

ANNUAL REPORT OF THE NOMINATIONS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE OF NH HOTEL GROUP, S.A. FOR THE YEAR 2018

1.- Introduction

The Nominations, Remuneration and Corporate Governance Committee of NH Hotel Group, S.A. issues this Report on operation and compliance of its goals during the year 2018 (hereinafter the “**Report**”).

The object of the Report is to give an account of the activity carried out by this Commission to the Board of Directors, in accordance with the provisions of Recommendation 6 of the Code of Good Governance for Listed Companies (hereinafter “**Code**”), approved by a Resolution of the Board of the CNMV dated 18 February 2015.

The composition, competence and operation of the Nominations, Remuneration and Corporate Governance Committee are regulated in article 47 of the Articles of Association and article 26 of the Board Regulations.

2.- Composition of the Nominations Remuneration and Corporate Governance Committee

At 31 December 2018 the Nominations, Remuneration and Corporate Governance Committee consisted of 2 members, as well as the Secretary who is not a member. This situation is a result of the public takeover bid made by MHG Continental Holding (Singapore) Pte. Ltd. which has led, among others, to the dismissal of the Directors who represented the shareholder Grupo Inversor Hesperia, S.A.. Accordingly, on 12 November 2018 Mr Jordi Ferrer Graupera ceased to be a member of the Nominations, Remuneration and Corporate Governance Committee representing Grupo Inversor Hesperia, S.A.

As a result of the above, the composition of the Committee at 31 December 2018 was the following:

Chairman: Mr José Maria Sagardoy (Independent)

Members: Mr José María Cantero de Montes-Jovellar (Independent)

Secretary: Mr Carlos Ulecia Palacios

Notwithstanding the aforementioned, on the 7th February 2019 the Board of Directors has approved the appointment of Mr Stephen Chojnacki as a new member of the referred Committee. As a consequence thereof the composition of the Committee meets with the legal requirements set forth under the Company's Act (*Ley Sociedades de Capital*) as it establishes that the Committee needs to be composed by a number of members between three and six, with the category of non executive, appointed by the Board. Two of them need to be necessarily Independent Board members.

3.- Competences

The Nominations, Remuneration and Corporate Governance Committee is governed by the functions attributed to it by both ruling legislation and the Articles and Association and the Board Regulations, which comprise at least the following competences:

1. Evaluate the necessary competence, knowledge and experience on the Board of Directors. For these purposes, it will define the functions and aptitudes necessary in the candidates who are to cover each vacancy and will evaluate the time and dedication required to discharge their duties efficiently.
2. Establish a representation target for the least-represented gender on the Board of Directors and draw up guidelines on how to reach that target.
3. Submit proposals to the Board of Directors for the appointment of Independent Directors to be appointed by co-optation or to be submitted to the decision of the General Shareholders' Meeting, together with proposals for the re-election or removal of such Directors by the General Shareholders' Meeting.
4. Report on the proposals for the appointment of the other Board members to be appointed by co-optation or to be submitted to the decision of the General Shareholders' Meeting, together with proposals for their re-election or removal by the General Shareholders' Meeting.
5. Report on the proposals for the appointment and removal of senior executives and the basic conditions of their contracts.
6. Examine and organize the succession of the Chairman of the Board of Directors and of the Chief Executive Officer of the Company and, as the case may be, submit proposals to the Board of Directors so that this succession takes place in an orderly and planned manner.
7. Propose to the Board of Directors the remuneration policy for Directors and general managers or whoever carries out their senior management functions depending directly on the Board, Executive Committees or Managing Directors, as well as the individual remuneration and other contractual conditions of Executive Directors, ensuring that this policy is followed.

8. Supervise and control compliance with the corporate governance rules and with the corporate social responsibility policy and plan, proposing the necessary Briefs and Reports to the Board.
9. Evaluate periodically the suitability of the corporate governance system to ensure that it fulfils its mission of promoting the corporate interest.

All the actions carried out by the Nominations, Remuneration and Corporate Governance Committee will be reported to the Board of Directors at the first meeting held by the Board, and the corresponding documentation shall in any case be made available to the Board so that it can be informed of such actions in order to carry out its duties.

4.- Operation

The Nominations, Remuneration and Corporate Governance Committee will meet as often as the Chairman considers appropriate, or when requested by two of its members with voting rights or the Board of Directors.

Furthermore, members of the Board of Directors who are not members of the Committee may attend the meetings of the Nominations, Remuneration and Corporate Governance Committee occasionally, at the Committee Chairman's invitation.

5.- Activities carried out during 2018

During 2018 the Nominations, Remuneration and Corporate Governance Committee has held 6 meetings and dealt with the following matters:

- Review and approval of the remuneration of the Board and Senior Management
- Analysis, verification and approval of the following Annual Reports 2017: (a) Annual Corporate Governance Report, (b) Annual Report of the Audit and Control Committee, as well as of the Nominations, Remuneration and Corporate Governance Committee, (c) Annual Report of remuneration of Directors, (d) Remuneration Policies, (e) Social Corporate Responsibility's Report.
- Approval of the settlement of the Long-Term Incentive 2015-2017
- Proposal and approval of the variable settlement 2017 of the Executive Director, following the evaluation of his performance.
- Settlement of the targets linked to the annual variable remuneration of the Executive Director related to 2017 and approval of the new targets for 2018. In

addition the Committee informed about the settlement of the variable remuneration of the Management Team related to 2017 and the proposed targets for 2018.

- Analysis of the level of compliance of the targets of the Management Team in line with the Company's variable remuneration plan.
- Proposal and approval of an extraordinary gratification to the members of the Board, as a consequence of their high level commitment and responsibility during 2017.
- Evaluation of the Board of Directors. Following the mandate contained in Article 529 *nonies* of the Companies Act, and in Recommendation 36 of the Code of Good Governance of Listed Companies. Once again the Committee has received the collaboration of an external advisor giving more transparency and objectivity to the entire process.
- Approval of the reports regarding renovations, ratifications and appointments of Directors.

Madrid, 22 February 2019