She previously held positions in Société Générale (Prague) from 2002 to 2003, Crédit Suisse First Boston (London and Prague), from 2000 to 2002, and Citigroup (Prague), from 1995 to 2000.
MR PAUL JOHNSON	Founding director and Chief Executive Officer of the hotel chain Kew Green Hotels Ltd under whose leadership went from start-up to having 50 hotels. The group was acquired by the Chinese-owned HK CTS, a hotel chain, in August 2015. After ensuring a successful integration with HK CTS, Paul left the company in May 2016 to develop other interests. Paul is highly experienced in the leisure industry having held senior positions in sales and marketing for the Welcome Break Group, Budget Rent a Car, Radisson Edwardian Hotels and Hilton International. Paul was shortlisted for Ernst and Young Entrepreneur of the year in 2007 and 2009 and, in 2006, was a member of the Sunday Times Fasttrack Awards Management Team of the Year. Paul is currently Head of Roupell Advisory Ltd., a global hotel consultancy.
MR FERNANDO LACADENA AZPEITIA	Degree in Economics and Business Administration and a Law Degree from ICADE (Specialty E-3) in Madrid. Executive with more than 35 years' experience in financing and very oriented towards management. Lately, specialised in the financial area in large listed multinational corporations, with significant experience in the negotiation and structuring of financing operations, relationships with capital markets and investment operations (M&A). Since December 2014 he has been the CEO of Testa Inmuebles en Renta SOCIMI, S.A. the leading real-estate leasing company in the tertiary sector, having led

INDEPENDENT DIRECTORS	
Name of director	Profile
	the operation to list on the Stock Market that concluded with Merlin Properties acquiring its share capital; an operation valued at close to €2 billion. He is the chairman of ASPRIMA, the association of companies with leased assets in Spain. Prior to that, for seven years he was the CFO at Grupo Sacyr Vallehermoso, managing financing with banks and the relationship with analysts and investors and participating directly in the investment processes and the partnership strategy to develop new businesses in both local markets and internationally. Previously he worked for 13 years in similar positions in Grupo ACS Dragados, after having started in Arthur Andersen where he spent the first 10 years of his professional career.
MR JOSÉ MARÍA SAGARDOY LLONIS	Degree in Economics and Business Administration from ICADE (E-2) and IESE Business School, University of Navarra. BBVA programme for executives He began his professional career in Arthur Anderson A.L.T., in the financial sector and has since held senior positions in various banking entities such as Deutsche Bank (Equity Market), BBVA (Director of Global Syndicated Loans) and Banco Popular (Wholesale Banking Director and Risk Director). After brief professional experience as Director of Origination and Finance at Copernicus Servicing, S.L, since July 2018 he has been General Financial Director of OHL, S.A. He has been a Board Director for companies such as Inmobiliaria Colonial, Fomento de Construcciones y Contratas (FCC), Societé Fonciere Lyonnaise, Globalia Corporación Empresarial and Targobank, S.A.

Number of independent directors	5
Percentage of Board	50.00

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of director	Description of relationship	Statement of the Board
No data		

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
MR ALFREDO FERNÁNDEZ AGRAS	Until his resignation on 13 August 2018, Mr Alfredo Fernández Agras was a Proprietary Director, representing the funds managed by Oceanwood given their significant holding in NH. On the aforementioned date of 13 August and prior the vacancy which followed his resignation, due to the fact that the Oceanwood Funds sold their holding shares below the level considered as significant shares, the Board, on a favourable report from the Appointments, Remuneration and Corporate Governance Committee, has co-opted Mr Alfredo Fernández Agras as "Other External" since these funds continued to hold an insignificant shareholding in the Company. Pursuant to article 529 duodecies of the Capital Companies Act, duly transposed into the Company's internal regulations (article 35, section 3.2 of the Articles of Association and article 9, section 3.2 of the Board Regulations), "Proprietary directors who lose such status as a result of the sale of their shareholding by the shareholder they represent may only be re-elected as independent directors when the shareholder they represent at that time would have sold all of their shares in the company."	XXX	Degree in Economic and Business Sciences, as well as in Law from Universidad Pontificia Comillas (ICADE) in 1993. Experienced investment banker currently dedicated to investing in private companies and advising in corporate finance. He is additionally a board member of several companies, both private and listed. Over the last 20 years, he has worked for several investment banks, having been Managing Director and co-head at 360 Corporate and Managing Director at UBS Investment Bank in Spain. Previously, he worked for Merrill Lynch and Morgan Stanley in London. He has been involved in numerous M&A and capital markets operations in southern Europe, especially in relation to listed companies. He previously worked as a commercial lawyer and a statistician at Arthur Anderson.

Total number of other external directors	1
Percentage of Board	10.00

State any changes in status that has occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status
MR ALFREDO FERNÁNDEZ AGRAS	13/08/2018	Proprietary	Other External

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each.

	Number of female directors				% of directors of each category			
	2018	2017	2016	2015	2018	2017	2016	2015
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	1	1	1	1	25.00	16.67	25.00	25.00
Other External			1		0.00	0.00	25.00	0.00
Total	1	1	2	1	10.00	10.00	18.18	8.33

C.1.5 Indicate whether the company has diversity policies in relation to the Board of Directors of the company with regard to issues such as age, gender, disability, or professional training and experience. Small and medium-sized companies, in accordance with the definition established in the Accounts Auditing Law, will at least have to report the policy they have established in relation to gender diversity.

- ☐ Yes
☐ No
☒ Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved

On 25 February 2016, following a favourable report from the Appointments, Remuneration and Corporate Governance Committee, the Board of Directors approved a Selection Policy for Directors. Said policy seeks to prevent discrimination, with meritocracy as the criterion guiding the selection process to identify the best candidates for the Company. However, and notwithstanding the foregoing, each time that there is a vacancy on the Board of Directors, and the corresponding selection process begins, at least one woman must be considered as a candidate until the 30% target is met.

In order to fulfil the aforementioned goal, the Appointments, Remuneration and Corporate Governance Committee shall ensure that the selection procedure does not suffer from any implicit bias that may hamper the selection of female directors and that women that fulfil the professional profile sought are included among the potential candidates.

- C.1.6 Explain the measures agreed, if any, by the Appointments Committee to ensure that the selection process is not implicitly biased against selecting female Directors, and so that the company deliberately seeks to include women who meet the desired professional profile among potential candidates:

Explanation of the means

The Appointments, Remuneration and Corporate Governance Committee ensures that each time a vacancy occurs in the Board of Directors and the corresponding selection process begins, at least one woman is a candidate.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of the means

So far, no women have been found who fit the professional profile sought.

- C.1.7 Explain the conclusions of the appointments committee regarding the verification of compliance with the policy on director selection. In particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

The Appointments, Remuneration and Corporate Governance Committee has concluded that, despite women having taken part in the selection process for Directors women, to date none have met the required profile.

- C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed at the request of shareholders whose holdings are below 3% of share capital:

Name of shareholder	Justification
No data	

Indicate whether formal requests for representation on the Board from shareholders whose shareholding is equal to or greater than other shareholders at whose request proprietary directors have been appointed, have not been acted upon. If this is the case, please explain why the aforementioned requests were not met:

☐ YES
☒ No

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees.

Name of director	Brief description
MR RAMÓN ARAGONÉS MARÍN	All the powers that correspond to the board of directors, except those that cannot be delegated by law or the company's articles of association.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of director	Company name of group company	Position	Does the director have executive duties?
MR RAMÓN ARAGONÉS MARÍN	HOTELES ROYAL, S.A. (COLOMBIA)	DEPUTY DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	JV BEIJING GRAND CHINA HOTEL MANAGEMENT (CHINA)	DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES AUSTRIA GMBH	JOINT AND SEVERAL DIRECTOR	YES
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES SWITZERLAND GMBH	JOINT AND SEVERAL DIRECTOR	YES
MR RAMÓN ARAGONÉS MARÍN	CHARTWELL INMOBILIARIA DE COATZACOALCOS, S.A. DE C (MEXICO)	DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	CHARTWELL DE MEXICO, S.A. DE C.V. (MEXICO)	DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES CZECHIA S.R.O.	JOINT AND SEVERAL DIRECTOR	YES
MR RAMÓN ARAGONÉS MARÍN	NH HOTELES DEUTSCHLAND GMBH	JOINT AND SEVERAL DIRECTOR	YES
MR RAMÓN ARAGONÉS MARÍN	NH HOTELBETRIEBS-UND ENTWICKLUNGS GMBH	JOINT AND SEVERAL DIRECTOR	YES
MR RAMÓN ARAGONÉS MARÍN	JOLLY HOTELS DEUTSCHLAND GMBH	JOINT AND SEVERAL DIRECTOR	YES
MR RAMÓN ARAGONÉS MARÍN	NH HOTELBETRIEBS- UND DIENSTLEISTUNGS GMBH	JOINT AND SEVERAL DIRECTOR	YES
MR RAMÓN ARAGONÉS MARÍN	NH CENTRAL EUROPE GMBH	JOINT AND SEVERAL DIRECTOR	YES
MR RAMÓN ARAGONÉS MARÍN	FRANQUICIAS LODGE, S.A. DE C.V. (MEXICO)	DIRECTOR	NO

Name of director	Company name of group company	Position	Does the director have executive duties?
MR RAMÓN ARAGONÉS MARÍN	GRUPO HOTELERO MONTERREY, S.A. DE C.V. (MEXICO)	DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	GRUPO HOTELERO QUERETARO, SA DE CV (MEXICO)	DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	HOTELERA DE LA PARRA, S.A. DE C.V. (MEXICO)	DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	HISPANA SANTA FE, S.A. DE C.V.	DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	NACIONAL HISPANA HOTELES, S. DE R.L. DE C.V. (MEXICO)	DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	OPERADORA NACIONAL HISPANA, S.A. DE C.V. (MEXICO)	DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	AIS POLSKA SP.Z.O.O.	JOINT AND SEVERAL DIRECTOR	YES
MR RAMÓN ARAGONÉS MARÍN	NH MANAGEMENT BLACK SEA SRL	JOINT AND SEVERAL DIRECTOR	YES
MR RAMÓN ARAGONÉS MARÍN	SERVICIOS CORPORATIVOS CHARTWELL MONTERREY, S.A. D (MEXICO)	DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	SERVICIOS CORPORATIVOS HOTELEROS, S.A. DE C.V. (MEXICO)	DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	SERVICIOS CORPORATIVOS KRYSTAL ROSA, S.A. DE C.V. (MEXICO)	DIRECTOR	NO
MR RAMÓN ARAGONÉS MARÍN	SERVICIOS CHARTWELL NUEVO LAREDO SA DE CV (MEXICO)	DIRECTOR	NO

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
MR WILLIAM ELLWOOD HEINECKE	MINOR INTERNATIONAL PUBLIC COMPANY LIMITED	CHAIRMAN-CHIEF EXECUTIVE OFFICER

Name of director	Name of listed company	Position
MR WILLIAM ELLWOOD HEINECKE	INDORAMA VENTURES PUBLIC COMPANY LIMITED	DIRECTOR
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MINOR INTERNATIONAL PUBLIC COMPANY LIMITED	DIRECTOR
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	SERENDIB HOTEL PCL	DIRECTOR

D. William Ellwood Heinecke is also Chairman of the Appointments, Remuneration and Corporate Governance Committee of the company Indorama Ventures Public Company Limited.

Mr Stephen Andrew Chojnacki is Chief Commercial Officer and General Counsel of the company listed in Thailand, Minor IPC.

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

[☒] Yes
[☐] No

Explanation of the roles and identification of the document where this is regulated

Article 29 of the Board Regulations expressly establishes that directors must dedicate the necessary time and effort to performing their duties, and must notify the Appointments, Remuneration and Corporate Governance Committee of any circumstances that may interfere with the required dedication. Similarly, directors may not belong to more than 10 boards of directors, excluding the Board of NH Hotel Group, S.A. and the boards of holding companies and family companies, without the express authorisation of the Appointments, Remuneration and Corporate Governance Committee based on the individual circumstances in each case.

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	2.149
Amount of vested pension interests for current members (thousand euros)	0
Amount of vested pension interests for former members (thousand euros)	0

C.1.14 Identify members of senior management who are not also Executive Directors, and indicate their total remuneration for the year:

Name	Position
MR FERNANDO CORDOVA MORENO	CHIEF PEOPLE OFFICER
MS LAIA LAHOZ MALPARTIDA	CHIEF ASSETS AND DEVELOPMENT OFFICER
MR ISIDORO MARTINEZ DE LA ESCALERA	CHIEF MARKETING OFFICER
MR RUFINO PÉREZ FERNANDEZ	CHIEF OPERATIONS OFFICER
MS BEATRIZ PUENTE FERRERAS	CHIEF FINANCIAL OFFICER

Name	Position
MR CARLOS ULECIA PALACIOS	GENERAL COUNSEL
MR FERNANDO VIVES SOLER	CHIEF COMMERCIAL OFFICER
Total remuneration of senior management (€ thousands)	
4.417	

C.1.15 State whether there has been any change to the regulations of the Board during the year:

[] YES
[v] No

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

The directors are appointed by the General Shareholders' Meeting, or provisionally by the Board of Directors in accordance with the provisions contained in the Capital Companies Act and the company's articles of association.

Proposals for appointments or the re-election of members of the Board of Directors is the responsibility of the Appointments, Remuneration and Corporate Governance Committee in the case of independent directors and is the responsibility of the Board itself for all other cases. Proposals should always be accompanied by a report from the Board assessing the proposed candidate's competence, experience and merits, which will be attached to the minutes of the General Shareholders' Meeting or that of the Board.

Proposals for appointing or re-electing any non-independent Director must also be preceded by a report from the Appointments, Remuneration and Corporate Governance Committee.

The Board of Directors must ensure that the selection process for its members favours diversity in terms of gender, experience and knowledge and does not suffer from implicit biases that may lead to any type of discrimination and, particularly, that it facilitates the selection of female directors.

In terms of appointing external directors, the Board of Directors and the Appointments, Remuneration and Corporate Governance Committee have a duty to ensure, within the scope of their respective competencies, that the election of candidates falls on people with a solid reputation, proven skills and experience, and who are prepared to dedicate a sufficient part of their time to the Company, taking the utmost care in choosing people who may be selected to be independent directors.

The Board of Directors will propose or designate people who meet the requirements set out in article 9.3.2 of the Regulation of the Board of Directors to cover the position of independent directors.

In any event, those subject to any incapacity, disqualification, prohibition or conflict of interests set forth in current legislation may not be proposed for appointment as Board members. All those directly or indirectly holding interests of any type or that have an employment, professional or mercantile relationship, or relations of any other type with competitor companies, shall be considered as incompatible for the position of director, except when the Board of Directors, with a favourable vote of at least 70% of its members, agrees to set aside this condition. The above is without prejudice to any other waiver that, in compliance with current legislation, the General Shareholders' Meeting had to provide.

C.1.17 Explain how far the annual assessment of the board has led to important changes in its internal organisation, and on the procedures applicable to its activities:

Description of amendment

Following the annual evaluation of the Board of Directors that has been conducted in December 2017, the Company has build up an action plan in order to improve certain areas of opportunity that have been detected.

- The training of the Board has been improved, as well as the Incorporation Plan of new Directors.
- The information available to the Directors regarding the perception of relevant third parties has increased.

Notwithstanding the aforementioned there is still pending an improvement margin regarding the execution of the defined Working Plan, especially with regard to the areas linked to the strategic plan of the Company and the duration of the Audit and Control Committee.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas

The evaluation process of the Board of Directors of NH is carrying out annually with the purpose of identifying the awareness of the Directors with regard to certain performances of the Board and its Committees related to the composition, its functioning, the sessions and the performances of its duties.

The evaluation process, especially with regard to the collecting and treatment of the formulars from the Directors, as well as presentation of the results and the build up of the action plan has been carried out with the advice of KPMG, as independent advisor and specialised in this matter.

The evaluation of 2018 has been answered by all the members of the Board that have been members during all fiscal period during 2018.

The Directors have state their opinions over a variety of areas, such as functioning of the Board and their government Committees, strategic plan, operational and financing supervision, communication of stakes, etc.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

The external advisor, KPMG has not being involved in other matters that have been presented to the Appointments, Remuneration and Corporate Governance Committee.

C.1.19 Indicate cases in which Directors are compelled to resign.

Directors shall step down when the period for which they were appointed comes to an end or when agreed by the General Shareholders' Meeting based on the powers legally attributed to it.

Article 14.2 of the Regulations of the Board of Directors also stipulates that Directors shall place their office at the disposal of the Board of Directors and tender their resignation in any of the following circumstances:

- a) When they are removed from the executive offices with which their appointment as a Director was associated or where the reasons for which they have been appointed are no longer valid. Such a circumstance shall be understood to apply to Proprietary Directors when the entity or business group they represent ceases to hold a significant shareholding in the Company's share capital or when, in the case of independent Directors, they become an executive of the Company or of any of its subsidiaries.
- b) Where they are subject to any incapacity, disqualification, prohibition or conflict of interests established in current legal provisions.
- c) Where they are seriously reprimanded by the Appointments, Remuneration and Corporate Governance Committee for failing to comply with any of their obligations as Directors.
- d) When their continued presence on the Board may affect the good standing or reputation that the Company enjoys in the market, or put its interests at risk in any other way. In this case, the Director must immediately inform the Board of the facts or procedural difficulties that affect said reputation or risk.

C.1.20 Are reinforced majorities other than those applicable by law required for any type of decision?:

☒ Yes
☐ No

If so, please describe the differences.

Description of the differences

For the appointment of Directors with direct or indirect interests of any type in, or an employment, professional, commercial or any other relationship with competitor companies, a vote in favour by 70% of the Board members is required (Article 11.3 of the Board regulations).

C.1.21. Explain if there are any specific requirements, other than those relating to Directors, to be appointed Chairman of the Board of Directors.

☐ YES
☒ No

C.1.22 Indicate whether the Articles of Association or the Board Regulations establish any age limit for Directors:

☐ YES
☒ No

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law.

☐ YES
☒ No

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

Article 40 of the Articles of Association sets the rules around delegating votes, stating that "Directors shall personally attend Board meetings and, when they are unable to do so in exceptional circumstances, shall ensure that the proxy granted to another member of the Board shall include the relevant instructions insofar as possible."

Similarly, Article 22 of the Board Regulations in implementing said article adds that "Non-executive directors can only delegate their vote to another non-executive director."

The Board of Directors has not governed the maximum number of times a Director may delegate their vote.

C.1.25 Indicate the number of meetings that the Board of Directors has held over the year. Also indicate, as applicable, the number of times that the Board has met without its Chairman attending. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	14
Number of Board meetings without the Chairman	

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	
--------------------	--

Please specify the number of meetings held by each committee of the Board during the year:

Number of Meetings held by the APPOINTMENTS AND REMUNERATION COMMITTEE	9
Number of meetings of the APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	6
Number of meetings held by the EXECUTIVE COMMITTEE	9

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance

Number of meetings where at least 80% of the directors attended	14
% of attendance over total votes during the year	95.00
Number of meetings in situ or representations made with specific instructions of all directors	14
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	100.00

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

☐ Yes
☒ No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

C.1.28 Explain, if applicable, the mechanisms established by the Board of Directors to prevent the individual and consolidated annual accounts it draws up from being submitted to the General Meeting of Shareholders with qualifications in the auditors' report.

Article 41.2 of the Regulations of the Board establishes that the Board of Directors shall ensure the financial statements are drawn up definitively so that there is no need for auditor qualifications. Nevertheless, when the Board considers that its criteria should remain unchanged, it shall publicly explain the content and scope of the discrepancies.

C.1.29 Is the Secretary of the Board a Director?

☐ Yes
☒ No

If the secretary is not a director, please complete the following table.

Name of the secretary	Representative
MR PEDRO FERRERAS Díez	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

The Board of Directors has established a stable and professional relationship with the Company's external accounts auditor through the Audit and Control Committee, strictly respecting its independence. By way of an example, the Audit and Control Committee holds regular meetings with the external auditor without the executive team being present. In this sense, article 25. b) of the Regulations of the Board of Directors expressly establishes that one of its responsibilities is to pass along to the Board of Directors proposals for selecting, appointing, re-electing and substituting external auditors, as well as conditions for their contracting and regularly collecting information from them on the audit plan and its execution, in addition to preserving its independence in exercising its functions.

Furthermore, the Audit and Control Committee is responsible for establishing suitable relationships with auditors or audit firms in order to receive information regarding any issues that may jeopardise their independence, so that these can be examined by the committee, and any other matters related with the process of conducting financial audits, as well as any other communications stipulated in the financial auditing legislation and audit regulations. In any event, it must receive written confirmation on an annual basis from the auditors or auditing firms of their independence from the Company or entities related to it either directly or indirectly, as well as information on any additional service of any kind provided to such entities and the corresponding fees received by the aforementioned auditors or by persons related to them in accordance with the provisions set forth in legislation regarding auditing.

Likewise, every year, prior to issuing the audit report, the Audit and Control Committee must also issue a report in which it gives its opinion on the independence of the auditors or auditing firms. This report must always contain an assessment of the additional services referenced in the above paragraph, considered individually and together, that are separate from the legal audit and with regard to their independence and to audit regulations.

C.1.31 State whether the Company has changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

☐ Yes
☒ No

If there were any disagreements with the outgoing auditor, please provide an explanation:

☐ Yes
☒ No

C.1.32 State whether the audit firm carries out other work for the company and/or its group other than audit work and if so, state the total fees paid for such work and the percentage this represents of the fees billed to the company and/or its business group:

☒ Yes
☐ No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	498	123	621
Amount invoiced for non-audit services/Amount for audit work (in %)	67,66	7,10	25,15

C.1.33 State whether the audit report of the financial statements for the previous year included qualifications or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

☐ YES
☒ No

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	26	26

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by%)	83,88	83,88

C.1.35 Indicate and, if applicable, provide details of whether there is a procedure whereby Directors can have the information necessary to prepare for meetings of the management bodies with sufficient time:

☒ Yes
☐ No

Explanation of procedure

According to article 21 of the Regulations of the Board, the announcement of the meeting, which will be published at least three days before the date of the meeting, will include a preview of the likely agenda for the meeting and will be accompanied by the necessary written information that is available.

Furthermore, article 27 of the aforementioned Regulations indicates that Directors must diligently inform themselves of the Company's progress, and to that end, collect any necessary or pertinent information in order to correctly perform their duty. To this end, the Board has been assigned the broadest possible powers to gain information about any aspect of the Company; to examine its books, registers and documents and any other information concerning its operations. Said right to information is also extended to the various subsidiary companies that are included in the consolidated group, insofar as it is necessary for the Director to correctly perform their functions as referred to in article 6 of said Regulations.

With the aim of not disturbing the Company's normal management, the exercise of the right to information will be channelled through the Chairman or Secretary of the Board of Directors, who will respond to requests from Directors by directly providing him/her the information or putting them in touch with the appropriate people in the suitable level of the organisation. With the aim of being assisted in the exercise of their functions, the Directors may obtain the necessary consulting from the Company to perform their functions. In special circumstances, they may even request that the Company hire legal, accounting or financial consultants or other experts. Such help must relate to specifically defined and complex problems that arise in the course of their work. The decision to employ such services must be communicated to the Chairman of the Company and implemented through the Secretary of the Board, unless the Board of Directors considers that such services are not necessary or appropriate.

C.1.36 State and, if applicable, provide details on whether the company has established rules that require directors to report and, as applicable, resign in those cases where the company's credibility and reputation may be harmed.

☒ Yes
☐ No

Explanation of procedure

The Regulations of the Board includes a mechanism to oblige the Directors to provide immediate notification of all legal proceedings in which they may be adversely affected. In this way, article 14.2.d) of the Regulations of the Board of Directors of NH Hotel Group, S.A., expressly establishes that Directors shall place their office at the disposal of the Board of Directors and tender their resignation when their continued presence on the Board may affect the good standing or reputation that the Company enjoys in the market, or put its interests at risk in any other way. In this case, the Director must immediately inform the Board of the facts or procedural difficulties that affect said reputation or risk.

It also establishes that in all events, those subject to any incapacity, disqualification, prohibition or conflict of interests set forth in current legislation may not be proposed for appointment as Board members.

C.1.36 State whether any member of the Board of Directors has notified the Company that they have been prosecuted or issued with a summons for oral proceedings in relation to the offences indicated in Article 213 of the Spanish Capital Companies Act:

☐ YES
☒ No

C.1.38 List the significant agreements signed by the company and that come into force, are modified or are terminated in the case of a change in control of the company resulting from a take-over bid, and their effects.

The NH Group has signed several financing contracts that contain a clause establishing their early maturity in the event of circumstances that give rise to a change in control of the NH, among others, the the syndicated credit line for an amount up to 250 millions euro, with maturity 2021. In addition, NH issued guaranteed senior bonds with maturity 2023, which include certain consequences should control of the Issuer change, such as the possibility of NH being required to repurchase the senior bonds. As a consequence of the takeover bid over NH, the Company got the unanimous waiver of the banks regarding the syndicated credit line, maintaining the maturity 2021. In addition and as a consequence of the change of control the Company has offered to the bond holders the purchase. The amount of the purchase only amounted 3,2 millions of the total nominal value.

Finally, the change of control following a public takeover bid could have different effects on other leasing and hotel management agreements signed by the Company.

During 2018 and resulting from the takeover bid of shares prepared by the Minor IPC Group, the Framework Contract for Global Hotel Transaction and Management signed between NH Hotel Group and Grupo Inversor Hesperia on 5 December 2016 was resolved, as reported though a Relevant Fact on 30 November 2018.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	1
Type of beneficiary	Description of agreement
Two members of Senior Management and one employee	In order to encourage loyalty and permanence in the Company, compensation has been provided for which may be more than the amount resulting from applying legal regulations, in the event of unilateral termination by the Company. This amount will be equal to one

Type of beneficiary	Description of agreement
	times the fixed annual salary to two annual of total salary, i.e. fixed salary and variable perceived during the last two fiscal years.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	√	
	Yes	No
Are these clauses notified to the General Shareholders' Meeting?		√

C.2 Committees of the Board of Directors

C.2.1 List all the committees of the Board of Directors, their members and the proportion of Executive, Proprietary, Independent and other external Directors thereon:

AUDIT AND CONTROL COMMITTEE		
Name	Position	Category
MR FERNANDO LACADENA AZPEITIA	CHAIRMAN	Independent
MS MARIA GRECNA	MEMBER	Independent
MR JOSÉ MARÍA SAGARDOY LLONIS	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Audit and Control Committee shall comprise a minimum of three and a maximum of six directors, appointed by the Board of Directors. All members sitting on said Committee shall be External Directors, the majority of whom, at least, must be independent directors, and one of whom must be designated by taking into consideration their knowledge and experience in accounting, auditing, or both. The Chairman of the Audit Committee must be appointed from among its independent members. The Chairman must also be replaced every four years; previous chairmen may be re-elected one year after their previous mandate has ended.

The Audit Committee will have at least the following responsibilities:

1. Report to the General Meeting of Shareholders on any matters broached within the sphere of its competence.
2. Supervise the effectiveness of the company's internal control, internal auditing, where applicable, and risk-management (including tax risk) systems, as well as discussing with auditors or audit companies any significant weaknesses in the internal control system identified during audits.

3. Oversee the process of drawing up and submitting regulated financial reporting.

4. Pass along to the Board of Directors proposals for selecting, appointing, re-electing and substituting external auditors, as well as conditions for their contracting and regularly collecting information from them on the audit plan and its execution, in addition to preserving its independence in exercising its functions.
5. Establish suitable relationships with auditors or audit firms in order to receive information regarding any issues that may jeopardise their independence, so that these can be examined by the committee, and any other matters related with the process of conducting financial audits, as well as any other communications stipulated in the financial auditing legislation and audit regulations. In any event, it must receive written confirmation on an annual basis from the auditors or auditing firms of their independence from the Company or entities related to it either directly or indirectly, as well as information on any additional service of any kind provided to such entities and the corresponding fees received by the aforementioned auditors or by persons related to them in accordance with the provisions set forth in legislation regarding auditing.
6. Issue, once a year and prior to the release of the auditor's report on the financial statements, a report expressing an opinion on the independence of the auditors or audit firms. This report must always contain an assessment of the additional services referenced in the above paragraph, considered individually and together, that are separate from the legal audit and with regard to their independence and to audit regulations.
7. Provide previous information for the Board of Directors on all matters established by law, the articles of association and in the Regulation of the Board, and, in particular on:
 - a. The financial information which the company must periodically publish;
 - b. The creation or acquisition of any equity investments in special purpose vehicles and companies registered in tax havens; and
 - c. Related party operations.
8. Safeguard the independence and effectiveness of the internal audit area; propose the selection, appointment, re-election and removal of the manager of the internal audit service; propose the budget for this service; receive periodic information about its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
9. Set up and oversee a mechanism that allows employees confidentially and anonymously to report any breaches of the Code of Conduct.
10. Supervise compliance and internal codes of conduct, as well as the rules of corporate governance.

The Audit and Control Committee will meet at least once every quarter and as many times as may be necessary, after being called by the Chairperson on their own initiative or upon the request of two of the Committee or the Board of Directors.

The Audit and Control Committee may require any of the Company's employees or managers, including the Company's Accounts Auditor, to attend its meetings. Through its Chairman, the Audit and Control Committee will give the board an account of its activities and work done, either at the meetings scheduled for the purpose or at the very next meeting when the Chairman of the Audit and Control Committee deems it necessary. The minutes of its meetings will be available to any member of the board that requests them.

Non-member Directors may attend Audit and Control Committee meetings on a one-off basis, when invited by the Chairman of the Committee.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	MR FERNANDO LACADENA AZPEITIA
Date of appointment of the chairperson	21/06/2016

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE		
Name	Position	Category
MR JOSÉ MARÍA SAGARDOY LLONIS	CHAIRMAN	Independent
MR JOSÉ MARÍA CANTERO MONTES-JOVELLAR	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Appointments, Remuneration and Corporate Governance Committee shall comprise a minimum of three and maximum of six Directors and shall be exclusively non-executive directors appointed by the Board of Directors, two of whom, at least, must be Independent Directors. The Chairman of the Committee shall be chosen by the Independent Directors that comprise it. The Appointments, Remuneration and Corporate Governance Committee will have at least the following responsibilities:

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

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

The Appointments, Remuneration and Corporate Governance Committee shall meet as often as considered necessary by its Chairman, or when requested by two of its members or the Board of Directors. Furthermore, non-member Directors may attend Appointments, Remuneration and Corporate Governance Committee meetings on a one-off basis, when invited by the Chairman of the Committee.

EXECUTIVE COMMITTEE		
Name	Position	Category
MR RAMÓN ARAGONÉS MARÍN	MEMBER	Executive
MR PAUL JOHNSON	MEMBER	Independent
MR EMMANUEL JUDE DILLIPRAJ RAJAKARIER	MEMBER	Proprietary

% of executive directors	33.33
% of proprietary directors	33.33
% of independent directors	33.33
% of other external directors	0.00

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Executive Committee shall comprise at least three but no more than nine directors, appointed by the Board of Directors. In terms of the qualitative composition of the Executive Committee, the Board shall ensure that the different types of director represented will be similar to that of the main Board and its secretary will be the secretary of the Board. The Chairman of the Executive Committee shall be chosen by the body itself from the Directors that comprise it. The Chairman of the Executive Committee may be a director other than the Chairman of the Board of Directors. The Chairman of the Executive Committee shall alternate turns presiding the General Shareholders' Meeting with the Chairman of the Board of Directors. In all events, the valid appointment or re-election of members of the Executive Committee shall require the favourable vote of at least two thirds of the members of the Board of Directors. Given its delegated powers, the Executive Committee will resolve all those issues not reserved for the exclusive competency of the plenary Board of Directors by law or the Articles of Association, reporting to the Board. The Executive Committee will provide prior examination of those issues submitted to the plenary Board of Directors which have not been previously examined or proposed by the Appointments, Remuneration and Corporate Governance Committee or the Audit and Control Committee

The Executive Committee has the mission of providing perspective and a broad vision both to the Board of Directors and the executive team, providing their experience in the preparation of relevant materials, training and guidance on matters that are key to the Company's future, thereby facilitating the Board of Directors' decision-making process in the matters of their competence.

The Executive Committee may apply said function to matters such as:

1. Investments and financing
2. Strategy for acquisitions and identifying possible objectives
3. Business model
4. Cost structure
5. Long-term vision in asset management; and
6. Group structure

The Executive Committee will meet as many times as it is convened by its Chairman, and its Secretary and Deputy Secretary will be those who perform the identical positions on the Board of Directors. The Executive Committee shall be validly convened when half plus one of its members with a right to vote are present or represented at the meeting. Resolutions shall be passed by a majority of the directors at the meeting with the right to vote (in person or by proxy), with the Chairman holding the casting vote in the event of a tie. Furthermore, non-member Directors may attend Executive Committee meetings on a one-off basis, when invited by the Chairman of the Committee. The Executive Committee shall notify the Board of Directors of the matters discussed and the decisions made at its meetings.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	2018		2017		2016		2015	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND CONTROL COMMITTEE	1	33.00	1	33.00	1	20.00	1	20.00
APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE		0.00		0.00	1	16.70	1	20.00
EXECUTIVE COMMITTEE		0.00		0.00		0.00		0.00

C.2.3 Indicate, as applicable, the existence of regulations governing the committees attached to the Board, where they are available for consultation and any amendments that have been made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

The Company Articles of Association (Articles 45 - 48), and the Regulations of the Board of Directors (Articles 23 - 26) comprehensively cover all regulations relating to the Board's Committees. The aforementioned internal regulations of the Company are available on the company website (www.nh-hotels.es), in the section "Shareholders and Investors" - "Corporate Governance". Said website also includes all information regarding the composition of each Committee. The Audit and Control Committee and the Appointments, Remuneration and Corporate Governance Committee annually issue a report on the activities they have carried out during the financial year.

D. RELATED AND IN-GROUP TRANSACTIONS

D.1. Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

Articles 33.1.c) of the Articles of Association and 5.5.c) of the Board Regulations assign the Board of Directors the duty of approving related party transactions, understood to be transactions between the Company and Directors, significant shareholders or bodies represented on the Board, or people associated with them, as defined in the LSC. This approval will follow a report by the Audit and Control Committee (Article 48.4 of the Articles of Association and 25 b) of the Board Regulations).

Authorisation of the Board shall not be required however, for related party transactions that simultaneously meet the following three conditions:

1. That are carried out under agreements with standardised conditions and are applied in a general way to numerous clients;
2. That are carried out at generally established rates or prices, set by the supplier of the good or service; and
3. Operations with a quantity that does not exceed 1% of the company's annual revenues.

Additionally, on 26 March 2014 the Board of Directors approved a Procedure on Conflicts of Interest and Related Party Transactions, available on the Company's website, which includes the approval of such transactions in greater detail. In this way, the aforementioned Procedure implements the provisions of the Regulations of the Board of Directors and the Internal Code of Conduct on the Securities Market of the NH Hotel Group, S.A., and aims to detail the rules to be followed in those transactions the Group performs with Directors, with people subject to rules of conflict of interest, or with major shareholders. Said Procedure establishes in detail everything relative to i) the written communication that must be submitted by shareholders or Directors regarding transactions to be performed by them or their respective Related Parties to the Secretary of the Board of Directors, who will send it to the Audit and Control Committee periodically for its review and, if necessary, to be passed along to the Board, provided that it does not fall within the pre-established criteria of cases that do not have to be submitted to the Board; and ii) the obligation of maintaining a registry of said transactions.

D.2. List transactions which are significant for their amount or relevant due to their subject, between the company or entities in its group, and significant shareholders of the company:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand of euros)
GRUPO INVERSOR HESPERIA, S.A	NH HOTEL GROUP, S.A.	Contractual	Management contracts	8,476
GRUPO INVERSOR HESPERIA, S.A	NH HOTEL GROUP, S.A.	Contractual	Other	2,607

- D.3.** List transactions which are significant for their amount or relevant due to their subject, between the company or entities in its group, and the managers or directors of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand of euros)
No data				N.A.

- D.4.** Report on the significant transactions carried out by the company with other entities belonging to the same group, provided they are not eliminated in the process of drafting the consolidated financial statements and do not form part of the Company's normal business in relation to its purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand of euros)
SOTOCARIBE, S.L.	Loan	9020

- D.5.** State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.

Name of entity within the group	Brief description of the transaction	Amount (thousand of euros)
No data		N.A.

- D.6.** Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and/or its Group, and their directors, managers or major shareholders.

Article 32 of the Regulations of the Board establishes the duty of loyalty and the duty to prevent situations of conflict of interest that the Directors must comply with. Thus, the aforementioned article states that Directors must perform their duties with the loyalty of a faithful representative, operating under good faith and in the Company's best interest. In particular, the duty of loyalty obliges Directors to:

- a) Not exercise their powers for purposes other than those for which they have been conceded.
- b) Keep the information, data, reports or background that they have had access to in the performance of their duty confidential, even when they have left the position, except for cases where allowed or required by the law.
- c) Abstain from participating in the deliberation and voting for agreements and decisions in which they or an associate have a direct or indirect conflict of interests. Those agreements or decisions that affect their position as a Director shall be excluded from the above requirement to abstain, such as their selection or removal for positions in the administration body or others of similar significance.
- d) Perform their duties under the principle of personal responsibility with freedom of criteria or judgement and independence with regard to instructions from and connections to third parties.
- e) Adopt the necessary measures for avoiding situations in which his/her interests may enter into conflict with the company's interests and with his/her responsibilities to the company.

In particular, avoiding the situations of conflict of interest referred to in the above letter e), obliges the Director to abstain from:

i) Carrying out transactions with the Company, except where they were ordinary transactions carried out under standard conditions for clients and of little importance, with these being understood to be those whose information is not necessary to express the true image of the equity, financial situation and profit and loss of the company.

ii) Using the Company name or their position as director to unduly influence the completion of private transactions.

iii) Making use of company assets, including confidential Company information, for private purposes.

iv) Exploiting the Company's business opportunities.

v) Receiving benefits or remuneration from third parties other than the Company and its Group of associate companies while carrying out my duties, except where these were mere acts of courtesy.

vi) Carrying out activities on their own account, or for third parties, which would entail either actual or potential effective competition with the Company or which, in any other way, would place them in permanent conflict with the Company's interests.

The above provisions shall also be applicable in the case that the beneficiary of the prohibited acts or activities is an associate of the Director, in accordance with the definition provided in article 231 LSC.

The Company may waive the prohibitions set out in this article, as established in article 230 LSC.

In any event, directors must notify the Board of Directors of any direct or indirect situation of conflict of interest that they or their associates may have with the Company. Situations of conflict of interest involving Directors will be subject to inclusion in the Annual Report.

For the purposes of the provisions of this Regulation, associates are defined as those persons referred to in Article 231 of the Revised Text of the LSC.

Additionally, on 26 March 2014 the Board of Directors approved a Procedure on Conflicts of Interest and Related Party Transactions, available on the Company's website, which includes the approval of such transactions in greater detail. In this way, the aforementioned Procedure implements the provisions of the Regulations of the Board of Directors and the Internal Code of Conduct on the Securities Market of the NH Hotel Group, S.A., and aims to detail the rules to be followed when the Company's interests or those of any of its Group's companies directly or indirectly clash with a Director's personal interests. Said Procedure establishes in detail everything relative to i) the obligation of communicating possible situations of conflict of interest to the Secretary of the Board, who will send them to the Audit and Control Committee periodically; ii) the obligation of the affected Director to abstain from attending and intervening in the phases of deliberation and voting regarding those matters in which they are involved in a conflict of interest, both in meetings of the Board of Directors as well as before any other company body, committee or board that participates in the corresponding transaction or decision, and iii) the obligation of keeping a registry of said transactions.

D.7. Is more than one company in the Group listed in Spain?

☐ YES

☒ No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk

The NH Hotel Group (hereinafter Grupo NH) risk management system is applicable to all the companies over which NH has effective control.

NH's risk management system aims to identify events that may negatively affect achievement of the objectives of the company's strategic plan, providing the maximum level of assurance to shareholders and stakeholders and protecting the group's revenue and reputation.

The model set up to manage risks is based on the ERM (Enterprise Risk Management) methodology and includes a set of methodologies, procedures and support tools which enable NH to:

1. Identify the most significant risks that could affect achievement of strategic objectives
2. Analyse, measure and assess such risks depending on their probability of occurrence along with their impact, which is assessed from a financial and reputational point of view
3. Prioritise such risks
4. Identify measures to mitigate such risks based on the group's risk appetite. This is firmed up by defining risk managers and setting up action plans agreed by the Management Committee.
5. Monitor mitigation measures set up for the main risks
6. Periodically update risks and their assessment

Such methodologies and procedures are also used in relation to tax risk management. NH Group has a Corporate Tax Strategy that forms part of the Group's Corporate Governance System, the objective of which is to establish the values, principles and rules that must govern the Group's activities in terms of tax, with a Tax Risk Management and Control Procedure.

E2. Identify the company bodies responsible for creating and implementing the Risk Management and Control System, including tax risks:

Board of Directors

The entity's Board of Directors is responsible for overseeing the risk management system, in line with the provisions of Article 5 of the Regulation of the Board of Directors, including tax risks.

Audit and Control Committee

As regulated by paragraph 3 of article 25 b) of the Regulation of the company's Board of Directors, the Audit and Control Committee supports the Board of Directors in supervising the effectiveness of the Company's internal control, internal audit, if appropriate, and the risk management systems, including tax risks, in addition to discussing significant weaknesses in the internal control system detected during audit with the auditors of accounts or audit firms.

Executive Committee on Risks

NH Hotel Group set up the Executive Committee on Risks in 2017, comprising members of the Management Committee and Senior Management. Its main responsibilities are: support the periodic monitoring of risks (monitoring of action plans and KRIs – Key Risk Indicators), support initiatives and activities related to the implementation of action plans, as well as creating a culture of risks in the company. This Committee met twice in 2018.

Management Committee

The Management Committee meets weekly and is made up of the Chief Officers or heads of general management for each area. The Management Committee's duties include, amongst others, risk management and control based on the risk appetite. Tax risk control falls to the Finance department.

Furthermore, NH has the following committees:

- Revenue Committee: In charge of monitoring revenue and defining such action plans as needed to achieve objectives based on the forecast of future demand.
- Assets Committee: Reviews the optimisation of hotel spaces, rent renegotiations and the exit plan from NH's portfolio.
- Expansion Committee: In charge of scrutinising investment opportunities and managing risks associated with investment portfolio management.
- Investment Committee: In charge of monitoring and controlling risks related to hotel refurbishment and re-branding projects.

- Experience and Innovation Committee: In charge of monitoring the implementation of experience improvement initiatives, their results and proposing new projects.
- Pricing Committee: In charge of monitoring the implementation of pricing and revenue management strategy, its results and proposing improvements.
- Results Committee. Response for monitoring the income statement, detecting deviances and implementing measures to resolve them.
- Operating Model Committee: In charge of monitoring the implementation of the new operating model, in addition to ensuring efficiency in terms of inherent costs.
- Transformation Committee: In charge of monitoring the implementation of the Group's transformation plan, which encompasses organisational changes to processes and systems. In charge of new projects that require systems developments.

Finance Department

The Finance Department is the department responsible for establishing the design, implementation and comprehensive monitoring of the Group's internal Financial Reporting control system. The Corporate Tax Department forms part of the Finance Department and is responsible for designing, implementing and monitoring the Group's Tax Risk Management.

Strategic Planning Department

The Strategic Planning Department is in charge of coordinating the definition and overseeing all strategic initiatives using Key Performance Indicators (KPIs).

Risk Function

The Risk function, which is part of the Internal Audit department, is in charge of drawing up the Corporate Risk Map, monitoring the KRI results monthly as well as the implementation status of the action plans agreed with each risk manager and their association with strategic objectives.

The risk map was updated in 2018; this was approved by the Audit and Control Committee at its meeting on 18 December 2018 and will be submitted to the Board of Directors for approval in the first quarter of 2019. In addition, action plans were defined to mitigate the main risks, as well as KRIs to carry out periodic monitoring on them, setting suitable tolerance levels for this.

Compliance Function

Since 1 January 2018, the Compliance function has been Internal Audit's second line of independent defence. This function is responsible for disseminating and monitoring compliance with the Code of Conduct and drafting and monitoring the Criminal Risk Prevention Model, which is implemented in Spain (Business and Corporate Unit) and Italy.

E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

- a) Financial Risks, such as fluctuation of interest rates, exchange rates, inflation, liquidity, non-compliance with financing undertakings, restrictions on financing and credit management.
- b) Compliance Risks, arising from possible regulatory changes, interpretation of legislation, regulations and contracts, and non-compliance with internal and external regulations. This section would include tax, environmental, and fraud and corruption risks. It also covers Reputational Risks, arising from the company's behaviour which negatively affects fulfilment of the expectations of one or more of its stakeholders (shareholders, customers, suppliers, employees, the environment and society in general).
- c) Business Risks generated by inadequate management of procedures and resources, whether human, material or technological. This category includes the difficulty of adapting to changes in customer demands and requirements, including those resulting from External Risks caused by natural disasters, political instability or terrorist attacks.
- d) Systems Risks, produced by attacks or faults in infrastructures, communications networks and applications that may affect security (physical and logical) and the integrity, availability or reliability of operational and financial information. This heading also includes business interruption risk.
- e) Strategic Risks, produced by difficulty accessing markets and difficulties in asset disinvestment.

E.4. State whether the entity has risk tolerance levels, including for tax risk:

The NH Group has defined 68 KRIs for its 15 main risks which are measured monthly through a specialised risk management computer tool. Tolerance levels have been defined for each of the main KRIs. When the KRI exceeds an acceptable level of tolerance, the Risk Owner is asked to define mitigation measures to bring the level of risk back to the desired tolerance level.

For tax matters, the Group acts in line with its Corporate Tax Strategy and the Tax Risk Management and Control Procedure. On 11 November 2015, the Group approved its adherence to the Good Tax Practices Code which was approved on 20 July 2010 in the plenary session of the Large Companies Forum.

E5. State which risks, including tax risks, have had an impact over the year.

In relation to risks which have materialised and had a negative effect on the company in 2018, the fact that a significant exposure to geopolitical risks exists must be noted. However, the company carried out a dollarisation strategy of the main contracts in local currency as well as repatriating local currency excesses that greatly contributed to mitigating the impact of the aforementioned risk. Additionally, political instability in Catalonia continued to negatively affect the company's operations.

With the exception of those previously mentioned, no other risk materialised which had a negative impact. In any event, the Company's risk management system has managed to identify, analyse and adequately deal with those risks which threaten compliance of the Organisation's objectives.

E6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

The design of the response to risk takes into account the cost/benefit analysis between the impact of risk and the actions to be taken to manage it, the appetite and tolerance for risk and the strategic goals of the NH Group.

The NH Group follows an extensive coverage policy by taking out insurance policies for the risks to which it is exposed. It also has a policy of continuously reviewing this coverage.

The Strategic Planning Department oversees the achievement of strategic goals by continuously monitoring strategic initiatives and detection of new risks.

The Internal Audit Department, in carrying out its Risks function, advises the risk managers in defining response plans to mitigate the main risks and supervises their implementation.

In each of the Risk Committee's meetings since its creation in May 2017, it has monitored the evolution of the KRIs, the degree of implementation of the risk map's action plans as well as new risks and challenges that could affect the company and industry in the short, medium and long term.

Since November 2017, the company has had a tool to automate the identification, assessment and monitoring of risks. This tool significantly reduces the time involved in the planning and assessment of risks and controls, ensures traceability of the analysis and is the only point of information at a global level for risk management.

The Audit and Control Committee regularly carries out the following supervisory and control functions, as specified in Article 25 b) of the Regulation of the Board of Directors:

The Tax Department oversees the Group's tax risk management. The Group has approved a Tax Risk Management and Control Procedure in order to identify and, as far as possible, mitigate any tax risk that may arise in Spain or in the countries in which the Group operates.

During the periodic risk supervision and monitoring process, as well as during the annual risk identification and assessment process, the company has the appropriate mechanisms to ensure that new risks and challenges are taken into consideration and given an appropriate response. The final result of this analysis is reflected in the corporate risk map that is submitted annually to the board of directors for approval.

F. INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (SCIIF)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1. The company's control environment

Report on at least the following, describing their principal features:

- F.1.1 What bodies and/or areas are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation, and (iii) their supervision.

Amongst others, the Board of Directors has the powers to determine the risk management and control policy as well as the internal information and control systems as stated in section 3 of article 5 of its governing rules. Likewise, the Board of Directors is responsible for a suitable and effective Internal Control System regarding the Group's Financial Information which aims to provide the Group with a reasonable assurance as to the reliability of the financial information produced and published on the financial markets.

The Group's Finance Management is responsible for the design, implementation and proper working of the SCIIF. 2018 was the first full year that the three lines of defence model has been present and operating in order to reasonably guarantee the reporting of complete and accurate financial information.

The Audit and Control Committee is responsible for monitoring the effectiveness of internal control in accordance with section b) of article 25 of the Board of Directors' governing rules. This responsibility is in turn delegated to Internal Audit.

- F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

- Departments and/or mechanisms responsible for: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.

Defining and reviewing the organisational structure of the Group is the responsibility of the Management Committee.

Significant changes to the organisation chart, i.e., those affecting Senior Management, are approved by the Board of Directors, after being proposed by the Appointments and Remuneration Committee. The organisation chart is available to all employees on both the Group's intranet and its website.

Both the hierarchical and functional lines of responsibility are duly communicated to all Group employees. The internal communication channels are used for this, amongst which we highlight the intranet, executive meetings and information boards in each hotel.

In order to fulfil the objectives and responsibilities relating to maintenance and supervision of the Financial Reporting Control process, specific functions have been defined which apply to those responsible for each process involved with Financial Reporting, in order to ensure compliance with the implemented controls, analyse how well they function, and report any changes or incidents that may occur.

On an ascending scale of responsibility, this structure includes the supervisors of each process in the area of control, the directors of each business unit and the directors of each corporate area directly concerned with the processes related to the internal Financial Reporting Control System.

Within Finance Management, the Corporate Internal Control Department is entrusted with receiving information from the different individuals responsible for the process and is also responsible for ensuring correct operation of the Internal Control System.

- Code of conduct, the approval body, the degree of dissemination and instruction, included principles and values (indicating if there are specific mentions of the transactions register and the generation of financial reports), the body in charge of analysing breaches and proposing corrective actions and penalties:

The NH Group has had a Code of Conduct since 2006, which was last revised in 2015. Responsibility for approving the Code of Conduct rests with the NH Group's Board of Directors. This document affects all NH Group employees, and applies not only to employees, managers and members of the Board of Directors, but also, in certain cases, to other stakeholders, such as customers, suppliers, competitors, shareholders and the communities in which NH runs its hotels.

The Code of Conduct summarises the professional conduct expected of all employees at centres operating under the Group's brands, promoting the commitment to act with integrity, honesty, respect and professionalism in the performance of their work. The NH Group is committed to complying with the laws and regulations in the countries and jurisdictions in which it operates. These include laws and regulations on health and safety, discrimination, taxation, data privacy, competition, anti-corruption, prevention of money laundering and commitment to the environment. The key areas covered by the Code are:

- Commitment to people.
- Commitment to customers.
- Commitment from suppliers.
- Commitment to competitors.
- Commitment to shareholders.
- Commitment to communities and society.
- Commitment to the Group's assets, knowledge and resources.
- Obligations regarding fraudulent or unethical practices.
- Commitment to the stock market.

Since 2014, NH Group has driven the creation of the Compliance function, the scope of which applies to the following key areas:

- Internal Code of Conduct: Sets out minimum standards to be respected in relation to the purchase and sale of securities and privileged and confidential information and its processing.
- Conflict of Interests Procedure: Establishes the rules to be followed in situations where there is a conflict of interests between the Company, or any of the companies making up the Group, and the direct or indirect personal interests of the Directors or persons subject to the conflict of interests rules.
- Code of Conduct: Intends to establish the main values and rules which should govern the conduct and actions of each of the employees and executives of the Group, as well as the members of the governing bodies of the companies that form part of the Group.
- Criminal Risk Prevention Model: Describes the crime prevention and management principles in place at NH Group and defines the structure and operation of the control and monitoring bodies set up within the Company, systematising existing controls for the purpose of preventing and mitigating the risk of crimes being committed in the Company's various areas.

Compliance Committee

NH Hotel Group set up the Compliance Committee in 2014, comprising members of the Management Committee and Senior Management. It has the power to oversee compliance with the Group's Internal Code of Conduct, Conflict of Interests Procedure, Code of Conduct and Criminal Risk Prevention Model.

The Compliance Committee submits a detailed report to the Board's Audit and Control Committee regarding the activities carried out and has the power to impose disciplinary sanctions on employees in matters within its scope of responsibility.

Compliance Office

The Compliance Office is in charge of overseeing compliance with the Code of Conduct and updating, monitoring and overseeing the Criminal Risk Prevention Model. The Compliance Office reports directly to the Compliance Committee.

The Criminal Risk Prevention Model has been implemented in Spain (Business Unit and Corporate) and Italy, where training was imparted on this topic during 2018. The percentage of those undertaking training is 77 % in Spain (Central Services employees, Hotel Directors and Heads of Department) and 91% in Italy.

In 2018, the roll out of an IT tool in Spain was concluded that will help manage and audit the Criminal Risk Prevention Model. Additionally, during 2018, streamlining of the Criminal Risk Prevention Matrix was carried out in seven other countries to provide the company with a more efficient model.

The Code of Conduct is available for employees on the company intranet, and for third parties on the Group's website. Through the Human Resources departments of each business unit, the NH Group has authorised a procedure whereby each employee is required to adhere to it, with training on the Code of Conduct being made available to all employees.

At 31 December 2018, use of the Code of Conduct through the online course is at 66%. The Code of Conduct contains the following points specifically relating to financial reports and the recording of transactions:

The Group has is committed to reporting transparency, construed as the undertaking to release reliable information to the financial markets, as well as to any other kind of markets. Hence, the company's internal and external financial and economic reporting shall faithfully reflect its economic, financial and equity position in accordance with generally accepted accounting standards.

The Manipulation of Information section of the Code of Conduct stresses that individuals responsible must transmit truthful, complete and comprehensible financial reports. Under no circumstances may they knowingly provide incorrect, inexact or inaccurate information. Therefore, individuals responsible shall refrain from:

- Keeping a record of transactions in non-accounting media not recorded in official books.
- Keeping accounts which, referring to the same activity and financial year, hide or fake the company's true situation.
- Recording expenses, income, assets or liabilities which are non-existent or not in line with reality;
- Noting businesses, acts, transactions or, in general, financial transactions in the compulsory books, or making a note of them with figures other than the true ones;
- Making entries in accounting books, incorrectly indicating their purpose;
- Using false documents;
- Deliberately destroying documents before the end of the legally-required time limit for retaining them.

Whistle blower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.

A procedure has been established for lodging complaints about breaches of the principles enshrined in the Code of Conduct, and this enables employees to provide confidential information about any non-compliance. This procedure ensures transparency, confidentiality and respect throughout all its stages.

The procedure for reporting and dealing with possible non-compliance and reports relating to the Code of Conduct is administered by the Senior Vice President of the Group's Internal Audit Department, who acts independently and ensures the channel's confidentiality, giving an account of the most significant incidents over the course the year to the Group's Audit and Control Committee.

Complaints should preferably be lodged electronically using a channel expressly set up for the purpose and available to all stakeholders (codeofconduct@nh-hotels.com), through which they are forwarded to the Internal Audit Department. In addition, they may be sent by post for the attention of the Senior Vice President of NH Hotel Group, S.A. Corporate Internal Audit Department at Santa Engracia 120, 28003 Madrid, Spain.

The Senior Vice President of the Corporate Internal Audit Department is responsible for analysing the information presented and requesting the corresponding evidence and reports. All complaints received are submitted to the Compliance Committee and the Audit and Control Committee, upholding the principle of confidentiality guaranteed in the Code of Conduct.

Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.

In 2018, the head of Internal Control passed the COSO programme, taught by the Institute of Internal Auditors.

On the other hand, the Corporate Finance Department, through Internal Control, has given training sessions on internal control and reporting through the SAP GRC tool to front-line users of the business unit in Latin America, users from the Coperama group companies, as well as Shared Services Centre users, as per the following:

- Internal training given to employees of the Latin America business unit whose roles are process owners and certifiers of organisational units with an introductory framework on Internal Control and the SCIIF with the aim of their acquiring the fundamental knowledge to carry out the review of the financial information controls self-assessment made by first line of defence users and reported to Internal Control.

- Internal training sessions on self-assessment and reporting SCIIF controls through SAP GRC aimed at users of the first line of defence from the business unit in Latin America and Coperama group companies.

Likewise, the Corporate Internal Control Department provided internal training to review self-assessment controls in SAP GRC to four employees from the third line of defence to allow them to perform their supervisory role in annually auditing the SCIIF. Additionally, the Corporate Finance Department attends training courses or conferences on updated accounting standards, consolidation standards and the specific financial reporting applicable to the sector, which are considered especially relevant to its work. We highlight attendance at training sessions during 2018 on IFRS 16 on leases, given by the Corporate Financial Consolidation Department.

Finally, the Corporate Internal Audit Department, being responsible for reviewing the SCIIF, has a specific training plan that, during 2018, involved a total of 665 hours of training on risks and the reporting tool, audit and fraud prevention conferences, and other topics of interest related to the function which were given to the 10 members of the department.

F.2. Financial reporting risk assessment

Report, at least

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

- Whether the process exists and is documented.

The goal of the process of assessing financial risks is to establish and maintain an effective process for identifying, analysing and managing the risks relevant to the preparation of Financial Statements.

At NH the risk management process consists of three levels of participation:

- The Board of Directors reviews the Audit and Control Committee's supervision of risk management policies, processes, personnel and control systems.
- The Corporate Internal Audit Department, which assumes the risk management function, annually leads the updating of the Corporate Risk Map approved by the Board of Directors.
- The Chief Officers or acting managers of each area, including the Executive Managing Directors and other professionals directly involved in the risk management process within their area of responsibility.

The types of risk identified in the Internal Control System on Financial Information are classified as follows: Technological risks

Technological risks relate to the management of information systems to ensure the completeness, availability and reliability of financial information and avoid exposure of the company's significant assets to potential loss, damage or misuse.

These risks relate to the following areas:

- Access security
- Availability
- Completeness
- Supervision of

Accounting Risks

These are the risks related to the incorrect accounting record of the transactions and breach of the applicable accounting principles (the International Financial Reporting Standards in the case NH Hotel Group's consolidated accounts) whereby the consolidated financial statements do not express, in all significant aspects, the true image of the consolidated equity, financial situation, profit and loss and cash flows, with them being able to change or influence the reasonable judgement of a person.

In order to provide reasonable assurance regarding the reliability of the financial information disseminated to the market, the Internal Control area of NH Hotel Group's Finance Department follows a permanent review and risks identification process which it documents in two interrelated matrices; the risk and control of the financial information matrix and the scope of the SCIIF matrix.

The risk and control of the financial information matrix contains the risks and sub-risks categories in each process and sub-process having a potential impact on the financial information as well as the associated SCIIF controls to mitigate the impact of these risks.

The scope of the SCIIF matrix identifies those headings of the consolidated balance sheet and income statement with a significant associated risk and a potential material impact on the published financial information. Materiality is established according to quantitative criteria, based on the latest consolidated annual accounts, and on qualitative criteria such as the volume and unit amount of transactions, the automation of processes and the integration of systems, the accounting complexity, the degree of estimation and application of judgements and assessments, and the level of criticality based on experience.

Organisational and resource management risks

These risks include problems in the planning, management and monitoring of financial, material and human resources, and difficulties in interdepartmental communications and decision-making, including possible quality problems and other threats in the course of the Group's activities.

These risks relate to the following areas:

- Budget Control
- Credit Management
- Receivables Management
- Payables Management
- Personnel Management
- Fraud

Data processing risks

These risks include problems in data processing in information systems, mainly in the following areas:

- Human Error
- Completeness of Invoicing
- Completeness of Master Files
- Review

Presentation and process risks

These risks can lead to ineffectiveness and inefficiency within the Group structure when drawing up financial reports in terms of quality, time and costs, and include the following aspects:

- Timeliness of the information
- Compliance with internal standards and policies

Business environment risks

Business environment risks arise due to external factors which can lead to significant changes in the basis underlying internal control of the objectives of financial reporting and the Group's strategies. Business environment risks are related to the following matters:

- Failure to comply with commitments undertaken.
- Tax contingencies.

Outsourcing Risks

Outsourcing risks arise as a result of the process of transferring part of the administration service to a third party, and are categorised as follows:

- Service Level Agreements.
- Availability
- Personnel Management
- Knowledge Management
- Legal

The risk identification and assessment process is carried out by the Corporate Internal Audit Department and supervised by the Audit and Control Committee as part of its duties.

The risk identification process is documented in the Corporate Risk Manual.

- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.

In order to ensure the reliability of Financial Reporting, when identifying risks and controls, the accounting errors that may arise from the following objectives for financial information are always considered:

- Completeness: balances or transactions that should be recorded but are not.
- Transaction cut-off: those booked in a period other than when they were accrued.
- Accuracy: transactions recorded with errors (amounts, conditions).
- Occurrence/Existence: registered transactions which have not taken place within the period.
- Valuation/Allocation: record of transactions involving incorrect sums due to inadequate valuation calculations.
- Presentation/Classification: classification errors in the various entries of the financial statements.
- Understandability: lack of quality of financial information which makes it difficult to understand for a person with reasonable economics and business knowledge.

During 2018, Internal Control continued to update the control activities, among which are those related to the execution of controls at the corporate level.

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.

The Financial Department will consolidate the accounts every month.

This process involves the reporting of the sub-consolidated income statement and balance sheet reported by each Business Unit, in accordance with their consolidation perimeter, to the Corporate Finance Department.

Each year, the Corporate Consolidation Department confirms the consolidation perimeters with the finance directors of the business units.

Additionally, throughout the year, the business units report on variations which arise in their consolidation perimeter to the Finance Department which, in turn, coordinate the modification of these in all the Group's financial reporting and consolidation systems.

On the other hand, the tax department of the Corporate Finance Department is responsible for maintaining the Group's organisational chart and periodically reporting the updated version to a distribution list of people within the Finance Department to control changes in the consolidation perimeter.

- If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

In designing the risk management process associated with generating Financial Reports, the following objectives have been focused on:

- Definition of the Financial Information Internal Control System processes and sub-processes.

Determination of the relevant risk categories and types for each of the different Internal Financial Information Control System processes defined in the point above.

Corresponding subcategories have been defined for each of these risk categories.

- Definition and analysis of controls for each specific risk and establishment of their degree of effectiveness.

A risk matrix has been established for each of the sub-processes detailed above, in which the most relevant risks for each process are defined, along with the operational controls and their effectiveness in mitigating the risks that affect them.

- The governing body within the company that supervises the process.

The company's Board of Directors is responsible for supervising the risk assessment process. In order to carry out the aforementioned supervision duties, the Board of Directors turns to the Audit and Control Committee, which performs this duty through the Internal Audit Department.

F.3. Control Activities.

State whether the company has at least the following, describing their main characteristics:

- F.3.1 Procedures to review and authorise the financial report and description of the SCIIF, to be published on the securities market, indicating its responsible bodies, and documentation describing the workflows and controls (including those regarding fraud risk) of the different types of transactions which can have a tangible effect on the financial accounts, including the accounting close procedure and the specific review of the relevant judgements, estimations, evaluations and projections.

There is a financial information review and authorisation procedure in the NH Hotel Group which is set out below:

- Internal reporting of financial information:

Each month, the Group's Finance Management send the Group's most significant information management to the Executive Committee and Board of Directors for their review which contains the income statement and the main economic indicators. Prior to reporting to these governing bodies, the information undergoes a review process by the finance directors at a business unit level, a review process by Group Finance Management at a corporate level and a joint review by Group Finance Management with the finance directors of the business units.

- Reporting of information to stock markets:

The consolidated accounts and the half-yearly consolidated financial reports are prepared based on the information reports of the business units and, once reviewed by their respective directors, the consolidation process is undertaken by Corporate Consolidation and the information required to prepare the consolidated accounts is provided both by the Finance Department and other Corporate departments always with the review of the corresponding people responsible for it. Once the consolidated financial statements have been received, they are reviews by the Group's Finance Management and by the Audit and Control Committee before being prepared and approved by the Board of Directors (section b) of article 33 of the Parent's Articles of Association and sections 3. d) and 5. b) of Article 5 of the Board of Directors' Governing rules). Once prepared, they are published through the National Securities Market Commission.

Additionally, each quarter, the Group publishes financial information to the stock markets. Finance Management is responsible for the process of issuing such information while the Board of Directors, in accordance with section 3 of article 40 of its Governing rules, is responsible for ensuring the preparation is carried out in line with the principles, criteria and professional practices with which the Annual Accounts are produced and enjoy the same reliability. To this end, said information is reviewed by the Audit and Control Committee which, when it deems it appropriate, requires the presence of both external and internal auditors.

Likewise, the Board of Directors may request analysis of specific issues, as well as the details of particular financial transactions which, because of their importance, require greater analysis.

The Corporate Organisation Department is responsible for documenting and updating the year-end process which is published on the corporate intranet. This process includes the SCIIF controls implemented to mitigate those risks identified at year-end among which are those risks related to the different review levels of the financial information generated.

On the other hand, the NH Hotel Group has implemented an internal control system on financial information (ICFR) based on COSO (Committee of Sponsoring Organizations of the Treadway Commission), as a framework that seeks to ensure that the relevant components and principles of internal control are present and operating jointly in the Organisation, to achieve the following objectives:

- Effectiveness and efficiency of operations
- Reliability of financial information
- Compliance with applicable laws and regulations
- Safeguarding assets

To comply with the objective of ensuring reliability of financial information reported to the markets, the NH Hotel Group has implemented a model based on three lines of defence:

- The first line of defence is all employees responsible for preparing and reporting the financial information reported and the effective execution of SCIIF controls.
 - The second line of defence is Internal Control, within the Corporate Finance Department, which is responsible for managing and updating the SCIIF risk and control matrix as a tool to implement controls that mitigate the identified risks. Among its other responsibilities, it periodically reviews the self-assessment of the controls executed and reported by the first line of defence, communicating and reporting on the main area to improve.
 - The third line of defence is the Corporate Internal Audit Department, which delegates the review of the SCIIF to the Audit and Control Committee. The Group's internal control model is audited annually to afford the Audit and Control Committee and Board of Directors reasonable security as to its effectiveness and, as a result, the reliability of the financial information generated and published on the stock market.
- Since the beginning of 2018, the management of the SCIIF risk and control matrix has been carried out in the SAP GRC internal control reporting software, as the sole repository of the SCIIF report. The implementation of this tool supposes an improvement in the effectiveness of monitoring modifications in the risk and control model, as well as the monitoring of action plans to correct possible weaknesses detected in the SCIIF report. Likewise, it guarantees traceability of the evidence and communication report between users of the first and second lines of defence.

The Group's SCIIF risk and control matrix considers the relevant business cycles in drafting the financial information prepared and published by the Group, which are detailed below:

- Accounting close, consolidation and financial reporting process
- Purchasing and suppliers
- Sales and customers
- Cash
- Financing
- Fixed assets
- Inter-company
- Tax
- Human resources
- Provisions and contingencies
- Loyalty programme
- Shared services centre
- Business support technological processes

The structure of the financial risk and controls matrix includes the following information:

- Organisational unit: the organisational level to which the controls are implemented and determines the scope of the assessed entities.
- Process and sub-process: set of activities related to a specific function within the operation of an organisational unit. They include those with a potential significant impact on the financial information prepared by the Group.
- Risk: the possible events or actions which could affect the capacity of the company to meet financial reporting objectives and/or implement strategies successfully.
- Description of the control: definition of the control activities included in the policies, procedures and practices applied by the Group to ensure it meets its control objectives and the risk is mitigated.
- Evidence: the documentation maintained by those responsible for the control (company personnel) so that the entire model can be regularly supervised and audited.
- Classification of the controls: key or not, preventive or detective, and manual or automatic; this last one depending on whether they can be monitored using data from automated tools.
- Ownership of the controls: they belong to the first line of defence in accordance with the COSO model. They are those who execute the controls and those responsible for their self-assessment and the assessment of their design.

- Those responsible for the controls: within the first line of defence they are the supervisors of the correct execution and reporting of the controls for each activity before their reporting to Internal Control, the model's second line of defence.

- Frequency: how often the controls are executed.

Within the risks identified in the business cycles defined in the SCIIF matrix are the risks of fraud and the controls associated with its mitigation.

Likewise, the matrix includes controls specific to the review of relevant judgements, estimates, valuations and projections whose execution mitigates the risk of reporting unreliable financial information.

Additionally, the Group has a documented procedure which collates the policies to follow in the valuation of those assets of the consolidated balance sheet which involve the making of judgements, estimates, valuations and/or projections with a material impact on the consolidated financial statements.

Additionally, section F of the Annual Corporate Governance Report published by the NH Hotel Group is subject to an external audit to guarantee the truthfulness of its content.

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

Internal control of IT systems

There is an internal control model prepared for the Group's information systems which covers the different IT processes and is based on their associated risks. This model (based on COSO and COBIT) includes a matrix of 93 general IT system controls (GITC) and policies and procedures relating to the security the IT systems need.

The internal control model covers the systems that contribute to the preparation of the Group's consolidated financial statements and thus assures the completeness, availability, validity and quality of the information provided to the markets.

The GITC matrix is aligned with the control models created by the NH Group for other business cycles, which are structured into the following processes:

Access to programmes and data

There are policies and procedures that set up controls over:

- Restricted access to the systems, avoiding unauthorised access or changes to programmes that could affect the completeness, integrity and reliability of financial reports.
- Correct separation of functions, in order to guarantee secure access to the accounts information systems.
- Security in the facilities housing the systems, ensuring that only authorised personnel have access to them. Operations

There are policies and procedures that set up controls over:

- The availability of the information, ensuring that financial data are complete, valid and accurate.
- Good management of incidents, enabling quick resolutions and minimising their impact.
- That operations are monitored, ensuring that they are executed completely and on time. In the event of an incident, these are resolved allowing the jobs to be re-launched and executed correctly.

Since 2011, the Group has had an Information Security area, part of the IT Department, which monitors security in all IT processes, assuring the availability, reliability and completeness of information.

Security Policy

The security policy is the reference framework defining the directives to be followed by all employees, and makes it possible to ensure the security of the IT systems and, therefore, of all the business processes. This policy was revised during the 2018 financial year.

During 2018, various initiatives linked to the Information Security Master Plan continued to be implemented, including those relating to the generation of security documentation in the information technology environment.

- F.3.3** Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

The function has been outsourced to a third party in the companies included in the scope of the SCIIF. This involved the implementation of the NH Hotel Group's SCIIF model in all those companies whose financial reporting and reporting processes were outsourced, aligning with the control models defined for the other business cycles. The SCIIF controls associated with the outsourced services function are executed and reported by users of the Shared Services Centre, although the NH Hotel Group is responsible for their effectiveness to reasonably mitigate the associated risks.

In January 2018, the outsourcing of the Administration function of the corporate structure of Hoteles Royal became effective, and the SCIIF model was extended to all outsourced financial reporting and reporting processes.

Additionally, NH Hotel Group's SCIIF risk and control matrix has 6 sub-processes and 18 control activities relating to the handover periods of transferring the administrative function to the Shared Services Centre, the settling-in period, the provision of the service, compliance with regulations, the continuity of the service and the governance model in the outsourcing contract.

Also, the NH Hotel Group has obtained the report of the independent third-party ISAE 3402 "International Standard on Assurance Engagements", allowing the NH Hotel Group to check whether the control objectives and activities of the service provider have been effective in 2018.

F.4. Information and Communication.

State whether the company has at least the following, describing their main characteristics:

- F.4.1** A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

Through Corporate Consolidation, NH Hotel Group's Finance Management is responsible for defining, updating and correctly applying the accounting policies as well as responding to questions and queries which arise in their interpretation. In this same sense, it is charged with communicating any change which occurs in accounting matters to the heads of the business and corporate units and which affects them in the reporting of financial information.

The Group has an accounting policies manual and a consolidation manual -both published on the intranet- in accordance with the International Financial Reporting Standards (IFRS), which are those which govern the NH Hotel Group. Likewise, the Group shares a single accounting plan applicable in all the business units in which it operates.

The Corporate Organisation Department is responsible for unifying, analysing and publishing the rules and procedures applicable in the Group, among which are the operational, administrative (including accounting), quality and regulatory procedures.

The Corporate Internal Audit Department is responsible for periodic review of the processes, policies and procedures defined in the Group.

- F.4.2** Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

As discussed in section F.4.1, the consolidated financial information which NH Hotel Group publishes on the stock market is in accordance with IFRS. In this sense, the information reported from the Group's business units follows international regulations. Likewise, there is a single accounts plan applied by all the companies which are included in the consolidated group.

Grupo NH has a common consolidation tool for all companies. This tool centralises all the information corresponding to the accounting of the companies which make up the financial consolidation of the NH Hotel Group into a single system. The input of financial information from the ERP to the consolidation system is automatic for those companies already migrated to the common ERP implemented in most Group companies, or manually for those companies with a different ERP. In this sense, preventive controls have been defined in the consolidation tool itself which ensure data is input correctly.

Finance directors of the business units report the financial information to the corporate office monthly using two unique standard reporting packets designed by the Corporate Finance Department for reporting of the financial management information and the consolidated balance sheet.

The dumping of information from the accounts and the accounting headings to the reporting is the same for both models, having previously been approved by the Corporate Finance Department. Any change in criteria for the dumping and presentation of information to be reported is communicated from the corporate office to the finance directors of the business units.

In turn, the Corporate Finance Department uses the same reporting models to prepare the management reports and annual accounts published on the stock market.

All this ensures that the information reported between business units is comparable as well as being homogeneous to be included in the Group's consolidated financial reporting.

At an internal control level, the Group has designed a single reporting model for the monthly sending of SCIIF controls self-assessment to its owners. Likewise, the Internal Control area pursues the homogenisation of the processes in all the Group's business units so that the risk and control matrix is the same for all the organisational units. In turn, whenever Internal Control modifies the design of the controls, it is communicated to the owners of the processes and controls so they are informed and report according to the latest version of the SCIIF risks and controls matrix.

F.5. Supervision of the system

Describe at least the following:

- F.5.1** The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

Supervisory activities of the Audit Committee

The Audit and Control Committee is the advisory body to which the Board of Directors has delegated its supervisory functions to update and supervise the SCIIF. As part of this function and to fulfil the tasks delegated by the Board, the Committee receives and reviews the financial reports which the NH Group issues to the markets and regulatory bodies, particularly the consolidated annual financial statements accompanied by the Audit Report.

The Committee supervises the preparation process and the completeness of the financial reports of the Company and its subsidiaries, and checks that the legal requirements applicable to the NH Group are complied with, the consolidation perimeter is appropriate and that generally accepted accounting standards are applied correctly.

The Audit and Control Committee receives an annual report from the Internal Audit SVP on its assessment of the effectiveness of the SCIIF model, the weaknesses detected during internal audits, and the plans or actions already in place to remedy any detected weaknesses.

During 2018, the management and reporting of the SCIIF control activities, as well as their assessment and supervision, was performed through the SAP GRC tool.

The Audit and Control Committee supports and supervises the work of the Internal Audit department in its assessment of the SCIIF. The Committee proposes the selection, appointment and replacement of the body or person responsible for Internal Audit services, validates and approves the strategy, the Internal Audit plan and objectives for the year, and is responsible for evaluating the performance of the Internal Audit Department Manager annually.

The Internal Audit plan for assessing the SCIIF is submitted to the Audit and Control Committee for approval before being put into practice, in order to include all the considerations of the Committee.

The level of implementation of the relevant recommendations arising from the SCIIF is reviewed by the Audit and Control Committee at least once a year.

The Audit and Control Committee procedures are documented in the presentations made by said Committee and subsequently included in the corresponding signed minutes.

Internal Audit Function

Internal audits are carried out by the Group's Internal Audit Department, which reports functionally to the Audit and Control Committee and administratively to the General Secretariat. This hierarchical structure is designed to enable the Internal Audit function to remain structurally independent and to encourage direct communication to and from the Audit and Control Committee.

The Internal Audit function, via a team consisting of 10 auditors located in both Corporate and the business units, ensures, within reason, the effectiveness of the internal control system, supervising and evaluating the design and effectiveness of the risk management system applied to the company, including specific IT audits.

This function has internal auditing statutes which were updated in 2017 and have been formally approved by the Audit and Control Committee, and an internal audit manual which sets out the Department's working methods.

In relation to monitoring the SCIIF, the Internal Audit Department is responsible for:

- Independently evaluating the internal control model for financial reporting.
- Testing the assertions of the Board.
- Testing the effectiveness of internal controls in the companies within the scope of application, in a maximum period of one year.
- Helping to identify weaknesses in controls and reviewing action plans to correct inadequate controls.
- Conducting follow-up checks to see if weaknesses in controls have been properly remedied.
- Coordinating between the Board and the external auditor when clarification is needed on scope and testing plans.

Scope of SCIIF 2018

In 2018, the SCIIF model was implemented in the Latin American business unit, identifying the most critical controls to ensure the reasonableness of the reported financial information related to said business unit, and starting process of reporting the self-assessment of controls by the first line of defence. Likewise, the SCIIF controls report has been implemented and started for the Group companies that form the Coperama purchasing platform.

On the other hand, throughout 2018, the SCIIF controls self-assessment report identified in the Group were carried out, as well as those related to the human resources process performed in Spain.

With this, the Group's SCIIF covers the business units of Southern Europe (mainly Spain and Italy), Northern Europe (mainly Benelux and Central Europe), Latin America and Corporate. This implies the scope of all NH turnover, a portfolio of 301 hotels and 13 business cycles with great significance in the submission of financial reports.

A total of 447 control activities have been defined, divided between financial reporting and IT systems, classified as key and non-key controls. Those responsible for the controls have been defined at Corporate level, for Business Units and within the Shared Services Centre.

The reporting of control activities through the SAP GRC tool has been planned according to an internal control reporting schedule and in line with the execution frequency of the financial information controls. This calendar was shared by the Internal Control area with the users from the first line of defence at the beginning of 2018 so that each member carries out a self-assessment of the controls for which they are responsible, complying with the established reporting deadlines.

Different reporting activities have been designed in SAP GRC to assess the effectiveness and design of controls by the first line of defence, as well as the review of controls by Internal Control. Within the self-assessment report activity on the effectiveness of the controls, it includes the review on the evidence of the effective execution of the controls by the process owners associated with the control activities. This responsibility has been almost entirely assumed by the first line of defence.

During 2018, the Internal Control Department reviewed the evidence reported in SAP GRC for all the control activities reported throughout the year associated with the organisational units defined in the Group's risk and control matrix.

The review has detected weaknesses in internal controls and room for improvement in certain processes which do not have a significant impact on the quality of financial reporting, and action plans agreed with the bodies responsible for the controls have been proposed. Jointly with the Internal Control Department, the Internal Audit Department will check the implementation of these action plans during its regular tests of the SCIIF.

- F.5.2 If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Likewise, whether there is an action plan to correct or mitigate the weaknesses found.

The Audit and Control Committee meets periodically to review the regular financial reports. It also discusses matters relating to internal controls and/or other current initiatives.

The Financial Department, through the Chief Financial Officer, is responsible for notifying senior management of any important matter relating to the SCIIF and/or financial reporting through the meetings of the Management Committee.

All the weaknesses detected by the Internal Audit Department during its work are subject to recommendations and action plans agreed with the audited department. The Internal Audit Department supervises the implementation of the agreed actions and reports their status to the NH Group's various governing bodies (mainly the Audit and Control Committee).

The external auditor notifies the Audit and Control Committee of the conclusions of its audit procedures, and any other matters which may be considered important. The external auditor also has access to the Audit and Control Committee in order to share, comment on or report any aspects they consider necessary or pertinent. The external auditor, without breaching his/her independence, will participate in the dialogue with Management.

F.6. Other relevant information

None.

F.7. Report by the external auditor

Report from:

F.7.1 Whether the SCIIF reports sent to the markets have been reviewed by the external auditor, in which case the company must include the corresponding report as an appendix. If not, it must report its reasons.

The Group's Management has decided to submit the information relating to the SCIIF included in this section F of the Annual Corporate Governance Report for 2018, drawn up by the Company's Management, to the external auditor for review. This report is attached as an Annex.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations of the Code of Good Governance for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

Complies ☒ Explain ☐

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

- a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.

- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

- a) Changes that have occurred since the last General Shareholders' Meeting.

- b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies ☒ Partially complies ☐ Explain ☐

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies ☒ Partially complies ☐ Explain ☐

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies ☒ Partially complies ☐ Explain ☐

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

- a) Report regarding the auditor's independence.
- b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.
- c) Report by the audit committee regarding related-party transactions
- d) Report on the corporate social responsibility policy.

Complies ☒ Partially complies ☐ Explain ☐

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies ☒ Explain ☐

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies ☒ Partially complies ☐ Explain ☐

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies ☒ Partially complies ☐ Explain ☐

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) Immediately distributes the additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies ☐ Partially complies ☒ Explain ☐ Not applicable ☐

The Company complies with this Recommendation, except for paragraph c). With regard to the additional points proposed by Minor IPC to the Agenda of the Shareholders meeting, the voting rules for applied to these additional points were not the same ones as for the rest of point, in accordance with article 21.3 of the Shareholders Rules.

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies ☐ Partially complies ☐ Explain ☐ Not applicable ☒

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies ☒ Partially complies ☐ Explain ☐

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies ☒ Explain ☐

14. That the Board of Directors approves a selection policy for directors that:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
- c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies ☒ Partially complies ☐ Explain ☐

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies ☒ Partially complies ☐ Explain ☐

16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies ☒ Explain ☐

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies ☒ Explain ☐

18. That companies publish and update the following information regarding directors on the company website:

- a) Personal and biographical profile
- b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
- e) The shares and options they own.

Complies ☒ Partially complies ☐ Explain ☐

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies ☐ Partially complies ☐ Explain ☐ Not applicable ☒

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies ☒ Explain ☐

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

If a director is indicted or sent for trial for any of the offences provided for in company law, the board of directors shall examine the case as soon as possible and, based on the specific circumstances, decide whether the director should continue in their post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies ☒ Partially complies ☐ Explain ☐

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

24. When, due to resignation or for other reasons, a director vacates their post before the end of their term, they explain the reasons in a letter sent to every member of the board of directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies [X] Partially complies [] Explain [] Not applicable []

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies [X] Partially complies [] Explain []

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies [X] Partially complies [] Explain []

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies [X] Partially complies [] Explain []

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies [X] Partially complies [] Explain [] Not applicable []

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [X] Partially complies [] Explain []

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require

Complies [X] Explain [] Not applicable []

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies ☒ Partially complies ☐ Explain ☐

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies ☒ Partially complies ☐ Explain ☐

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies ☒ Partially complies ☐ Explain ☐

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies ☐ Partially complies ☐ Explain ☐ Not applicable ☒

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies ☒ Explain ☐

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity of membership and competence of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies ☒ Partially complies ☐ Explain ☐

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies ☐ Partially complies ☐ Explain ☐ Not applicable ☒

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies ☒ Partially complies ☐ Explain ☐

40. Under supervision of the audit committee, there is a unit that carries out the internal audit function, tasked with ensuring the proper functioning of the information and internal control systems and that functionally comes under the non-executive chairman of the board or of the audit committee.

Complies ☒ Partially complies ☐ Explain ☐

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:
 - a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
 - b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
 - c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.
2. With regard to the external auditor:
 - a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
 - b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
 - c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
 - d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.
 - e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies ☒ Partially complies ☐ Explain ☐

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies ☒ Partially complies ☐ Explain ☐

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.
- Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐
45. That the risk management and control policy identify, as a minimum:
- a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off-balance sheet risks.
 - b) Fixing of the level of risk the company considers acceptable.
 - c) Means identified in order to minimise identified risks in the event they transpire.
 - d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off-balance sheet risks.
- Complies ☒ Partially complies ☐ Explain ☐
46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:
- a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.
 - b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.
 - c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.
- Complies ☒ Partially complies ☐ Explain ☐
47. The members of the appointments and remuneration committee (or the appointments committee and remuneration committee, if they are separate) are appointed endeavouring to ensure that they have suitable knowledge, skills and experience for the functions that they are called to perform and that the majority of such members are independent directors.
- Complies ☒ Partially complies ☐ Explain ☐
48. That high market capitalisation companies have formed separate appointments and remuneration committees.
- Complies ☐ Explain ☐ Not applicable ☒
49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a

vacancy on the Board of Directors.

Complies

[X]

Partially complies []

Explain []

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Propose basic conditions of employment for senior management.
- b) Verify compliance with company remuneration policy.
- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies

[X]

Partially complies []

Explain []

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies

[X]

Partially complies []

Explain []

52.

That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

- a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
- b) That their chairmen be independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and the minutes be made available to all directors.

Complies

☐

Partially complies

☐

Explain

☐

Not applicable

☒

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:
- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
 - b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
 - c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
 - d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
 - e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.
 - f) Supervision and evaluation of the way relations with various stakeholders are handled.
 - g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.
 - h) Coordination of the process of reporting on diversity and reporting non- financial information in accordance with applicable rules and international benchmarks.
- Complies ☒ Partially complies ☐ Explain ☐

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

- a) The objectives of the corporate social responsibility policy and the development of tools to support it.
- b) Corporate strategy related to sustainability, the natural environment and social issues.
- c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
- d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.
- e) Means of supervising non-financial risk, ethics, and business conduct.
- f) Communication channels, participation and dialogue with stakeholders.
- g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies ☒ Partially complies ☐ Explain ☐

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies ☒ Partially complies ☐ Explain ☐

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies ☒ Explain ☐

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies ☒ Partially complies ☐ Explain ☐

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
- c) They are configured on the basis of a balance between the achievement of short, medium and long term objectives, which allows the output for continuous performance to be remunerated over a sufficient period of time to appreciate their contribution to sustainable value creation, so that the measurement elements of that performance do not solely revolve around specific, occasional or extraordinary events.

Complies ☐ Partially complies ☒ Explain ☐ Not applicable ☐

The Company's executive directors' short-term variable remuneration has ten per cent linked to the professional performance of the CEO, i.e. his performance assessment. The eight competences measured in this performance assessment are non-financial and are linked to predetermined and measurable performance criteria, as is recommended.

In relation to long-term variable remuneration, although it does not include non-financial criteria as a measure of achievement, it does include a "clawback" clause with an application period of two years from the end of each cycle and for which the payback of the award may be demanded in the following cases:

- i. Restatement of the Company's financial statements wherever not due to the modification of applicable accounting standards or interpretations.
- ii. The Executive Director being sanctioned for serious breach of the code of conduct and other internal regulations which may be applicable.
- iii. When the settlement and payment of the award was wholly or partially produced on the basis of information whose falsehood or serious inaccuracy is manifestly demonstrated a posteriori.

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies ☐ Partially complies ☒ Explain ☐ Not applicable ☐

There is no deferral scheme in the Company's current annual variable remuneration system for any of its participants. With long-term variable remuneration, its very nature allows the Company's performance to be seen in the medium and long term (3 years), in addition to ex post control instruments which would be activated when circumstances arise which make it evident that the payment was made on an erroneous premise.

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.

The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies ☐ Partially complies ☐ Explain ☒ Not applicable ☐

Both the 2014-2019 and 2017-2022 "Performance Shares" Plans establish the obligation to retain the shares delivered to the Executive Director for at least one year. In addition, the Executive Director will be obliged to hold an amount in shares equivalent to at least one year of fixed remuneration throughout their entire tenure. To determine compliance with this obligation, it considers the share price on the day they were delivered.

63. Contractual agreements include a clause that allows the company to claim repayment of the variable components of remuneration where the payment has not been adjusted to the terms for performance or where they were paid in the light of data which is later proven to be inaccurate.

Complies ☒ Partially complies ☐ Explain ☐ Not applicable ☐

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies ☐ Partially complies ☐ Explain ☒ Not applicable ☐

In no event will Ramón Aragonés Marín, the Executive Director appointed in 2017, be entitled to receive any compensation derived from the termination of his position and ending of such commercial relationship. However, the possible indemnities derived from an ending of the employment relationship will continue in effect during his term as Executive Director, recognising that period as time employed. Once ended, as appropriate, the business relationship will take over the labour relationship which was in effect between company and employee until the taking on of the new position in all its effects, except in serious and culpable breach and thus declared jurisdictionally.

With regard to the Executive Director who abandoned the Company in 2016, the eventual indemnity that could be paid is still outstanding to be decided by a court's resolution. The Company will inform immediately in case of any new circumstance that could arise herefrom and duly incorporate the information in the annual reports that may be due. Notwithstanding the aforementioned the maximum amounts that could become due have been provisioned in the Annual Accounts.

H. OTHER RELEVANT INFORMATION

1. If there are any aspects relating to the corporate governance of the Company or the Group's entities which have not been covered in the other sections of this report, but which are necessary to include in order to gather complete and detailed information on the structure and practices of the governance of the entity or the Group, please note them briefly.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In that case, indicate the code in question and the date it was subscribed to.
It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July 2010.

1. RELEVANT CORPORATE GOVERNANCE ASPECTS THAT HAVE NOT BEEN INCLUDED IN THE OTHER SECTIONS: SECTION A.3.:

SECTION A.3 The following is a breakdown of the number of direct shares held by each Board member listed in the reference section:

Mr Alfredo Fernández Agras: 150,000 shares

Mr Ramón Aragonés Marín: 31,514 shares. Additionally, Mr Aragonés holds a total of 157,251 Performance shares that may be executed as long as the stated objectives are met.

Ms Maria Grecna: 12,000 shares

Mr Paul Johnson: 9,116 shares

SECTION A.6.:

The following details the positions that Proprietary Directors who represent to the shareholder Minor IPC hold in companies belonging to its group and that for technical reasons could not be broken down in the reference section.

In view of the foregoing, it is reported that Mr Chojnacki is a Director of the following companies in the Minor IPC group: Anantara

Vacation Club (HK) Limited

Anantara Vacation Club (Cambodia) Co., Ltd.

Armin Systems Limited

Avadina Hills Co., Ltd.

Avani Lesotho (Pty) Ltd

Baan Boran Chiangrai Limited

Bai Dai Tourism Company Limited Barbaron

Beach Hotel MHG Limited Benihana UK

Limited

Catering Associates Limited

Coco Palm Hotel & Resort Co.,

Ltd Corbin & King Limited

Delicious Food Holding (Singapore)

Pte. Ltd. H & A Park Co., Ltd.

Harbour View Corporation

Hoi An River Park Company Limited

Hua hin Village Limited Huahin
Resort Limited
Jada Resort and Spa (Private) Limited
Kulutara Luxury Hotel (Private) Limited
Layan Bang Tao Development Co., Ltd.
Layan Hill Residence Co., Ltd.
Letsatsi Casino (Pty) Ltd
Liwa Minor Food & Beverages LLC
MFG International Holding (Singapore) Pte. Ltd.
MHG Australia Holding Pte. Ltd.
MHG Continental Holding (Singapore) Pte. Ltd.
MHG Desaru Hotel SDN. BHD.
MHG Desaru Villas SDN. BHD.
MHG Holding Limited
MHG International Holding (Singapore) Pte. Ltd.
MHG IP Holding (Singapore) Pte. Ltd
MHG Lesotho (Pty) Ltd MHG
Management Tunisia
MHG Npark Development Co., Ltd
MHG Perth Investments PTY LTD MI
Squared Limited
Minor Consultants and Service Limited
Minor Continental Portugal S.A.
Minor Corporation Pcl. Minor
Development Limited
Minor DKL Food Group Pty Ltd Minor
DKL Management Pty Ltd
Minor Food Group (Singapore) Pte. Ltd.
Minor Hotel Group Gaborone (Pty) Ltd
Minor Hotel Group Limited
Minor Hotel Group Management (Shanghai) Limited Minor
Hotel Group MEA DMCC
Minor Hotel Group South Africa Pty Ltd
Minor Hotels Zambia Limited
Minor Lifestyle Limited Mspa
International Cairo Mspa
International Limited
Mysale.co.th Limited
Navasri Manufacturing Limited
NYE and RGP Development Co., Ltd
Oaks Hotel & Resort Limited
PH Resort (Private) Limited
Plexus Maldives Pvt. Ltd.
PT Wika Realty Minor Development
Rajadamri Lodging Limited Rajadamri
Residence Co., Ltd
Rani Minor Holding II Limited
Ribs and Rumps Operating Company Pty Ltd Samui
Resort & Spa Limited
Sands Hotels (Pty) Ltd
Select Service Partner Limited
Sizzler China Limited
Tanzania Tourism & Hospitality Investments Limited TCC
Operations Pty Ltd
The Coffee Club Franchising Company Pty Ltd
The Sothea (K.V.) Pte. Ltd.
Zanzibar Tourism & Hospitality Investments Limited

Mr Heinecke holds the following positions in Minor IPC group companies:

Pacific Cross International Limited (Director)
Minor Holdings (Thai) Limited (Director)
Plu Luang Limited (Board Chairman)
Sri Bhathana Garden Limited (Director)
Minor BKH Limited (Board Chairman)
G5 Jets Limited (Director)
MD JETS Limited (Director)
MJETS Limited (Director)
MJETS Maintenance Limited (Director)
Phuket Vessel Holding Limited (Director)

Bravo Jets Limited (Director)
 Western - Mjets Limited (Director)
 Minor Food Group (Singapore)
 Pte., Ltd (Director)
 Minor DKL Food Group Pty.Ltd (Director)
 Benihana Asia Pte.Ltd (Director)
 Benihana Holding Pte. Ltd (Director)
 Benihana UK Limited (Director)
 Chao Phaya Resort & Residence Limited (Board Chairman)
 Rajadamri Residence Limited (Board Chairman)
 Zuma Bangkok Limited (Director)
 Panaram Limited (Director)
 Chao Phaya Resort Limited (Director)
 Maerim Terrace Resort Limited (Board Chairman)
 Arabian Spas (Dubai) (LLC)(Director)
 MSpa Ventures Limited (Board Chairman)
 Eutopia Holdings Private Limited (Director)
 Harbour View Corporation (Director)
 Jada Resort and Spa (Private) Limited (Director)
 Tanzania Tourism and Hospitality Investment Limited (Director)
 Zanzibar Tourism and Hospitality Investment Limited (Director)
 O Plus E Holdings Private Limited (Director)
 PH Resorts (Private) Limited (Director)
 Per Aquum Management JLT (Director)
 Sea Fly Limited (Director)
 MHG Desaru Hotel SDN.BHD (Director)
 MHG Desaru Villas SDN.BHD (Director)
 R.G.E. (HKG) Limited (Board Chairman)
 Plexus Maldives Pvt Ltd (Director)
 CARDAMON Tented Camp Co.,Ltd.(Director)
 Corbin & King Limited (Director)

Finally, to state that Mr Dillipraj Rajakarier is a Director of the following Minor IPC group companies: Minor Hotel Group

Limited
 Samui Beach Residence Limited
 Samui Beach Club Owner Limited
 Coco Residence Limited
 Coco Recreation Limited
 Chao Phaya Resort and Residence Limited
 M Spa International Limited
 Hua Hin Resort Limited
 Hua Hin Village Limited
 Baan Boran Chiangrai Limited
 Samui Resort and Spa Limited
 Coco Palm Hotel & Resort Limited
 MHG Phuket Limited
 MI Squared Limited
 Phuket Beach Club Owner Limited
 Rajadamri Lodging Limited
 Rajadamri Residence Limited
 Zuma Bangkok Limited
 Chao Phaya Resort Limited
 Maerim Terrace Resort Limited
 MHG Holding Limited
 MHG Npark Development Company Limited
 NYE and RGP Development Co.,Ltd.
 Avadina Hills Co., Ltd.
 Layan Hill Residence Co., Ltd.
 Layan Bang Tao Development Co., Ltd.
 H&A Park Co.,Ltd.
 M&S Realty Co.,Ltd.
 Arabian Spas (Dubai) (LLC)
 Hoi An River Park Company Limited
 Anantara Vacation Club (HK) Limited
 Anantara Vacation Club (Cambodia) Co.,Ltd.
 Sanya Anantara Real Estate Limited
 Minor Hotel Management (Shanghai) Limited
 MSpa Ventures Limited
 Oaks Hotels & Resorts Limited
 Eutopia Holdings Private Limited
 Harbour View Corporation Limited

Jada Resort and Spa (Private) Limited
Kalutara Luxury Hotel & Resort (Private) Limited
Tanzania Tourism and Hospitality Investment Ltd
Zanzibar Tourism and Hospitality Investment Ltd.
O Plus E Holdings Private Ltd.
Rani Minor Holding Limited
The Sothea (K.V.) Pte Ltd.
PH Resorts (Private) Ltd.
Per Aquum Management JLT
Rani Minor Holding II Limited
Minor Hotel Group South Africa (PTY) Limited
Minor Hotel Group MEA DMCC
MHG Desaru Hotel Sdn. Bhd.
MHG Desaru Villas Sdn. Bhd.
M SPA International Cairo LLM
PT Wika Realty Minor Development
Minor Continental Portugal S.A.
Minor Hotels Zambia Limited
Avani Lesotho (Pty) Ltd
MHG Lesotho (Pty) Ltd
Minor Hotel Group Gaborone (Pty) Ltd
R.G.E. (HKG) Limited
Plexus Maldives Pvt. Ltd
MHG Management Tunisia
Corbin & King Limited
(Formerly known as Minor C&K Limited)
Barbarons Beach Hotel MHG
Letsatsi Casino (Pty) Limited
Sands Hotels (Pty) Limited
MHG Perth Investments Pty Ltd
MHG Australia Investments Pty Ltd

SECTION C.1.10

At the approval date of this Annual Corporate Governance Report, Mr Ramón Aragonés no longer held any position at JV Grand China Hotel Management (CHINA), due to the fact that NH has sold his stake in the mentioned company.

SECTION C.1.29

Notwithstanding the fact that during 2018 Mr Pedro Ferreras Díez had been acting as Board Secretary, the Board of Directors meeting held on 7 February 2019, following a favourable report from the Appointments, Remuneration and Corporate Governance Committee, appointed Mr Carlos Ulecia Palacios as new Secretary of NH, following the resignation tendered by Mr Ferreras.

SECTION C.2.1.

The reference section shows the make up of the Audit and Control Committee on 31.12.2018. It is reported that the Board of Directors, at its meeting held on 7 February 2019, approved the appointment of Mr Stephen Andrew Chojnacki, following the resignation tendered by Mr José María Sagardoy Llonis.

With regard to the make up of the Appointments, Remuneration and Corporate Governance Committee, it is noted that, during the aforementioned session, the Board of Directors approved the appointment of Mr Stephen Andrew Chojnacki as a new member of the aforesaid Committee.

During the aforementioned meeting, the Board unanimously approved assuming all the functions that are its own, so the Executive Committee has ceased its activities, with all members having submitted their respective resignations, namely Mr Ramón Aragonés, Mr Dillip Rajakarier and Mr Paul Daniel Johnson.

SECTION D.2

The first Related Transaction described under this paragraph is the one entered into between Grupo Inversor Hesperia, S.A. and NH Hotel Group, S.A. and correspond to the management fees charged by NH Hotel Group, S.A, under the Framework Contract for Transaction and Global Hotel Management signed between the parties.

As a result of the change of control of the NH Group on 30 November 2018, the effective termination of all the management contracts defined in the framework contract entered into in 2017 with Grupo Inversor Hesperia, S.A. was formalised for the management of 28 hotels for a period of nine years, which until then had been managed by the NH Group as this contract included an early termination clause in the event of a change of control of the NH Group.

As a result of this termination, the Group has de-recognised the net book value of the activated management contracts amounting to 30.4 million euros. In the same way, a revenue of 33 million euros has been recorded corresponding to the "Net Price Refund Amount" defined in the framework contract, which includes the receipt of an advance indemnity revenue amounting to 20 million euros, the settlement of the pending payment by NH related to the premiums for contracts amounting to 11,560 thousand euros, which was recognised under "Other Financial Liabilities" in the consolidated balance sheet at 31 December 2017, and the sale of the Hesperia brand, the net book value of which amounted to 45 thousand euros, for an amount of 1.4 million euros. The net effect of 2.6 million euros of revenue arising from the early cancellation of the contract entered into with GIHSA, before its tax impact, is recognised under "Net result on disposal of assets" of the 2018 consolidated comprehensive profit and loss statement has been included under paragraph D.2.

At 31 December 2018, 178 thousand euros had not yet been paid in respect of the audit requested by Minor IPC following the takeover. This amount will be refactured from NH to Minor IPC:

Finally, it is stated that on 7 February 2019 NH Hotel Group, S.A. Minor IPC entered into i) a Framework Agreement that aims to establish a transparent framework of relations between the Company and Minor and its group companies, in order to regulated, among others the allocation of costs between the parties, all in compliance with the provisions of the Second Recommendation of the Code of Good Corporate Governance of Listed Companies and ii) a reciprocal trademark licence agreement, whereby both parties licence the use of their respective trademarks in the geographical areas where the other party operates. Said agreements were duly approved by the Board of Directors following a favourable report from the Audit and Control Committee and notified through the Relevant Fact on 7 February 2019.

SECOND RECOMMENDATION

As a result of the takeover bid by Minor Group and whose result was reported by the CNMV through the Relevant Fact on 26 October 2018, both parties, in their capacity as listed companies and in compliance with the provisions of the Second Recommendation, have entered into a Framework Agreement whose objective is to regulate the relations between the Company and Minor whereby, following the best practices of corporate governance:

- (i) the scope of action of the respective hotel groups headed by NH and Minor, respectively, is delimited through the identification of preferred geographical zones or areas;
- (ii) the necessary mechanisms to prevent and respond to possible conflicts of interest are governed, as well as carrying out operations with related parties and developing business opportunities; and
- (iii) the commitments related to the exchange and provision of information by NH and its processing are established.

The signing of the aforesaid Framework Agreement by the parties was duly communicated to the CNMV by means of a Relevant Fact on 7 February 2019.

RECOMMENDATION 37

At 31 December 2018, the Executive Committee did not represent the same categories as the ones represented in the Board. Nevertheless the Board during its meeting on 7 February 2019, unanimously approved assuming all the functions that are its own, so the Executive Committee has ceased its activities, with all members having submitted their respective resignations, namely Mr Ramón Aragonés, Mr Dillip Rajakarier and Mr Paul Daniel Johnson. That's the reason why the answer to the Recommendation is to state "not applicable"

RECOMMENDATION 47

At 31 December 2018, the Appointments, Remuneration and Corporate Governance Committee was made up of two members (both Independent Directors), as well as its non-Director Secretary. This situation is brought about by the takeover bid of shares acquired by MHG Continental Holding (Singapore) Pte Ltd, which has led, among others, to the exit of the Directors representing the shareholder Grupo Inversor Hesperia, S.A. Therefore, on 12 November 2018, Mr Jordi Ferrer Graupera, ceased to be a member of the Appointments, Remuneration and Corporate Governance Committee, on behalf of the Grupo Inversor Hesperia, S.A.

On 7 February 2019, the Board of Directors unanimously approved the appointment of Mr Stephen Andrew Chojnacki as the new member.

This appointment complies with the recommendation, given that the majority of its members are Independent Directors and all members have the knowledge, aptitudes and experience suitable to properly perform their duties.

2. CODES OF ETHICAL PRINCIPLES AND GOOD PRACTICES

NH Hotel Group, S.A. it is a member of the United Nations Global Compact and supports and contributes to the Sustainable Development Goals (SDGs) that contemplate the protection and promotion of fundamental human rights.

Another global frame of reference for NH is the Global Code of Ethics for Tourism, approved in 1999 by the United Nations World Tourism Organization (UNWTO) Assembly. It is a set of 10 principles designed to guide the main tourism development actors, helping to maximise the benefits of the sector, while minimising its impact on the environment, cultural heritage and local communities.

In this vein, in September 2012, NH joined ECPAT (End Child Prostitution, Child Pornography and Trafficking of Children for Sexual Purposes) to protect children against sexual exploitation in tourism; also promoted by UNWTO and UNICEF.

NH is part of the International Tourism Partnership (ITP), a global platform for leading companies in the hotel sector that share a common commitment to social responsibility and sustainability. This organisation establishes four main goals, among which is the protection and promotion of human rights, a target that NH endorses and supports.

In 2018, the 16 NH hotels in Mexico initiated a process to voluntarily adhere to the National Code of Conduct for the protection of children and adolescents in the travel and tourism sector that aims to prevent and combat it with special emphasis on child exploitation. It is promoted by the Secretariat of Tourism of the Government of the Republic (SECTUR). In addition, training will be offered to employees in the prevention of human trafficking and child exploitation.

The Company participates in various forums and projects to promote the fight against climate change and the reduction of carbon emissions.

Finally, since 2015, NH has adhered to the 20 July 2010 Code of Good Tax Practices.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on.

[25/02/2019]

State whether any directors voted against or abstained from voting on this report

[] YES
[v] No